TAI PING

Tai Ping Carpets International Limited
Annual Report 2009

Incorporated in Bermuda with Limited Liability
Stock Code: 146

VISION

Tai Ping will be a world leader in the creation and distribution of exceptional products and services for interiors, acting through a constellation of prestigious products and brands. Tai Ping will be a vibrant, well-respected, innovative company with an ambitious and realistic strategy for continued long-term prosperity.

We will build our carpet businesses by extending our geographic reach, expanding our product offering, strengthening our brand positions and continuing to set the bar for quality and design excellence. We will also seek out new opportunities in related product categories, thereby leveraging our relationships and expertise into the broader realm of interior design.

We will focus on a sophisticated, international clientele, which we will serve through an array of brands, each representing the Tai Ping standard of excellence.

In attaining our vision, we will hold steadfast to our ideals and to the well-being of our employees.


Mandarin Oriental, Barcelona

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Tai Ping at-a-Glance

Tai Ping is Asia's premier carpet manufacturer and is a leader in the international custom carpet industry. The Company was founded in 1956 by a group of visionary businessmen and has been publicly traded since 1973. The Company's shares are traded under stock code 146 on The Stock Exchange of Hong Kong Limited.

The Company has grown from a small cottage industry making traditional Chinese knotted rugs to a vertically integrated, full-service manufacturer of hand tufted, machine woven and tufted carpets with myriad variety and sales in over 100 countries.

Tai Ping offers its customers access to a full range of quality floorcovering products, from luxury to affordable, appropriate for every commercial and residential environment. The Company's global network attends to customer needs with unparallelled attention to detail, providing a full service from custom design through post-installation services. With its superior design and manufacturing capabilities, Tai Ping can transform the most complicated custom design into a work of art for the most discerning buyer.

Financial Highlights

In thousands of Hong Kong Dollars except per share amounts

		2009	2008
Per share	Net worth per share (HK$)	**4.89**	4.74
	Basic earnings per share (HK cents)	**18.84**	39.34
	Final dividend declared per share (HK cents)	**9.0**	9.0
For the year	Turnover	**1,117,673**	1,320,044
	Profit for the year	**40,187**	84,153
	Profit attributable to owners of the Company	**39,968**	83,465
	Earnings before interest, tax, depreciation & amortisation	**136,934**	183,153
	Additions to property, plant & equipment, construction in progress and intangible assets (other than goodwill)	**32,028**	72,579
As at 31 Dec	Capital & reserves attributable to the Company's owners	**996,985**	966,383
	Shares in issue (in thousands)	**212,187**	212,187
Ratio	Return on capital & reserves attributable to owners	**4.0%**	9.0%

Five-year Consolidated Financial Summary

Year ended 31 December

Assets & Liabilities

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Total assets	**1,271,904**	1,290,550	1,205,305	1,047,655	990,721
Total liabilities	**235,356**	285,147	271,146	240,590	279,250
Total equity	**1,036,548**	1,005,403	934,159	807,065	711,471

Consolidated Income Statement

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Profit attributable to:					
Owners of the Company	**39,968**	83,465	89,169	32,694	27,646
Minority interests	**219**	688	4,802	4,326	6,808
	40,187	84,153	93,971	37,020	34,454

Peninsula, Shanghai

Chairman's Statement

Tai Ping's brand identity as a leader in the international luxury category has served it well during an enormously challenging economic period. While our business has certainly been hit by the global economic downturn, we have fared considerably better than our competitors, and stand poised for recovery and growth in 2010.

In November 2009, we made the decision to dispose the assets of White Oak Carpet Mills, Inc, a non-core strategic business located in North Carolina, United States to an independent third party for a very favourable price.

The Commercial division announced a major milestone in both business and sustainability in 2009. Our Axminster product was approved for the sustainability rating NSF-140, an accreditation awarded by American National Standards Institute to the companies being social, economic and environmental responsible. This award gave Tai Ping the distinction of being the only Axminster producer in the world to have achieved it. The Contract division, the Company's newest business, launched three wool carpet tile collections in 2009. With a design-driven approach which will distinguish us in this category.

The Yacht and Aviation businesses were high performers for the Residential & Boutique Contract division, achieving a combined 18% growth in 2009; the Yacht business alone expanded significantly with 10% growth. The robustness of these sectors in 2009 points to even greater gains in the future as the economy recovers.

Maintaining an aggressive and strategic global marketing campaign despite challenging economic circumstances allowed Tai Ping to develop its brand awareness and enhance its image in 2009. Tai Ping's participation in high-profile, prestigious design events, such as the co-branded Tai Ping and Swarovski Crystal Palace exposition at the Milan International Furniture Fair, built awareness and editorial presence for the Company. Tai Ping continued to publish and distribute elegant sales material, catalogues and collateral, which have become ambassadors for the brand in countless design studios worldwide. Tai Ping's public relations program continued to yield a constant stream of editorial placements throughout the United States, Europe and Asia.

While the global outlook for 2010 presents continuing economic and environmental challenges, Tai Ping will continue to rely on its greatest attributes: premium quality and design, outstanding customer service and targeted sales and marketing strategies.

On behalf of the Board, I would like to thank all Tai Ping staff for their hard work and dedication in 2009. I am also grateful to the Directors for their invaluable support and advice during this past year.

Nicholas T. J. Colfer
Chairman

Hong Kong, 16 April 2010

Management Discussion & Analysis

The Group's consolidated turnover for the year ended 31 December 2009 was HK$1,118 million, a year-on-year decrease of 15% or HK$202 million. This was due mainly to adverse global economic circumstances, which led to the delay or cancellation of projects in key sectors. The gross profit margin, however, increased slightly to 44% in 2009, which was mainly attributable to a favourable product mix and improved production efficiencies.

The Group recorded an operating profit of HK$23 million in 2009, a drop of 43% compared to HK$40 million in 2008. The relatively significant decrease in operating profit was mainly due to lower turnover and higher operating costs incurred for business/product development, which lays a foundation for future growth.

Share of profits of the jointly controlled entities was also significantly lower in 2009. The decline in profit share from the jointly controlled entities amounted to HK$41 million in 2009, a year-on-year decrease of 37% from HK$65 million in 2008. The drop was attributable to several factors: the unfavourable global economy; reduced local market demand after the Beijing Olympic Games; and the gain arising from the sale of the old factory and facilities in 2008.

As a result, profit attributable to owners amounted to HK$40 million, a decrease of HK$43 million, or 52%, as compared with HK$83 million in 2008.

Carpet Operations

Turnover of the carpet operations decreased by 12%, or HK$153 million, to HK$1,086 million in 2009, which was attributable to the global economic downturn and decline in the hospitality sector.

The Americas accounted for 44% of total carpet turnover in 2009, while Asia and Europe/Others accounted for 33% and 23% respectively. In 2008, the corresponding shares of total carpet turnover by the Americas, Asia and Europe/Others were 48%, 32% and 20% respectively.

The gross profit margin in 2009 was maintained at 43%, despite a very challenging economic climate. This was mainly due to a favourable product mix.

The operating profit of the carpet operations decreased by HK$9 million, or 27%, to HK$23 million year on year.

The Americas

The U.S. remained the Group's largest market in 2009, accounting for 44% of total carpet turnover. Carpet turnover in the U.S. was HK$441 million, a 22% decrease year-on-year. This is attributable to the decrease in business in the hospitality and casino sectors, which were especially affected by changes in the global economy.

Turnover of the U.S. Commercial business dropped by 27% to HK$238 million. Operating results reduced by 38% in 2009, mainly due to a lower gross profit margin in certain market sectors.

The U.S. Residential business posted only a slight decline in sales due to strong performance in the Aviation business, which doubled its sales in 2009. Turnover in 2009 was HK$172 million, 10% lower than 2008, with improved profit margins. The operating profit of the U.S. Residential business was lower by 14%. This is attributable to the investment made to relocate the Dallas showroom and attendant marketing expenses incurred to strengthen brand awareness.

J.S.L. Carpet Corporation ("JSL"), a U.S.-based wholesale distributor of high-end custom carpets and rugs, was acquired in 2008. JSL recorded a decline in turnover of HK$23 million, or 43%, to HK$31 million in 2009. The decrease was attributable to the unfavourable market environment and established ineffective selling techniques. Therefore an experienced sales team was recruited in 2009 and marketing strategies were adjusted to strengthen sales capabilities.

The Group established an office in Argentina in 2008 to actively pursue Commercial business opportunities in Latin America. Total sales recorded during the year amounted to HK$29 million, a slight fall of HK$2 million, or 6%.

Asia

In Thailand, the Group is a dominant player in the domestic market selling under the CarpetsInter brand. Turnover in the South East Asia region in 2009 showed a reasonable decline of 8%. The net decrease is attributable to the weak demand in Thailand's domestic market; sales in Thailand reduced by 17%. However, 2009 turnover in Singapore posted a remarkable increase of HK$30 million, from HK$1 million to HK$31 million, as Tai Ping was awarded Marina Bay Sands, the largest hospitality project in the South East Asia region.

Turnover of Commercial and RBC sales in Hong Kong, Macau and China showed a slight increase of 3% from HK$85 million to HK$87 million. Most notably, sales in the China market nearly doubled due to the awards of several large hotel projects in Southern China.

Europe/Others

In 2009 turnover in Europe and the Middle East amounted HK$191 million, a year on year increase of 1%.

Turnover of the Residential business in Europe showed a significant growth of 17% because of strong demand in the boutique hotel and luxury retail markets. The Yacht and Aviation business achieved strong growth of 18%. Turnover in the Middle East showed a sharp increase of 63% after several years of active marketing and investment. In 2009, Tai Ping was awarded prestigious projects in the region including the Burj Tower in Dubai and a private air terminal in Doha, Qatar.

While the Commercial business in Europe remained highly competitive and price-sensitive in general, turnover decreased by 29%.

The gross profit margins of both the Residential and Commercial businesses in 2009 were similar to 2008 levels because of enhancement of product quality and service support.

Jointly Controlled Entities

Combined turnover of the three jointly controlled entities in China was lower by 22% to HK$860 million in 2009. This drop can be explained by the joint forces of difficult economic circumstances and intense competition in the China market. While the domestic market remained highly price-sensitive and competitive, the gross profit margin of the jointly controlled entities remained stable when the production was centralised in the new factory premises in 2008.

When the old factory site and premises were sold in 2008, the Group recorded a share of gain of HK$17 million. As a result, in 2009 the Group's share of the profit after income tax expenses of the jointly controlled entities amounted to HK$41 million, which was 37% lower than the 2008 amount (HK$65 million).

Marketing & Branding

2009 was a successful year for global marketing and branding efforts.

Key growth drivers included a successful strategy of increasing international brand awareness through large-scale, co-branded design events. A key example of this program was Tai Ping's collaboration with world-renounced industrial designer Arik Levy and Swarovski Crystal Palace at the Salone Internazionale del Mobile in Milan.

An ongoing aggressive worldwide public relations campaign resulted in continuous editorial placements in top-tier design and lifestyle magazines throughout Asia, Europe and the United States. The media relations campaign was complemented by an experimental web marketing campaign that helped drive new visitors to the newly-launched website through a network of electronic newswires and .net websites.

New RBC collections for Tai Ping and Edward Fields launched with elegant, distinctive brochures and catalogues. For the Commercial division, an innovative Commercial Collection Catalogue was developed. The Contract division introduced the first three wool collections of carpet tiles, each packaged in a sophisticated folder with accompanying brochure. All of these initiatives helped to further expand brand awareness in the global marketplace.

On the "green" front, Tai Ping's strategy is to focus on key environmental initiatives and improvements, such as achieving NSF Silver certification. The significance and impact of this accomplishment will be communicated with a newly created sustainability blog to be updated monthly.

Plans in 2010 include the ongoing development of innovative and exciting sales tools to support sales on a global level.

Yarn Operation

Premier Yarn Dyers, Inc. ("PYD"), which operates the Group's U.S.-based yarn-dyeing facilities, recorded a decrease in sales and operating profit of 50% and 77%, respectively. Turnover and operating profit in 2009 amounted to HK$31 million (2008: HK$62 million) and HK$2 million (2008: HK$9 million). The decline in sales of PYD was a direct consequence of the decrease in demand in the mass carpet market in the U.S., with fewer dyeing orders contracted out by other carpet companies.

Other Operations

The relative importance of other businesses continues to decline as the Group maintains its focus on growing the core carpet operations and disposing of non-core businesses and assets. Turnover of other such businesses in 2009 decreased significantly by 97% year on year because the Group had terminated the mattress operation in China and sold the business to certain independent third parties in 2008.

In December 2009, the Group entered into two sales and purchase agreements with independent third parties to dispose of all investment properties. The disposal was completed in February 2010.

Capital Expenditure

Capital expenditure in the form of property, plant & equipment, construction in progress and intangible assets (other than goodwill) incurred by the Group totalled HK$32 million in 2009 (2008: HK$73 million). As at 31 December 2009, the aggregate net book value of the Group's property, plant & equipment, investment properties, leasehold land & land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK$352 million (2008: HK$381 million).

Liquidity & Financial Resources

The Group coordinates its financing and cash management activities at the corporate level, and usually funds its business with internally generated cash flows and through banking facilities at various subsidiaries.

As at 31 December 2009, the Group had total cash and bank balances amounting to HK$105 million (2008: HK$115 million).

As at 31 December 2009, the Group also held financial assets at fair value through profit or loss of HK$87 million (2008: HK$59 million).

Details of Charges on the Group's Assets

The Group had charges on bank deposits of HK$5 million made to a bank to secure banking facilities granted to the Group.

Exposure to Foreign Exchange Risks

The Group has overseas operations in the U.S., Europe, Thailand, the PRC, Singapore, India and Argentina. The Group treats its investments in these foreign operations as permanent equity, so exchange differences from translating the net investments in these foreign operations do not affect cash flows and are dealt with in the reserves.

The Group's sales are denominated primarily in U.S. Dollars, and to a lesser extent in Thai Baht, Euro and Pound Sterling. The operations in Singapore, India and Argentina are not significant in terms of the Group's results.

The Group recorded net exchange gain of HK$1 million, arising from overseas operations in 2009, which related mostly to Europe.

It is expected that the exchange market may continue to be highly volatile in 2010, and the Group will closely monitor the exchange rate movements and take appropriate action to manage any material exposure that may arise.

Employee & Remuneration Policies

As at 31 December 2009, the Group employed 3,200 employees (2008: 3,400 employees). Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as an annual incentive to reward and motivate individual performance. Staff costs and retirement benefit costs for 2009 totalled HK$361 million (2008: HK$364 million) and HK$11 million (2008: HK$8 million) respectively.

Contingent Liabilities

As at 31 December 2009, the Group's total contingent liabilities amounted to HK$40 million (see Note 40 to the financial statements for full disclosure) (2008: HK$24 million).

James H. Kaplan
Chief Executive Officer

Hong Kong, 16 April 2010


Peninsula, Shanghai

Board of Directors

Chairman & Non-executive Director

Nicholas T. J. Colfer: aged 50; Chairman since 2005; Non-executive Director since 2003. Executive Committee. Mr. Colfer is a Director of Sir Elly Kadoorie & Sons Limited, a Non-executive Director of The Hongkong & Shanghai Hotels, Limited and serves on several other corporate boards in Hong Kong. He holds a Master of Arts Degree from the University of Oxford.

Chief Executive Officer & Executive Director

James H. Kaplan: aged 54; Executive Director and Chief Executive Officer since 2003. Executive Committee. Prior to joining the Company, Mr. Kaplan was Divisional Vice-President of the high-end global furniture manufacturer Knoll International. He holds a Bachelor of Arts Degree from Lafayette College.

Non-executive Directors

Ian D. Boyce: aged 65; Non-executive Director since 1999.
Mr. Boyce is Chairman of Sir Elly Kadoorie & Sons Limited, a Non-executive Director of CLP Holdings Limited and Deputy Chairman of The Hongkong & Shanghai Hotels, Limited. He is a Chartered Accountant with extensive investment banking experience.

Lincoln K. K. Leong: aged 49; Non-executive Director since 1997.
Mr. Leong is the Finance and Business Development Director of MTR Corporation Limited and a Non-executive Director of Hong Kong Aircraft Engineering Company Limited. He is a Chartered Accountant and holds a Master of Arts Degree from the University of Cambridge. He is the elder brother of Mr. Nelson K. F. Leong.

Nelson K. F. Leong: aged 46; Alternate Director to his brother Lincoln K. K. Leong since 1998. Executive Committee.
Mr. Leong is a Director of a number of companies involved in real estate in Hong Kong and North America. He holds a Master of Business Administration Degree from the University of Toronto and a Bachelor of Arts Degree from Brown University.

David C. L. Tong: aged 39; Non-executive Director since 1997. Executive and Remuneration Committee.
Mr. Tong is a Director of Sir Elly Kadoorie & Sons Limited and serves on several other corporate boards in Hong Kong. He is a Chartered Engineer and holds a Bachelor of Engineering Degree from the University of London.

John J. Ying: aged 47; Non-executive Director since 1999. Executive and Audit Committee.
Mr. Ying is the Managing Director of Peak Capital, an established private equity firm focused on investments in Greater China, Chairman of The Hong Kong Ballet, Chairman of the Investment Committee of the Hong Kong International School and a Director Emeritus of the Graduate Executive Board of the Wharton School. He holds a Master of Business Administration Degree from the Wharton School, a Master of Arts Degree from the University of Pennsylvania, and a Bachelor of Science Degree from the Massachusetts Institute of Technology.

Independent Non-executive Directors

Yvette Y. H. Fung: aged 48; Independent Non-executive Director since 2004. Remuneration Committee.
Mrs. Fung is an Independent Non-executive Director of Fountain Set (Holdings) Limited, Member of the Public Affairs Forum (Home Affairs Bureau), Director of Hsin Chong International Holdings Limited, Court Member of the Hong Kong University of Science and Technology, a Board member of the Hong Kong International School and a Council Member of the Hong Kong Society for the Deaf. She holds a Juris Doctor Degree from Stanford Law School, a Master of Business Administration Degree from the University of California Los Angeles and a Bachelor of Arts Degree from Stanford University.

Michael T. H. Lee: aged 48; Independent Non-executive Director since 1998. Audit Committee.
Mr. Lee is the Managing Director of MAP Capital Limited, an investment management company. He is an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited, Chen Hsong Holdings Limited and Trinity Limited, Non-executive Director of Hysan Development Company Limited and a Steward of The Hong Kong Jockey Club. He holds a Bachelor of Arts Degree from Bowdoin College and a Master of Business Administration Degree from Boston University.

Roderic N. A. Sage: aged 57; Independent Non-executive Director since 2005. Chairman of Remuneration Committee and Chairman of Audit Committee.
Mr. Sage is Chief Executive Officer of a specialist tax, corporate services and trust consultancy. He is a Chartered Accountant and was until 2003 a Senior Partner and member of the management board of KPMG in Hong Kong.

Lincoln C. K. Yung, JP: aged 64; Independent Non-executive Director since 2004, and previously a Non-executive Director (1980-2004).
Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is currently Deputy Managing Director of Nanyang Holdings Limited, Chairman and Non-executive Director of Shanghai Commercial Bank Limited and Paofoong Insurance Company (Hong Kong) Limited and; a Director of The Shanghai Commercial & Savings Bank, Limited, and Vice-Chairman of Shanghai Sung Nan Textile Company Limited. He is an economics graduate from the Cornell University and received a Master of Business Administration Degree in accounting and finance from the University of Chicago.

Corporate Governance

Corporate Governance Practices

The Board and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company codified its corporate governance practices by reference to the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code throughout the year ended 31 December 2009.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Company's code of conduct in this respect throughout the year ended 31 December 2009 and up to the date of publication of this Annual Report.

Board of Directors

The Board of Directors is accountable to the shareholders for the leadership and management and control of the business of the Company. The Board delegates to the Chief Executive Officer and his management team day-to-day management of the Company's business, including the preparation of annual and interim financial statements and implementation of internal controls, in accordance with the strategy, policies and programmes approved by the Board.

The Board currently consists of 11 members. Among them, 1 is Executive Director, 6 are Non-executive Directors and 4 are Independent Non-executive Directors.

Board Meetings

The Board of Directors held a total of five Board meetings during the year ended 31 December 2009. Of these, two meetings were held to approve the 2008 final results and 2009 interim results of the Group; the other meetings were held to consider financial and operating performances of the Group. The Chief Financial Officer, also the Company Secretary, attended all Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

The attendance of individual Directors during the year ended 31 December 2009 is set out in the table below. All businesses transacted at the Board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

	No. of meetings attended
Chairman & Non-executive Director	
Nicholas T. J. Colfer	5/5
Chief Executive Officer & Executive Director	
James H. Kaplan	5/5
Non-executive Directors	
Ian D. Boyce	5/5
Lincoln K. K. Leong	4/5
Nelson K. F. Leong (Alternate Director to Lincoln K. K. Leong)	5/5
David C. L. Tong	5/5
John J. Ying	5/5
Independent Non-executive Directors	
Yvette Y. H. Fung	5/5
Michael T. H. Lee	4/5
Roderic N. A. Sage	4/5
Lincoln C. K. Yung	5/5

The proceedings of the Board of Directors at its meetings are conducted by the Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to Directors to speak, express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board of Directors and the decisions reached. The draft minutes of each Board meeting are sent to all Directors for comments.

Chairman & Chief Executive Officer

The posts of Chairman and Chief Executive Officer are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman of the Board is Mr. Nicholas T. J. Colfer and the Chief Executive Officer is Mr. James H. Kaplan. To comply with code provision A.2.1 of the Code, the division of responsibilities between the Chairman and the Chief Executive Officer was formally set out in writing at the Board meeting on 23 September 2005. Essentially, the Chairman takes the lead to oversee the Board functions while the Chief Executive Officer, supported by his management team, is responsible for the day-to-day management of the business of the Company.

Non-executive Directors

The Company's Non-executive Directors are not appointed for specific terms as required by code provision A.4.1 of the Code. However, at the Company's annual general meeting on 10 June 2005, in order to be more consistent with code provision A.4.1, the relevant Bye-law of the Company was amended to ensure that every Director other than any Executive Chairman or Managing Director would retire by rotation at least once every three years. The Executive Chairman or Managing Director cannot be required to retire by rotation in the Bye-laws as pursuant to the Tai Ping Carpets International Limited Company Act 1990 of Bermuda. Notwithstanding this, the Directors intend to comply with code provision A.4.1 by asking any Executive Chairman or Managing Director to voluntarily retire by rotation at least once every three years.

Mr. Lincoln K. K. Leong and Mr. Nelson K. F. Leong (being Alternate Director to Mr. Lincoln K. K. Leong) are brothers. Save for this relationship, to the best knowledge of the Company, there are no other financial, business, family or other material or relevant relationships among members of the Board.

The Company considers that its Non-executive Directors and Independent Non-executive Directors bring to the Board a good mix of expertise and experience in the fields of accounting, investment and business. At least one of the Independent Non-executive Directors has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Pursuant to the requirements of the Listing Rules, each Independent Non-executive Director has given the Company an annual confirmation of his/her independence.

The Company considers all the Independent Non-executive Directors to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

Board Committees

The Company currently has three Board committees, namely, Executive Committee, Remuneration Committee and Audit Committee.

1. Executive Committee

The Executive Committee was established in August 2005 and operates as an executive management committee under the Board to monitor and control the financial and operational performance of the Group.

During the year under review, it held seven meetings and the attendances of the members were:

	No. of meetings attended
Nicholas T. J. Colfer	7/7
James H. Kaplan	7/7
David C. L. Tong	5/7
John J. Ying	5/7
Nelson K. F. Leong	4/7

2. Remuneration Committee

Written terms of reference for the Remuneration Committee in line with code provision B.1.3 of the Code were adopted at the Board meeting on 23 September 2005 and the majority of its members are Independent Non-executive Directors, as required by code provision B.1.1 of the Code.

The roles and functions of the Remuneration Committee under its terms of reference are to:

- Make recommendation on the Company's policy and structure for remuneration of the Directors and senior executives
- Determine remuneration of all Executive Directors and senior executives
- Review and approve performance-based remuneration
- Review and approve compensation in connection with any loss or termination of office or appointment of any Executive Directors and senior executives

The committee evaluates the remuneration packages of the Executive Director and the senior executives by linking their performance against corporate objectives, the profits of the Group and their potential contribution to the development of the Group. The fees for the Non-executive Directors and the Independent Non-executive Directors are determined on the basis of experience, demand for their services and market practice.

The members of the Remuneration Committee and their attendances at the meetings of the committee are set out below:

	No. of meetings attended
Roderic N. A. Sage (Chairman)	3/4
Yvette Y. H. Fung	4/4
David C. L. Tong	4/4

3. Audit Committee

Written terms of reference of the Audit Committee in line with code provision C.3.3 of the Code were adopted at the Board meeting on 23 September 2005.

Under these terms of reference, the responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditor (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the audit fee and reviewing the audit scope), review of financial information of the Group, oversight of the Group's financial reporting system and internal controls.

During the year under review, the Audit Committee held three meetings with management and the representatives of the external auditor for reviewing the interim and annual reports before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of work of both external auditor and internal auditor, and discussing issues arising from the audits including internal controls and financial reporting.

The composition of the Audit Committee and the attendances of the members at the meetings are as follows:

	No. of meetings attended
Roderic N. A. Sage (Chairman)	3/3
Michael T. H. Lee	3/3
John J. Ying	2/3

Nomination of Directors

The Company has not established a Nomination Committee for the time being. By virtue of the Company's Bye-laws, the Board has power from time to time to appoint any person as a Director. However, any Director so appointed shall hold office until the next general meeting and shall then be eligible for re-election. In considering the nomination of a new Director, the Board will review the Board composition and evaluate the candidate's qualifications and experience before appointing him/her as a member of the Board.

During the year, there was no change in the composition of the Board.

Auditor's Remuneration

For the year under review, the fees charged to the financial statements of the Company and its subsidiaries by the Group's external auditor, BDO Limited and other member firms under BDO International, for services provided are analysed as follows:

	HK$'000
Audit services	2,364
Non-audit services	413

Financial Reporting & Internal Controls

The consolidated financial statements of the Company for the year ended 31 December 2009 have been reviewed by the Audit Committee and audited by the external auditor, BDO Limited. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and they are not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The independent auditor's report is on pages 38 and 39.

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. The internal control system of the Group is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. However, associate and jointly controlled entities might not fully follow the Group's internal control system. The Group is not involved in routine operational decisions or does not play an active role in running the businesses of the associate and jointly controlled entities, and an audit or certain review procedures are performed on their annual financial results. Major business decisions and challenges, including key policies, capital expenditure, regulatory and financing issues, would be presented and considered through regular Board meetings. Such practices provide reasonable, but not absolute, assurance against material mis-statement or loss and manage rather than eliminate risks associated with the business activities.

The independent internal audit function has written terms of reference and reports directly to the Audit Committee. Internal Audit conducts reviews of the effectiveness of the Group's internal control system based on the internal audit plan and ad hoc requests from the Audit Committee and senior management. The annual internal audit plan is developed based on an assessment of the various business and operational risks of the Group and is approved by the Audit Committee. The Audit Committee reviews the findings and opinion of Internal Audit in respect of the effectiveness of the Group's internal control system periodically, and reports annually to the Board the key findings of such reviews.


Vestige Collection

Arik Levy for Swarovski Crystal Palace

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2009.

Principal Activities & Geographical Analysis of Operations

The principal activities of the Company and its subsidiaries (the "Group") consist of manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

An analysis of the Group's performance for the year by segments is set out in Note 7 to the financial statements.

Results & Appropriations

The results for the year are set out on page 40.

No interim dividend was paid during the year (2008: Nil). The Directors recommend a final dividend of HK9 cents per share, totaling HK$19,097,000 (2008: HK$19,097,000) for the year ended 31 December 2009. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 June 2010.

Five-year Consolidated Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 7.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 32 to the financial statements.

Donations

During the year, donations made by the Group for charitable purposes amounted to HK$340,000 (2008: HK$854,000).

Intangible Assets

Details of the movement in intangible assets during the year is set out in Note 15 to the financial statements.

Fixed Assets

Details of the movement in fixed assets during the year are set out in Notes 16, 17, 18 and 19 to the financial statements.

Major Investment Properties

Details of major properties held for investment purposes are set out on page 102.

Share Capital

Details of the movements in share capital of the Company are set out in Note 31 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2009, calculated under the Companies Act 1981 of Bermuda (as amended), amounted to HK$119,014,000 (2008: HK$143,347,000).

Principal Subsidiaries, an Associate & Jointly Controlled Entities

Particulars of the principal subsidiaries, an associate and jointly controlled entities are set out on pages 100 to 101.

Purchase, Sales or Redemption of the Company's Shares

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

Pre-emptive Rights

No shareholder pre-emptive rights exist in the jurisdiction in which the Company was incorporated.

Share Options

The existing share option scheme ("2002 Share Option Scheme" or the "Scheme") was approved by the shareholders of the Company at the annual general meeting held on 23 May 2002. The details of the Scheme (which fully complies with Chapter 17 of the Listing Rules) are as follows:

1. **Purpose**

   – To provide participants (see the definition below) with the opportunity to acquire proprietary interests in the Company.
   – To encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

2. **Participants**

   Any employee of the Group (whether full time or otherwise, including any Executive Director, Non-executive Director and Independent Non-executive Director of the Group) and any consultant of the Group who has contributed or will contribute to the Group.

3. **Maximum number of shares available for issue under the 2002 Share Option Scheme together with the percentage of share capital it represents as at the date of the annual report**

   20,401,980 shares (representing 9.6% of issued share capital of the Company as at the date of this Directors' Report).

4. **Maximum entitlement of each participant**

   1% of the shares in issue in any 12-month period up to the date of further grant.

5. **The period within which the shares must be taken up under an option**

   As specified by Directors, which shall not be more than 10 years from the date of grant.

6. **The minimum holding period before an option can be exercised**

   Generally none, but subject to Directors' discretion on a case-by-case basis.

7. **Amount payable on application or acceptance of the option and the periods within which payments must or may be made or loans made for such purposes must be repaid**

   HK$10, payable upon acceptance of the offer of the grant of option which shall be made within 30 days of the offer.

8. **Basis of determining the exercise price**

   Determined by the Directors being at least the highest of
   - the closing price of a share as stated on the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the date of grant;
   - the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
   - the nominal value of a share.

9. **The remaining life of the 2002 Share Option Scheme**

   The Scheme is valid and effective for a period of 10 years from 23 May 2002. As at the date of this Directors' Report, there were no outstanding share options under the 2002 Share Option Scheme.

Directors

The names of the Directors at the date of this Report are set out on pages 18 and 19.

In accordance with the Company's Bye-laws, Mr. Nicholas T. J. Colfer, Mr. James H. Kaplan, Mr. Lincoln C. K. Yung, Mr. Lincoln K. K. Leong and Mr. Michael T. H. Lee shall retire at the forthcoming annual general meeting. Mr. Nicholas T. J. Colfer, Mr. James H. Kaplan, Mr. Lincoln C. K. Yung, Mr. Lincoln K. K. Leong, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr. Michael T. H. Lee has indicated to the Company that he will not offer himself for re-election as a Director at the forthcoming annual general meeting.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Independent Non-executive Directors

The Company has received from Mrs. Yvette Y. H. Fung, Mr. Michael T. H. Lee, Mr. Roderic N. A. Sage and Mr. Lincoln C. K. Yung, Independent Non-executive Directors, written confirmations of independence pursuant to Rule 3.13 of the Listing Rules.

The Company considers all the Independent Non-executive Directors to be independent.

Biographical Details of Directors & Senior Management

Brief biographical details of Directors and senior management are set out on pages 18 to 19 and 103 respectively.

Directors' Interests in Competing Business

None of the Directors of the Company have any interest in any business which may compete with the business of the Group.

Directors' Interests in Equity Securities

As at 31 December 2009, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK$0.10 each in the Company

No. of ordinary shares held (long position)

Name	Beneficial owner	Interests of controlled corporation	Aggregate % of the share capital
Ian D. Boyce	831,371	–	0.392%
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Lincoln K. K. Leong[1]	–	2,000,000	0.943%
Nelson K. F. Leong[1] (Alternate Director to Lincoln K. K. Leong)	–	2,000,000	0.943%
John J. Ying[2]	–	32,605,583	15.366%
James H. Kaplan	522,000	–	0.246%

Notes:

1 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 Mr. Lincoln K. K. Leong and Mr. Nelson K. F. Leong.

2 The shares are held through Peak Capital Partners I, L.P. of which Mr. John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Save for the Directors' interests as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to hold any interests in the shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2009, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following interests, being 5% or more in the issued ordinary share capital of the Company.

Name	No. of ordinary shares held in the Company of HK$0.10 each (long position)	Aggregate % of the share capital
Acorn Holdings Corporation[1]	40,014,178	18.858%
Bermuda Trust Company Limited[1]	40,014,178	18.858%
Harneys Trustees Limited[1]	77,674,581	36.607%
Lawrencium Holdings Limited[1]	77,674,581	36.607%
The Mikado Private Trust Company Limited[1]	77,674,581	36.607%
The Hon. Sir Michael Kadoorie[1]	77,674,581	36.607%
Peak Capital Partners I, L.P.[2]	32,605,583	15.366%

Notes:

1 Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is interested. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 77,674,581 shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those shares.

2 Mr. John J. Ying (a Non-executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers & Suppliers

During the year, the Group sold less than 30% of its goods and services to its five largest customers and purchased less than 30% of its goods and services from its five largest suppliers.

Connected Transactions

1. Significant related party transactions entered into by the Group during the year ended 31 December 2009, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in Note 41 to the financial statements.

2. Other related party transactions entered into by the Group in 2009 and up to the date of this Directors' Report, which fall under the definition of "connected transactions" or "continuing connected transactions" and not exempted under Rule 14A.31 and Rule 14A.33 of the Listing Rules, are as follows:

   The Company's subsidiaries have been from time to time supplying products, and providing related ancillary services to The Hongkong & Shanghai Hotels, Limited ("HSH") and its subsidiaries. These transactions fall under the definition of continuing connected transactions under the Listing Rules by virtue of the fact that Bermuda Trust Company Limited, a substantial shareholder of the Company, is also interested in more than 30% voting power of HSH. In accordance with the requirements of the Listing Rules, the Company entered into a master supply agreement with HSH on 9 May 2008 for the supply of carpets and floor coverings and provision of ancillary services to HSH and its subsidiaries on normal commercial terms for a period of three years from 22 March 2008 to 21 March 2011 subject to an annual cap of HK$8,500,000 for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010. An announcement in this respect was made on 9 May 2008. For the year ended 31 December 2009, the total order amount and invoiced value of these transactions ("HSH Transactions") amounted to HK$1,980,000 and HK$332,000 respectively.

   The Directors, including all the Independent Non-executive Directors, have reviewed the HSH Transactions and confirmed that they have been entered into:

   i. in the ordinary and usual course of business of the Group;

   ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

   iii. in accordance with the master supply agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

   The Company's auditor has reported to the Directors in their letter that based on their work performed:

   i. the HSH Transactions have been approved by the Company's Board of Directors;

   ii. the HSH Transactions have been entered into in accordance with the pricing policies of the Group and the relevant agreements or order contracts governing the transactions; and

   iii. the amounts on the HSH Transactions in 2009 have not exceeded the relevant cap amount.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions.

Public Float

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

Auditor

The financial statements for the year ended 31 December 2009 were audited by BDO Limited. BDO McCabe Lo Limited has changed its name to BDO Limited. Accordingly, the independent auditor's report is now signed under the new name. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

By order of the Board
James H. Kaplan
Chief Executive Officer

Hong Kong, 16 April 2010

Red Dragon Yacht

Surrey, New York

Financial Section

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Certified Public Accountants
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To The Shareholders of Tai Ping Carpets International Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tai Ping Carpets International Limited set out on pages 40 to 99, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Alfred Lee
Practising Certificate no. P04960

Hong Kong, 16 April 2010

Consolidated Income Statement

For the year ended 31 December

	Note	2009 HK$'000	2008 HK$'000
Turnover	7	**1,117,673**	1,320,044
Cost of sales		**(620,462)**	(745,081)
Gross profit		**497,211**	574,963
Distribution costs		**(83,700)**	(99,744)
Administrative expenses		**(392,277)**	(417,873)
Other operating income		**3,523**	1,874
Other operating expenses		**(1,848)**	(18,776)
Operating profit	8	**22,909**	40,444
Finance costs	9	**(670)**	(772)
Interest income from banks		**147**	553
Impairment loss for assets held for sale	30	**–**	(480)
Gain on disposal of investment properties		**–**	1,497
Deficit on revaluation of investment properties	18	**–**	(1,310)
Share of (losses)/profits of			
an associate	23	**(1,670)**	(1,140)
jointly controlled entities	24	**41,075**	65,088
add: reversal of impairment of jointly controlled entities		**–**	10,309
Profit before income tax expenses		**61,791**	114,189
Income tax expenses	11	**(21,604)**	(30,036)
Profit for the year		**40,187**	84,153
Attributable to:			
Owners of the Company	12	**39,968**	83,465
Minority interests		**219**	688
		40,187	84,153
Earnings per share of profit attributable to owners of the Company (expressed in HK cents)			
Basic	14	**18.84**	39.34
Diluted	14	**18.84**	39.33

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2009 HK$'000	2008 HK$'000
Profit for the year	**40,187**	84,153
Other comprehensive income for the year:		
Exchange differences on translating foreign operations	**9,880**	6,390
Total comprehensive income for the year	**50,067**	90,543
Total comprehensive income for the year attributable to:		
Owners of the Company	**49,699**	88,167
Minority Interests	**368**	2,376
	50,067	90,543

Consolidated Statement of Financial Position

As at 31 December

	Note	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Intangible assets	15	**22,172**	23,843
Leasehold land & land use rights	16	**17,991**	20,223
Property, plant & equipment	17	**309,086**	332,040
Investment properties	18	**6,800**	6,800
Construction in progress	19	**10,063**	12,386
Interest in an associate	23	**18,824**	22,302
Interests in jointly controlled entities	24	**316,947**	273,709
Deferred tax assets	33	**9,184**	7,583
		711,067	698,886
Current assets			
Inventories	25	**163,922**	196,489
Trade & other receivables	26	**197,907**	215,241
Derivative financial instruments	27	**92**	169
Financial assets at fair value through profit or loss	28	**87,328**	59,170
Tax recoverable		**1,177**	–
Pledged bank deposits	29	**5,106**	–
Cash & cash equivalents	29	**105,305**	114,900
		560,837	585,969
Assets held for sale	30	–	5,695
		560,837	591,664
Total assets		**1,271,904**	1,290,550

	Note	2009 HK$'000	2008 HK$'000
Equity			
Capital & reserves attributable to owners of the Company			
Share capital	31	**21,219**	21,219
Reserves	32	**956,669**	926,067
Proposed final dividend	13	**19,097**	19,097
		996,985	966,383
Minority interests		**39,563**	39,020
Total equity		**1,036,548**	1,005,403
Liabilities			
Non-current liabilities			
Deferred tax liabilities	33	**6,194**	4,823
Other long-term liabilities	34	**1,865**	3,655
		8,059	8,478
Current liabilities			
Trade & other payables	35	**215,337**	253,824
Other long-term liabilities – current portion	34	**1,028**	4,199
Taxation		**10,932**	18,646
		227,297	276,669
Total liabilities		**235,356**	285,147
Total equity & liabilities		**1,271,904**	1,290,550
Net current assets		**333,540**	314,995
Total assets less current liabilities		**1,044,607**	1,013,881

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

Company Statement of Financial Position

As at 31 December

	Note	2009 HK$'000	2008 HK$'000
Assets			
Non-current assets			
Interests in subsidiaries	20	**329,821**	354,511
Current assets			
Amount due from an indirectly held associate	22	**343**	343
Other receivables		**55**	–
Cash & cash equivalents	29	**367**	445
		765	788
Total assets		**330,586**	355,299
Equity			
Capital & reserves attributable to owners of the Company			
Share capital	31	**21,219**	21,219
Reserves	32	**289,616**	313,949
Proposed final dividend	13	**19,097**	19,097
Total Equity		**329,932**	354,265
Liabilities			
Current liabilities			
Other payables		**654**	1,034
Total liabilities		**654**	1,034
Total equity & liabilities		**330,586**	355,299
Net current assets/(liabilities)		**111**	(246)
Total assets less current liabilities		**329,932**	354,265

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Capital & reserves attributable to owners of the Company HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance as at 1 Jan 2008	897,313	36,846	934,159
Currency translation differences	4,702	1,688	6,390
Profit for the year	83,465	688	84,153
Total comprehensive income	88,167	2,376	90,543
Payment of 2007 final dividend	(19,097)	–	(19,097)
Dividend paid to minority interests	–	(202)	(202)
	(19,097)	(202)	(19,299)
Balance as at 31 Dec 2008 & 1 Jan 2009	966,383	39,020	1,005,403
Currency translation differences	9,731	149	9,880
Profit for the year	39,968	219	40,187
Total comprehensive income	49,699	368	50,067
Payment of 2008 final dividend	(19,097)	–	(19,097)
Disposal of a subsidiary (Note 30)	–	911	911
Dividend paid to minority interests	–	(736)	(736)
	(19,097)	175	(18,922)
Balance as at 31 Dec 2009	996,985	39,563	1,036,548

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Cash generated from operations	a	**94,789**	113,704
Tax paid		**(30,544)**	(19,776)
Net cash generated from operating activities		**64,245**	93,928
Investing activities			
Purchases of property, plant & equipment		**(11,995)**	(27,069)
Increase in construction in progress		**(20,033)**	(33,544)
Increase in investment in a subsidiary	21	**(576)**	–
Acquisition of a subsidiary	21	**–**	(19,291)
Proceeds on disposal of property, plant & equipment		**9,004**	550
Proceeds on disposal of investment properties		**–**	20,897
Disposal of a subsidiary	30	**3,189**	–
Repayment from/(advance to) an associate		**1,808**	(954)
(Advance to)/repayment from jointly controlled entities		**(4,113)**	2,336
Proceeds on disposal of financial assets at fair value through profit or loss		**531,261**	456,499
Purchase of financial assets at fair value through profit or loss		**(555,718)**	(487,172)
Payment of other long-term liabilities		**(5,588)**	–
Interest received		**147**	553
Dividend received from jointly controlled entities		**1,950**	27,483
Net cash used in investing activities		**(50,664)**	(59,712)
Financing activities			
New bank loans		**21,000**	–
Repayment of bank loans		**(21,000)**	(1,070)
Payment of other long-term liabilities		**–**	(390)
Increase in pledged bank deposits		**(5,106)**	–
Interest paid		**(43)**	(772)
Dividend paid to owners of the Company		**(19,097)**	(19,097)
Dividends paid to minority interests		**(736)**	(202)
Net cash used in financing activities		**(24,982)**	(21,531)
Net (decrease)/increase in cash & cash equivalents		**(11,401)**	12,685
Cash & cash equivalents at the beginning of the year		**117,406**	107,644
Effect of foreign exchange rate changes		**(700)**	(2,923)
Cash & cash equivalents at the end of the year		**105,305**	117,406
Analysis of the balances of cash & cash equivalents			
Cash at bank & on hand	29	**105,305**	110,647
Short-term bank deposits	29	**–**	4,253
Cash at bank & on hand included in assets held for sale	29	**–**	2,506
		105,305	117,406

a. Reconciliation of profit for the year to cash generated from operations

	2009 HK$'000	2008 HK$'000
Profit for the year	**40,187**	84,153
Income tax expenses	**21,604**	30,036
Amortisation of intangible assets	**2,247**	2,080
Amortisation of leasehold land & land use rights	**2,232**	2,090
Depreciation of property, plant & equipment	**57,279**	53,861
Gain on disposal of property, plant & equipment	**(1,528)**	(276)
Gain on disposal of investment properties	**–**	(1,497)
Share of losses/(profits) of		
an associate	**1,670**	1,140
jointly controlled entities	**(41,075)**	(65,088)
Reversal of impairment of jointly controlled entities	**–**	(10,309)
Recovery of impairment of trade & other receivables (Note 26)	**(1,243)**	–
Deficit on revaluation of investment properties	**–**	1,310
Impairment of assets held for sale	**–**	480
Impairment of property, plant & equipment	**–**	3,789
Impairment of inventories	**1,291**	2,626
Impairment of trade & other receivables	**–**	7,704
Gain on disposal of financial assets at fair value through profit or loss	**(752)**	(241)
Loss on change in fair value of derivative financial instruments	**77**	380
Interest expenses	**670**	772
Interest income from banks	**(147)**	(553)
Operating profit before working capital changes	**82,512**	112,457
Decrease/(increase) in inventories	**31,276**	(8,771)
Decrease in trade & other receivables	**18,577**	10,779
Increase in other long-term liabilities	**–**	215
Decrease in trade & other payables	**(37,576)**	(976)
Cash generated from operations	**94,789**	113,704

1. General Information

Tai Ping Carpets International Limited (the "Company") and its subsidiaries (collectively known as the "Group") are principally engaged in the manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, P.O. Box HM 1179, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at 26/F, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in thousands of Hong Kong Dollars (HK$'000), unless otherwise stated, and have been approved and authorised for issue by the Board of Directors on 16 April 2010.

2. Adoption of Amendments & New or Revised Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 The Group has adopted the following new and revised standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that change the presentation of the financial statements of the Group in the current accounting period:

a. HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The Group selected a two-statement approach to separately present (i) items of income and expense recognised as profit and loss in the Income Statement and (ii) profit and items of income and expense not recognised as profit and loss in the Statement of Comprehensive Income. The transactions with owners are presented in the Statement of Changes in Equity. The Group also adopted the revised title "Statement of Financial Position" for "Balance Sheet".

b. HKFRS 8, as detailed in Note 7, has resulted in certain changes in the presentation of the Group's segment information. Comparative figures have been restated in order to achieve a consistent presentation.

c. The amendments to HKFRS 7, "Improving Disclosures about Financial Instruments" expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision. Please refer to Note 36 for details.

2.2 The following new and revised HKFRSs are effective for the current accounting period, but there is no material impact on the results and the financial position of the Group. Accordingly, no prior period adjustment has been recognised.

Amendments to HKAS 32 & HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1 & HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKFRS 2	Share-based Payment – Vesting Condition and Cancellations
Amendments to HK(IFRIC) – Interpretation 9 and HKAS 39	Embedded Derivatives
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendment to paragraph 80 of HKAS 39
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

2.3 The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
Amendments to HKAS 32	Classification of Rights Issues[4]
Amendments to HKAS 39	Eligible Hedged Items[1]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions[3]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirements[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) – Interpretation 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKFRS 9	Financial Instruments[7]

Notes:

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. Changes in the Group’s ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The amendment to HKAS 17 made under “Improvements to HKFRSs 2009”, mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the Directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Basis of Preparation

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for (a) certain buildings which are stated at revalued amounts less subsequent accumulated depreciation and accumulated impairment losses; and (b) investment properties, which are carried at fair value; and (c) financial instruments, which are measured at fair values as explained in the accounting policies set out below; and (d) assets held for sale which are carried at fair values less costs to sell.

3.3 Functional & presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is the Company's functional and presentation currency.

4. Principal Accounting Policies

4.1 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in profit or loss. Purchases from minority interests result in goodwill, being the excess of any consideration paid over the relevant share of the carrying value of net assets of the subsidiary acquired.

4.2 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interests in the associates are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associates. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4.4 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interests in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

The Company's interests in jointly controlled entities are stated at cost less impairment losses, if any. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

4.5 Intangible assets

a. Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as a separate asset with any impairment in carrying amount being recognised in profit or loss.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

b. Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated losses. The amortisation expense is included within the administrative expenses line in the profit or loss.

Intangible assets, separate from goodwill, are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment of assets below).

The useful economic lives of the significant intangibles recognised by the Group are as follows:

Vendor relationships	5 years
Other intangible assets	5 – 15 years

4.6 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4.7 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the reporting date. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve contributable to minority interest as appropriate. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated as the exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are transferred to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the reporting date. Exchange differences arising are recognised in the exchange reserve.

4.8 Leasehold land & land use rights

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis to profit or loss.

4.9 Property, plant & equipment

Buildings comprise mainly factories, retail outlets and offices. They are stated at cost or valuation less accumulated depreciation and impairment losses. Certain buildings were at valuation which was carried out prior to 30 September 1995. Under transitional provision in paragraph 80A of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16.

Other property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant & equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged in profit or loss during the financial period in which they are incurred.

Property, plant & equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at each reporting date. The annual rates are as follows:

Buildings	2% – 18%
Plant & machinery	8% – 20%
Furniture, fixtures & equipment	6% – 25%
Motor vehicles	18% – 20%

Construction in progress, representing building on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction in progress until the construction work is completed. On completion, the construction in progress is transferred to appropriate categories of property, plant & equipment.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant & equipment other than building is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

4.10 Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value. Changes in fair value are recognised in the profit or loss.

4.11 Financial instruments

a. Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading are recognised in profit or loss.

At each reporting date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans & receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. At each reporting date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

b. Impairment loss on financial assets

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes the following loss events:

i. significant financial difficulty of the debtor;
ii. a breach of contract, such as a default or delinquency in interest or principal payments;
iii. granting concession to a debtor because of debtor's financial difficulty;
iv. it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans & receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

c. Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade & other payables and other monetary liabilities, are initially recognised at fair value, net of directly attributable transaction costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expenses are recongised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

d. Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

e. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

f. Equity Instruments

Equity Instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

g. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

4.12 Inventories

Inventories are initially recognised at cost and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.13 Cash & cash equivalents

Cash & cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

4.14 Non-current assets & disposal groups held for sale

Non-current assets & disposal groups are classified as held for sale when:

a. they are available for immediate sale;

b. management is committed to a plan to sell;

c. it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

d. an active programme to locate a buyer has been initiated;

e. the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and

f. a sale is expected to complete within 12 months from the date of classification.

Non-current assets & disposal groups classified as held for sale are measured at the lower of:

a. their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

b. fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

4.15 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, an associate and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4.16 Employee benefits

a. Employee leave entitlements

Salaries, bonus, paid annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by employees of the Group.

b. Profit sharing & bonus plans

The expected cost of profit sharing and bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured as the amounts expected to be paid when they are settled.

c. Pensions obligations

The Group operates a number of defined contribution plans (the "Plans") throughout the world, the assets of which are held in separate trustee-administered funds. The Plans are generally funded by payments from employees and by the relevant Group companies. The Group's contributions to the Plans are expensed as incurred and are reduced by contributions forfeited by those employees who leave the Plans prior to contributions vesting fully.

In Hong Kong, the Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all Hong Kong employees. Under the Scheme, employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will depend on the employees' years of service, subject to a minimum of 5% of relevant income up to HK$20,000.

d. Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

4.17 Impairment of other assets

At each reporting date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

a. Property, plant & equipment;

b. Leasehold land & land use rights;

c. Intangible assets;

d. Interests in subsidiaries, an associate and jointly controlled entities.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that other HKFRS.

4.18 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments payable. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating lease are charged to profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised on integrated part of the total rental expense, over the term of lease.

The land and building elements of property leases are considered separately for the purpose of lease classification.

4.19 Revenue recognition

Revenue comprises the fair value for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

a. Revenue from sale of carpets, yarns, underlays and interior furnishings is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

b. Revenue from installation of carpets is recognised in the accounting period in which the installation services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided.

c. Rental income from investment properties is recognised on a straight-line basis over the lease terms.

d. Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

e. Dividend income is recognised when the right to receive payment is established.

4.20 Dividend distribution

Interim dividends are recognised directly as a liability when they are proposed and declared by the Directors.

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within capital and reserves in the statement of financial position. Final dividends are recognised as a liability when they are approved by the shareholders.

4.21 Provisions & contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. Financial Risk Management

The Group is subject to the following risks:

5.1 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Hong Kong Dollar and U.S. Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management monitors exchange rate movements closely to ascertain if any material exposure may arise.

The Group's principal net foreign currency exposure relate to the Thai Baht, and to a lesser extent, British Pound Sterling, Euro and Renminbi. For Thai Baht such foreign currency exposure arises from the U.S. Dollar denominated financial assets/liabilities in the Group's Thailand operations. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts for a portion of the remaining exposure relating to these forecasted transactions.

As at 31 December 2008, if the Thai Baht strengthened (or weakened) by 5% against the U.S. Dollar with all other variables held constant, the foreign exchange losses (or gains) before tax as a result of translation of U.S. Dollar denominated receivables would be HK$2,356,000. As at 31 December 2009, the Group's principal net foreign currency exposure relates to Thai Baht is insignificant.

Taking into the account the exposures of other currencies, the Group considers its exposure to exchange rate movements in 2009 manageable and will continue to monitor exchange rate movements closely to ascertain if any material exposure may arise.

5.2 Credit risk

The Group has no significant concentrations of credit risk as the Group has a large number of customers, internationally dispersed. Sales to retail customers are made in cash or via major credit cards. For project sales, the Group will request the customers for initial deposits and will accept orders only from those customers with an appropriate credit standing or history. The Group also performs periodic assessment of the trade receivables and believes that adequate provision for uncollectible receivables has been made.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade & other receivables are set out in Note 26. The Group does not hold any collateral as security for these receivables.

5.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

2009	**Less than 1 year HK$'000**	**Between 1 & 2 years HK$'000**	**Between 2 & 5 years HK$'000**	**Total HK$'000**
Trade & other payables	**215,337**	**–**	**–**	**215,337**
Other long-term liabilities	**1,341**	**1,341**	**1,151**	**3,833**
	216,678	**1,341**	**1,151**	**219,170**

2008	Less than 1 year HK$'000	Between 1 & 2 years HK$'000	Between 2 & 5 years HK$'000	Total HK$'000
Trade & other payables	253,824	–	–	253,824
Other long-term liabilities	4,552	1,947	2,922	9,421
	258,376	1,947	2,922	263,245

The Company's financial liabilities mature in less than one year and most of them are repayable on demand.

5.4 Equity price risk

The Group is exposed to equity price risk on financial assets at fair value through profit or loss (Note 28). Where the Group has generated a significant amount of surplus cash it will invest in fixed income funds to improve profitability. The Directors believe that the exposure to such equity price risk is acceptable in the Group's circumstances.

At 31 December 2009, if the price of fixed income funds rose (or fell) by 3% (2008: 3%) with all other variables held constant, the profit before income tax expenses will be increased (or decreased) by HK$2,620,000 (2008: HK$1,775,000).

5.5 Fair values estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments.

The nominal value less estimated credit adjustment of receivables and payables to approximate to their fair values.

6. Critical Accounting Estimates & Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

6.1 Useful lives & impairment of property, plant & equipment, investment properties, leasehold land & land use rights and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives of its property, plant & equipment, leasehold land & land use rights and intangible assets (other than goodwill).

This estimate is based on the historical experience of the actual useful lives of property, plant & equipment, leasehold land & land use rights and intangible assets (other than goodwill) of similar nature and functions. Management will increase the depreciation/amortisation charges where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment losses for property, plant & equipment, investment properties, leasehold land & land use rights and intangible assets (other than goodwill) are recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 4.17. The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best information available to reflect the amount obtainable at each reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

6.2 Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6.3 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation on each reporting date.

6.4 Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the estimation on each reporting date.

6.5 Impairment of investments in an associate & jointly controlled entities

The Group's management determines the impairment on its interests in an associate and jointly controlled entities based on an assessment of the recoverable amounts of the investments.

6.6 Estimated impairment of goodwill

Determining whether goodwill is impaired required an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

7. Turnover & Segmental Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to assess performance and allocate resources. The Board of Directors considers the businesses primarily based on the nature of operations and customers. The Group currently organised into four major business segments: Commercial, Residential Boutique Contract ("RBC"), Wholesale and Others (including manufacturing and trading of yarn and property holding).

7.1 Information about reportable segment profit or loss, assets & liabilities

The following table presents turnover, profit and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 December 2009 and 2008.

For the year ended 31 December 2009

	Commercial HK$'000	RBC HK$'000	Wholesale HK$'000	Total Carpet HK$'000	Others HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	741,744	313,045	31,177	1,085,966	31,707	–	1,117,673
Segment results	58,432	31,184	(7,270)	82,346	1,357	–	83,703
Unallocated expenses[1]				(59,040)	–	–	(59,040)
Operating profit[2]				23,306	1,357	–	24,663
Finance costs							(670)
Interest income from banks							147
Share of (losses)/profits of							
an associate							(1,670)
jointly controlled entities[2]							39,321
Profit before income tax expenses							61,791
Income tax expenses							(21,604)
Profit for the year							40,187
Segment assets	652,083	61,656	33,241	746,980	38,976	150,177	936,133
Interest in an associate							18,824
Interests in jointly controlled entities							316,947
Total assets							1,271,904
Segment liabilities	144,077	50,472	13,510	208,059	2,250	25,047	235,356
Capital expenditure	23,856	4,984	32	28,872	–	3,156	32,028
Depreciation	39,029	8,426	86	47,541	145	9,593	57,279
Amortisation of leasehold land & land use rights	–	–	–	–	–	2,232	2,232
Amortisation of intangible assets	–	–	2,247	2,247	–	–	2,247
Impairment of inventories	1,097	(291)	485	1,291	–	–	1,291
(Recovery of impairment)/ impairment of trade & other receivables	(480)	1,847	(2,610)	(1,243)	–	–	(1,243)
Gain/(loss) on disposal of property, plant & equipment	1,424	(696)	–	728	870	(70)	1,528

For the year ended 31 December 2008

	Commercial HK$'000	RBC HK$'000	Wholesale HK$'000	Total Carpet HK$'000	Others HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	876,728	308,654	53,992	1,239,374	80,670	–	1,320,044
Segment results	82,160	22,870	5,101	110,131	10,195	–	120,326
Unallocated expenses[1]				(77,992)	–	–	(77,992)
Operating profit[2, 3]				32,139	10,195	–	42,334
Finance costs							(772)
Interest income from banks							553
Share of (losses)/profits of							
an associate							(1,140)
jointly controlled entities[2]							73,214
Profit before income tax expenses							114,189
Income tax expenses							(30,036)
Profit for the year							84,153
Segment assets	674,151	69,193	38,138	781,482	44,108	168,949	994,539
Interest in an associate							22,302
Interests in jointly controlled entities							273,709
Total assets							1,290,550
Segment liabilities	190,592	45,148	14,364	250,104	4,680	30,363	285,147
Capital expenditure	51,697	3,712	12,010	67,419	–	5,160	72,579
Depreciation	40,813	2,052	10	42,875	391	10,595	53,861
Amortisation of leasehold land & land use rights	–	–	–	–	–	2,090	2,090
Amortisation of intangible assets	–	–	2,080	2,080	–	–	2,080
Impairment of property, plant & equipment	3,678	–	–	3,678	111	–	3,789
Impairment of inventories	2,165	26	435	2,626	–	–	2,626
Impairment/(recovery of impairment) of trade & other receivables	2,220	3,041	3,083	8,344	–	(640)	7,704
Gain/(loss) on disposal of property, plant & equipment	350	–	–	350	(65)	(9)	276

Notes:

[1] Included shared expenses for global operation, information technology, marketing, internal audit, etc.

[2] Excluded the share of profit of one jointly controlled entity which is included in the Wholesale segment and forms part of the operating profit

[3] Included impairment loss for assets held for sale, gain on disposal of investment properties and deficit on revaluation of investment properties

7.2 Geographical information

The following table presents turnover, non-current assets other than deferred tax assets and capital expenditure information for the Group's geographical information for the years ended 31 December 2009 and 2008:

For the year ended 31 December 2009

	Turnover HK$'000	Non-current assets HK$'000
Hong Kong & Macau	**63,345**	**38,066**
Mainland China	**23,966**	**43,536**
South East Asia	**243,771**	**187,157**
Middle East	**56,468**	**–**
Other Asian countries	**32,662**	**1,381**
Europe	**134,375**	**10,418**
North America & Latin America	**509,034**	**84,265**
Others	**54,052**	**1,289**
	1,117,673	**366,112**
Interest in an associate[1]		**18,824**
Interests in jointly controlled entities[2]		**316,947**

For the year ended 31 December 2008

	Turnover HK$'000	Non-current assets HK$'000
Hong Kong & Macau	73,780	40,336
Mainland China	29,853	51,442
South East Asia	264,030	186,155
Middle East	34,654	–
Other Asian countries	48,262	1,394
Europe	154,076	11,143
North America & Latin America	661,768	104,822
Others	53,621	–
	1,320,044	395,292
Interest in an associate[1]		22,302
Interests in jointly controlled entities[2]		273,709

Notes:
[1] Located in South East Asia
[2] Located in the Mainland China and the U.S.

7.3 Information about major customers

There is no single external customer contributed amount to 10% or more revenue to the Group's revenue for the years ended 31 December 2009 and 2008.

8. Operating Profit

	2009 HK$'000	2008 HK$'000
Operating profit is stated after crediting & charging the following:		
Crediting:		
Gain on disposal of financial assets at fair value through profit or loss	**752**	241
Gain on disposal of property, plant & equipment	**1,528**	276
Recovery of impairment of trade & other receivables (Note 26)	**1,243**	–
Net exchange gains	**1,235**	–
Charging:		
Amortisation of intangible assets (included in administrative expenses) (Note 15)	**2,247**	2,080
Amortisation of leasehold land & land use rights (Note 16)	**2,232**	2,090
Depreciation of property, plant & equipment (Note 17)	**57,279**	53,861
Loss on change in fair value of derivative financial instruments	**77**	380
Impairment of property, plant & equipment (Note 17)	**–**	3,789
Impairment of inventories	**1,291**	2,626
Impairment of trade & other receivables (Note 26)	**–**	7,704
Employee benefit expenses (Note 10)	**372,542**	372,122
Operating lease charges		
Land & buildings	**25,069**	20,491
Plant & machinery	**1,569**	2,221
Auditor's remuneration	**2,777**	3,343
Direct operating expenses arising from investment properties that generated rental income	**12**	108
Research & development costs	**2,265**	1,975
Net exchange losses	**–**	7,958

9. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest on bank loans & overdrafts wholly repayable within five years	**43**	772
Amortised interest costs from other long-term liabilities	**627**	–
	670	772

10. Employee Benefit Expenses

	2009 HK$'000	2008 HK$'000
Wages & salaries (including Directors' emoluments)	**361,063**	363,631
Retirement benefit costs – defined contribution schemes (including Directors' emoluments)	**11,479**	8,491
	372,542	372,122

10.1 Retirement benefit costs – defined contribution schemes

Unvested benefits totaling HK$3,000 (2008: HK$58,000) were used during the year to reduce future contributions. As at 31 December 2009, unvested benefits totaling HK$623,000 (2008: HK$492,000) were available for use by the Group to reduce future contributions.

10.2 Directors' emoluments

The emoluments of each Director for the year ended 31 December 2009 are set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Others HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Mr. Nicholas T. J. Colfer	50	–	–	–	–	50
Mr. Ian D. Boyce	50	–	–	–	–	50
Mr. Lincoln K. K. Leong[1]	–	–	–	–	–	–
Mr. Nelson K. F. Leong[2]	50	–	–	–	–	50
Mr. David C. L. Tong	70	–	–	–	–	70
Mr. John J. Ying	70	–	–	–	–	70
Mrs. Yvette Y. H. Fung[3]	70	–	–	–	–	70
Mr. Michael T. H. Lee[3]	70	–	–	–	–	70
Mr. Roderic N. A. Sage[3]	110	–	–	68[4]	–	178
Mr. Lincoln C. K. Yung[3]	50	–	–	–	–	50
Mr. James H. Kaplan	–	4,508	1,961	379	75	6,923
	590	4,508	1,961	447	75	7,581

The emoluments of each Director for the year ended 31 December 2008 are set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Others HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Mr. Nicholas T. J. Colfer	50	–	–	–	–	50
Mr. Ian D. Boyce	50	–	–	–	–	50
Mr. Lincoln K. K. Leong[1]	–	–	–	–	–	–
Mr. Nelson K. F. Leong[2]	50	–	–	–	–	50
Mr. David C. L. Tong	70	–	–	–	–	70
Mr. John J. Ying	70	–	–	–	–	70
Mrs. Yvette Y. H. Fung[3]	70	–	–	–	–	70
Mr. Michael T. H. Lee[3]	70	–	–	–	–	70
Mr. Roderic N. A. Sage[3]	110	–	–	–	–	110
Mr. Lincoln C. K. Yung[3]	50	–	–	–	–	50
Mr. James H. Kaplan	–	4,290	2,028	214	72	6,604
	590	4,290	2,028	214	72	7,194

Notes:

[1] Mr. Lincoln K. K. Leong's director fee was paid to his alternate Mr. Nelson K. F. Leong

[2] Alternate Director to Mr. Lincoln K. K. Leong

[3] Independent Non-executive Directors

[4] During the year ended 31 December 2009, the Company has entered into a consultancy agreement with Mr. Roderic N. A. Sage, an Independent Non-executive Director, to facilitate the selection of the service provider in relation to the implementation of the transfer pricing review for the Group. Subject to an annual cap of HK$1,000,000, Mr. Sage will be remunerated based on hourly rate of HK$4,000. The consultancy agreement stated above was negotiated at arm's length and on normal commercial terms and constitutes a de minimis connected transaction of the Company which is exempt from the reporting, announcement and independent shareholders' approval requirement in accordance with Rule 14A.31(2) of the Listing Rules.

The bonuses for both years are determined with reference to the performance against corporate objectives, the profits of the Group and the achievement of individual performance targets.

No Directors waived any emoluments for the years ended 31 December 2009 and 2008.

10.3 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2008: one) Director whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining four (2008: four) individuals during the year are as follows:

The emoluments fell within the following bands:

	2009 HK$'000	2008 HK$'000
Basic salaries, bonus, housing & other allowances	**11,216**	12,091
Contributions to retirement schemes	**55**	163
	11,271	12,254

The emoluments fell within the following bands:

	No. of Individuals	
	2009	2008
Emolument bands		
HK$2,000,001 – HK$2,500,000	**2**	–
HK$2,500,001 – HK$3,000,000	**–**	2
HK$3,000,001 – HK$3,500,000	**2**	1
HK$3,500,001 – HK$4,000,000	**–**	1

11. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year. Income tax expenses on the People's Republic of China (the "PRC") and overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective countries.

The amount of income tax expenses charged to the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current income tax		
Hong Kong	**3,258**	5,523
PRC & overseas	**17,000**	23,956
Under/(over) provision in prior years	**1,395**	(2,548)
Deferred income tax (credit)/charge (Note 33)	**(49)**	3,105
Income tax expenses	**21,604**	30,036

Share of income tax expenses of an associate of HK$36,000 (2008: HK$1,890,000) and share of income tax expenses of jointly controlled entities of HK$12,678,000 (2008: HK$9,255,000) respectively are included in the share of (losses)/profits of an associate and jointly controlled entities.

The income tax expenses on the Group's profit before income tax expenses differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2009 HK$'000	2008 HK$'000
Profit before income tax expenses	**61,791**	114,189
Less: Share of net profits of an associate & jointly controlled entities	**(39,405)**	(63,948)
Reversal of impairment of jointly controlled entities not subject to taxation	**–**	(10,309)
Profit before income tax expenses of the Company & subsidiaries	**22,386**	39,932
Calculated at a tax rate of 16.5 % (2008: 16.5%)	**3,694**	6,589
Effect of different tax rates in other tax jurisdictions	**7,225**	10,301
Income not subject to taxation	**(3,991)**	(5,532)
Expenses not deductible for taxation purposes	**1,774**	10,397
Tax losses not recognised	**11,507**	10,829
Under/(over) provision in prior years	**1,395**	(2,548)
Income tax expenses	**21,604**	30,036

12. (Loss)/Profit Attributable to Owners of the Company

The (loss)/profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$5,236,000 (2008: a profit of HK$74,335,000).

13. Dividend

	2009 HK$'000	2008 HK$'000
Final dividend, proposed, of HK9 cents per share (2008: HK9 cents)	**19,097**	19,097

At the Board meeting held on 16 April 2010, the Directors declared a final dividend of HK9 cents per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but is reflected as an appropriation of retained earnings for the year ended 31 December 2009.

14. Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the year.

	2009	2008
Profit attributable to owners of the Company (HK$'000)	**39,968**	83,465
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**18.84**	39.34

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, namely share options. For these share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
Profit attributable to owners of the Company (HK$'000)	**39,968**	83,465
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Adjustments for share options (thousands)	**–**	14
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**212,187**	212,201
Diluted earnings per share (HK cents)	**18.84**	39.33

15. Intangible Assets

	Goodwill HK$'000	**Vendor relationships HK$'000**	**Other intangible assets HK$'000**	**Total HK$'000**
Cost				
As at 1 Jan 2008	–	–	–	–
Additions through business combinations (Note 21)	13,957	7,215	4,751	25,923
As at 31 Dec 2008 & 1 Jan 2009	13,957	7,215	4,751	25,923
Additions (Note 21)	576	–	–	576
As at 31 Dec 2009	14,533	7,215	4,751	26,499
Accumulated amortisation				
As at 1 Jan 2008	–	–	–	–
Amortisation	–	1,443	637	2,080
As at 31 Dec 2008 & 1 Jan 2009	–	1,443	637	2,080
Amortisation	–	1,443	804	2,247
As at 31 Dec 2009	–	2,886	1,441	4,327
Net book value				
As at 31 Dec 2009	14,533	4,329	3,310	22,172
As at 31 Dec 2008	13,957	5,772	4,114	23,843

Other intangible assets include customer relationships, non-competition agreements and design library.

Impairment test of goodwill

Goodwill arising on the acquisition of J.S.L. Carpet Corporation ("JSL") and its 50% interest in Weavers Guild LLC ("WG") (See Note 21) is reclassified as one of the business segments, Wholesale segment of the Group, for impairment testing.

The recoverable amount of the goodwill related to JSL is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period to 2015.

Key assumptions used for value-in-use calculations are:

a. Budgeted earnings were based on past performance.

b. Annual growth rates of 2.7% to 29% were used to extrapolate cash flows.

c. The discount rate applied to cash flows was 16% (2008: 14%) which reflected the specific risks relating to the relevant segment. The discount rate was adjusted to reflect the risk profile equivalent to those that the Group expected to derive from the assets acquired.

Management believes that any reasonably possible changes in any of these assumptions would not cause the aggregate recoverable amounts to be lower than the aggregate carrying amounts of the goodwill allocated to JSL and WG.

During the years ended 31 December 2009 and 2008, no impairment losses have been recognised in the consolidated income statement because of the positive cash flow projections of JSL and WG. Management believes performance of JSL was affected by economic tsunami in 2008 and 2009 and expects JSL to recover in coming years.

16. Leasehold Land & Land Use Rights

Group

The Group's interests in leasehold land & land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2009 HK$'000	2008 HK$'000
In Hong Kong held on leases of between 10 to 50 years	**10,869**	11,159
Outside Hong Kong held on leases of between 10 to 50 years	**7,122**	9,064
	17,991	20,223

	2009 HK$'000	2008 HK$'000
As at 1 Jan	**20,223**	21,726
Exchange differences	**–**	587
Amortisation of leasehold land & land use rights	**(2,232)**	(2,090)
As at 31 Dec	**17,991**	20,223

17. Property, Plant & Equipment

Group

	Buildings HK$'000	Other assets HK$'000	Total HK$'000
As at 1 Jan 2008			
Cost or valuation	185,261	604,703	789,964
Accumulated depreciation & impairment	(72,861)	(379,207)	(452,068)
Net book amount	112,400	225,496	337,896
Year ended 31 Dec 2008			
Opening net book amount	112,400	225,496	337,896
Exchange differences	(1,884)	(4,387)	(6,271)
Additions	–	27,069	27,069
Transfer from construction in progress (Note 19)	–	31,462	31,462
Disposals	–	(274)	(274)
Transferred to assets held for sale (Note 30)	–	(576)	(576)
Additions through business combinations (Note 21)	–	384	384
Impairment	–	(3,789)	(3,789)
Depreciation	(4,627)	(49,234)	(53,861)
Closing net book amount	105,889	226,151	332,040
As at 31 Dec 2008 & 1 Jan 2009			
Cost or valuation	182,137	632,526	814,663
Accumulated depreciation & impairment	(76,248)	(406,375)	(482,623)
Net book amount	105,889	226,151	332,040
Year ended 31 Dec 2009			
Opening net book amount	105,889	226,151	332,040
Exchange differences	3,104	4,312	7,416
Additions	–	11,995	11,995
Transfer from construction in progress (Note 19)	393	21,997	22,390
Disposals	(5,249)	(2,227)	(7,476)
Depreciation	(8,238)	(49,041)	(57,279)
Closing net book amount	95,899	213,187	309,086
As at 31 Dec 2009			
Cost or valuation	181,671	672,838	854,509
Accumulated depreciation & impairment	(85,772)	(459,651)	(545,423)
Net book amount	95,899	213,187	309,086

Other assets include plant and machinery, furniture, fixtures, equipment and motor vehicles.

Certain of the Group's buildings were revalued on an open market basis as at 31 December 1989 by independent professional valuers, Jones Lang Wootton (now Jones Lang LaSalle) and W. Lamar Pinson, Inc. The revaluation was carried out prior to 30 September 1995. Under transitional provisions in paragraph 80A of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16. The carrying amount of such revalued buildings would have been HK$5,362,000 (2008: HK$5,469,000) had it been stated at cost less accumulated depreciation.

The cost or valuation of property, plant & equipment is analysed as follows:

Group

	Buildings HK$'000	**Other assets HK$'000**
At cost	169,992	672,838
At valuation – 1989	11,679	–
As at 31 Dec 2009	181,671	672,838
At cost	170,458	632,526
At valuation – 1989	11,679	–
As at 31 Dec 2008	182,137	632,526

18. Investment Properties

Group

	2009 HK$'000	2008 HK$'000
Net book value as at 1 Jan	**6,800**	27,510
Deficit on revaluation of investment properties	–	(1,310)
Disposals	–	(19,400)
Net book value as at 31 Dec	**6,800**	6,800

The investment properties were revalued by, CB Richard Ellis, an independent, professionally qualified valuer, at 31 December 2008. Valuations were based on current prices in an active market for all properties. The investment properties as at 31 December 2009 were stated at fair value as with reference to the selling prices as below. Details of principal investment properties are set out on page 102.

The Group's interests in investment properties at their carrying values are analysed as follows:

	2009 HK$'000	2008 HK$'000
In Hong Kong, held on medium leases (10 – 50 years)	**6,800**	6,800

On 21 December 2009 and 24 December 2009, the Group entered into sale and purchase agreements with independent third parties to dispose all of its investment properties situated in Hong Kong for cash consideration of HK$7,210,000. The transactions were completed in February 2010 and have resulted in a gain on disposal of approximately HK$311,000.

19. Construction in Progress

Group

	2009 HK$'000	2008 HK$'000
As at 1 Jan	**12,386**	10,723
Exchange differences	**34**	(419)
Additions	**20,033**	33,544
Transfer to property, plant & equipment (Note 17)	**(22,390)**	(31,462)
As at 31 Dec	**10,063**	12,386

20. Interests in Subsidiaries

Company

	2009 HK$'000	2008 HK$'000
Unlisted shares at Directors' valuation in 1990	**242,800**	242,800
Amounts due from subsidiaries	**494,771**	504,641
	737,571	747,441
Amounts due to subsidiaries	**(96,668)**	(81,848)
	640,903	665,593
Impairment	**(311,082)**	(311,082)
	329,821	354,511

Details of principal subsidiaries are set out on page 100. All balances due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

21. Acquisition of a Subsidiary

During the year ended 31 December 2008, the Group acquired 100% interest in JSL, under a stock purchase agreement dated as of 1 January 2008 as follows:

Name of company acquired	Principal activities	Proportion of shares acquired
JSL	Carpet trading	100%

JSL has 50% interest in WG, which was also established in the U.S.. WG is classified by the Group as a jointly controlled entity.

The aggregate consideration for the acquisition of JSL amounted to HK$26,093,000 (2008: HK$25,517,000) of which HK$23,200,000 (2008: HK$19,089,000) had been paid in cash. The remaining amount of HK$2,893,000 (2008: HK$6,428,000) will be payable in cash as follows:

	2009		
	Basic consideration HK$'000	**Contingent consideration HK$'000**	**Total HK$'000**
Not later than one year	**1,028**	**–**	**1,028**
Later than one year & not later than five years	**1,865**	**–**	**1,865**
	2,893	**–**	**2,893**

	2008		
	Basic consideration HK$'000	Contingent consideration HK$'000	Total HK$'000
Not later than one year	2,522	1,287	3,809
Later than one year & not later than five years	2,619	–	2,619
	5,141	1,287	6,428

The Group is required to make additional payments to the sellers of JSL based on the net profits of JSL (as defined in the Company's circular dated 20 February 2008) for the period from 1 January 2008 to 31 December 2011. The amounts of such additional payments are set out below provided that the aggregate additional amounts payable to the sellers shall not exceed US$6,000,000 (equivalent to HK$46,800,000):

	Additional amounts payable to the sellers
1 Jan 2008 to 31 Dec 2008	35% of the net profits
1 Jan 2009 to 31 Dec 2009	20% of the net profits
1 Jan 2010 to 31 Dec 2010	13% of the net profits
1 Jan 2011 to 31 Dec 2011	6% of the net profits

The contingent consideration payable for 2008 amounting to HK$1,287,000 is included in the above calculation of the contingent consideration, of which an amount of HK$1,863,000 was paid for the year ended 31 December 2009. As a result, the additional consideration paid with an amount of HK$576,000 was recognised as goodwill for the year ended 31 December 2009. No contingent consideration was accrued or paid for the year ended 31 December 2009 because of the loss position of JSL. The cost of acquisition for 2010 to 2011 has not reflected the above additional payments as the current market situation in the U.S. is unpredictable.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Carrying amount HK$'000	Fair value adjustments HK$'000	Fair value 2008 HK$'000
Fair value of assets & liabilities acquired			
Property, plant & equipment (Note 17)	384	–	384
Vendor relationships (Note 15)	–	7,215	7,215
Other intangible assets (Note 15)	–	4,751	4,751
Interest in a jointly controlled entity			
Share of net assets	598	–	598
Goodwill (Note 24)	–	1,227	1,227
Inventories	6,091	(4,062)	2,029
Trade & other receivables	3,559	–	3,559
Cash & bank balances	41	–	41
Trade & other payables	(8,001)	–	(8,001)
Bank overdraft	(243)	–	(243)
	2,429	9,131	11,560

Satisfied by	
Cash consideration	(19,089)
Consideration payable	(6,428)
	(25,517)
Goodwill (Note 15)	13,957

Net cash outflow arising on acquisition	
Cash consideration	19,089
Bank overdraft assumed less cash & bank balances acquired	202
	19,291

The goodwill arising from the acquisition of JSL is attributable to the experienced workforce, expected revenue growth and future market development of JSL and the opportunity to improve the Group's earning base.

Included in the operating profit of the Group was HK$2,376,000 attributable to the additional business generated by JSL for the year ended 31 December 2008. Turnover attributable to the additional business generated by JSL for the year ended 31 December 2008 was HK$53,995,000. The Group's share of profit from WG, a jointly controlled entity, in 2008 amounted HK$2,183,000.

22. Amount Due from an Indirectly Held Associate

The amount due from an indirectly held associate is unsecured, interest-free and repayable on demand.

23. Interest in an Associate

Group

	2009 HK$'000	2008 HK$'000
Share of net assets	**18,824**	20,494
Amount due from an associate	**–**	1,808
	18,824	22,302
Shares at cost – unlisted	**519**	519

No dividend income was received from the associate during the year (2008: Nil).

The amount due from an associate is unsecured, interest-free and repaid in 2009.

Share of the associate's income tax expenses amounted to HK$36,000 (2008: HK$1,890,000). Details of the associate, which is unlisted, are set out on page 101.

An extract of the operating results and financial position of the associate, Philippine Carpet Manufacturing Corporation, which is based on its consolidated financial statements as adjusted to conform with HKFRSs for the years ended and as at 31 December 2009 and 2008, is as follows:

	2009 HK$'000	2008 HK$'000
Operating results		
Turnover	**26,993**	66,140
Loss after income tax expenses	**(5,090)**	(3,475)
Group's share of loss after income tax expenses	**(1,670)**	(1,140)
Financial position		
Non-current assets	**35,608**	38,427
Current assets	**45,806**	50,671
Non-current liabilities	**(12,818)**	(9,754)
Current liabilities	**(11,222)**	(16,880)
Shareholders' funds	**57,374**	62,464
Group's share of net assets	**18,824**	20,494

24. Interests in Jointly Controlled Entities

Group

	2009 HK$'000	2008 HK$'000
Share of net assets	**297,540**	258,415
Goodwill (Note 21)	**1,227**	1,227
Amounts due from jointly controlled entities	**19,755**	15,642
	318,522	275,284
Impairment	**(1,575)**	(1,575)
	316,947	273,709
Paid-in capital at cost	**99,507**	99,981

The goodwill is attributable to the Group's acquisition of 50% interest in WG held by JSL when the Group acquired JSL during the year ended 31 December 2008. The nature of goodwill is the same as JSL and the details of impairment test are set out in Note 15 to the financial statements.

Dividend income received from jointly controlled entities during the year amounted to HK$1,950,000 (2008: HK$27,483,000).

The amount due from jointly controlled entities is unsecured, interest-free and repayable on demand.

Share of jointly controlled entities' income tax expenses amounted to HK$12,678,000 (2008: HK$9,255,000).

Details of the principal jointly controlled entities, which are unlisted, are set out on page 101.

An extract of the operating results and financial position of the Group's jointly controlled entities, which is based on their financial statements as adjusted to conform with HKFRS for the years ended and as at 31 December 2009 and 2008, is as follows:

	2009 HK$'000	2008 HK$'000
Operating results		
Turnover	**871,755**	1,108,928
Profit after income tax expenses	**84,859**	132,567
Group's share of profit after income tax expenses	**41,075**	65,088
Financial position		
Non-current assets	**419,574**	431,583
Current assets	**813,773**	717,994
Non-current liabilities	**(15,845)**	(12,553)
Current liabilities	**(611,213)**	(612,914)
Shareholders' funds	**606,289**	524,110
Group's share of net assets less impairment	**295,965**	256,840

During the year ended 31 December 2008, Weihai Shanhua Floorcovering Products Company Limited was liquidated. The Group recognised a gain on liquidation amounting to HK$86,000 and was included in share of results of jointly controlled entities.

25. Inventories

Group

	2009 HK$'000	2008 HK$'000
Raw materials	**77,519**	82,066
Work-in-progress	**24,141**	28,867
Finished goods	**57,140**	76,564
Consumable stores	**5,122**	8,992
	163,922	196,489

The cost of inventories recognised as expenses and included in cost of goods sold amounted to HK$620,462,000 (2008: HK$745,081,000).

26. Trade & Other Receivables

Group

	2009 HK$'000	2008 HK$'000
Trade receivables	**176,730**	206,320
Less: Impairment loss of trade receivables	**(19,670)**	(26,360)
Trade receivables, net	**157,060**	179,960
Other receivables	**40,847**	35,281
	197,907	215,241

The amounts approximated to the respective fair values as at 31 December 2009 and 2008. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the reporting date, the ageing analysis of the trade receivables net of impairment loss, based on invoice date, is as follows:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**86,723**	99,367
31 to 60 days	**34,023**	38,984
61 to 90 days	**14,702**	16,846
More than 90 days	**21,612**	24,763
	157,060	179,960

While the ageing analysis of the trade receivables which are past due but not impaired are as follows:

	2009 HK$'000	2008 HK$'000
Current	**78,648**	96,121
Amount past due at the reporting date but not impaired:		
Less than 30 days past due	**42,809**	33,154
31 to 60 days past due	**11,425**	17,975
61 to 90 days past due	**4,612**	8,502
More than 90 days past due	**19,566**	24,208
	78,412	83,839
	157,060	179,960

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

The current balances related to existing customers, most of which had no recent history of default.

The balances that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on the past experience, management estimates that the carrying amounts could be fully recovered.

The below table reconciles the impairment loss of trade receivables for the year:

	2009 HK$'000	2008 HK$'000
As at 1 Jan	**26,360**	19,087
(Recovery of impairment)/impairment loss recognised	**(1,243)**	7,704
Bad debts written off	**(5,447)**	(431)
As at 31 Dec	**19,670**	26,360

The Group recognises impairment loss on individual assessment based on the accounting policy stated in Note 4.11b.

27. Derivative Financial Instruments

Group

	2009 HK$'000	2008 HK$'000
Foreign currency forward contracts	**92**	169

The fair value of the Group's derivative financial instruments is determined on the foreign currency rates at the reporting date.

28. Financial Assets at Fair Value Through Profit or Loss

The financial assets are listed treasury bonds in overseas, which traded on active liquid markets and their fair values are determined with reference to quoted market prices at the reporting date.

29. Pledged Bank Deposits and Cash & Cash Equivalents

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Cash at bank & on hand	**105,305**	110,647	**367**	445
Short-term bank deposits	**5,106**	4,253	**–**	–
	110,411	114,900	**367**	445
Assets held for sale (Note 30)	**–**	2,506	**–**	–
	110,411	117,406	**367**	445
Less: Pledged bank deposits	**(5,106)**	–	**–**	–
Cash & cash equivalents	**105,305**	117,406	**367**	445

The amounts approximated to their respective fair values as at 31 December 2009 and 2008.

Pledged bank deposits represented deposits made to a bank for the advance payment guarantee and performance guarantee (the "Guarantees") issued by the bank to the Group's customer. The Guarantees will be expired on 28 February 2010 and 30 June 2011, respectively.

As at 31 December 2009, the Group's cash and bank balances included RMB18,567,000 (2008: RMB37,597,000) placed with certain banks in the PRC by certain PRC subsidiaries of the Group. These balances are subject to exchange controls.

30. Assets Held for Sale & Disposal of a Subsidiary

On 27 February 2009, the Group entered into a share transfer agreement to sell the entire capital of Suzhou Shuilian Mattress Co. Ltd., one of the then subsidiaries of the Company, at a consideration of RMB5,500,000. The transaction was completed on 12 June 2009. The net assets at the date of disposal are as follows:

	HK$'000
Property, plant & equipment (Note 17)	576
Inventories	2,114
Trade & other receivables	4,330
Cash & cash equivalents (Note 29)	2,506
	9,526
Trade & other payables	(4,262)
Minority interests	911
Impairment	(480)
Assets classified as held for sale	5,695

Satisfied by	
Cash	6,232
Costs directly attributable to the disposal paid	(537)
	5,695

Net cash inflow arising from disposal	
Cash consideration	6,232
Costs directly attributable to the disposal paid	(537)
Cash & cash equivalents disposed	(2,506)
	3,189

An impairment loss of HK$480,000 on the measurement of the disposal to fair value less cost has been recognised in the consolidated income statement for the year ended 31 December 2008. This division does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

31. Share Capital

31.1 Authorised & issued share capital

Company

	No. of shares	HK$'000
Authorised – HK$0.10 per share:		
As at 1 Jan 2008, 31 Dec 2008, 1 Jan 2009 & 31 Dec 2009	400,000,000	40,000
Issued & fully paid:		
As at 1 Jan 2008, 31 Dec 2008, 1 Jan 2009 & 31 Dec 2009	212,187,488	21,219

The movements of the share options for the year ended 31 December 2008 was as follows:

Name	Balance as at 1 Jan 2008	Date of grant	Changes during the year			Balance as at 31 Dec 2008	Exercise price (HK$)	Exercisable period
			Granted	Lapsed	Exercised			
James H. Kaplan	500,000	10 Jan 2005	–	500,000	–	–	1.21	31 Dec 2007 – 31 Jan 2008

The exercise price of the share options granted to Mr. James H. Kaplan was fixed at the average of the closing prices of the shares of the Company as stated on the Stock Exchange's daily quotation sheets for the five business days before the date of grant.

The Company uses the Black Scholes option pricing model (the "Model") to value share options at the date of grant. The Model is one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in such variables so adopted may materially affect the estimation of the fair value of an option. The significant variables and assumptions used for calculating the fair value of the share options are set out below.

The aggregate fair value of the options determined at the date of grant using the Model was HK$341,000. Such value is expensed through the Company's consolidated income statement over the respective vesting periods of each batch of options. As all share options issued have either lapsed or been exercised by January 2008, no share options expense was recognised for the years ended 31 December 2009 and 2008.

The fair value of the share options are determined based on the following significant variables and assumptions:

Date of grant	10 January 2005
Closing price at the date of grant	HK$1.18
Risk free rate[1]	0.58%-1.63%
Expected life of options	1-3 years
Expected volatility[2]	38.65%
Expected dividend per annum[3]	HK$0.0218

Notes:
[1] Risk free rate: being the approximate yields of Exchange Fund Notes and Bills traded on the date of grant, matching the expected life of each batch of options.
[2] Expected volatility: being the approximate volatility of closing prices of the share of the Company in the past one year immediately before the date of grant.
[3] Expected dividend per annum: being the approximate average annual cash dividend for the past five financial years.

31.2 Capital management policy

The Group's objectives when managing capital are, namely, to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group coordinates its financing and cash management activities at the corporate level, and usually funds its business with internally generated cash flows and through banking facilities at various subsidiaries. Nevertheless, the Group strives to minimise the bank borrowings as much as possible.

32. Reserves

Group

	Share premium HK$'000	Capital reserve HK$'000	Other properties revaluation reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
Balance as at 1 Jan 2008	189,699	71,966	4,161	16,000	101,304	473,867	19,097	876,094
Currency translation differences	–	–	–	–	4,702	–	–	4,702
Payment of 2007 final dividend	–	–	–	–	–	–	(19,097)	(19,097)
Lapse of share options	–	(341)	–	–	–	341	–	–
Profit for the year	–	–	–	–	–	83,465	–	83,465
Proposed 2008 final dividend	–	–	–	–	–	(19,097)	19,097	–
Balance as at 31 Dec 2008 & 1 Jan 2009	189,699	71,625	4,161	16,000	106,006	538,576	19,097	945,164
Currency translation differences	–	–	–	–	9,731	–	–	9,731
Payment of 2008 final dividend	–	–	–	–	–	–	(19,097)	(19,097)
Profit for the year	–	–	–	–	–	39,968	–	39,968
Proposed 2009 final dividend	–	–	–	–	–	(19,097)	19,097	–
Balance as at 31 Dec 2009	189,699	71,625	4,161	16,000	115,737	559,447	19,097	975,766

Note: The capital reserve includes statutory reserve funds set up by subsidiaries in the Mainland China. According to the relevant laws and financial regulations, upon approval by the Board, the statutory reserve funds may be used to make up prior years losses, if any, and to increase the capital of such subsidiaries.

Company

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses/ retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
Balance as at 1 Jan 2008	189,699	341	442,598	(373,927)	19,097	277,808
Payment of 2007 final dividend	–	–	–	–	(19,097)	(19,097)
Application of contribution surplus	–	–	(354,830)	354,830	–	–
Lapse of share options	–	(341)	–	341	–	–
Profit for the year	–	–	–	74,335	–	74,335
Proposed 2008 final dividend	–	–	–	(19,097)	19,097	–
Balance as at 31 Dec 2008 & 1 Jan 2009	189,699	–	87,768	36,482	19,097	333,046
Payment of 2008 final dividend	–	–	–	–	(19,097)	(19,097)
Loss for the year	–	–	–	(5,236)	–	(5,236)
Proposed 2009 final dividend	–	–	–	(19,097)	19,097	–
Balance as at 31 Dec 2009	189,699	–	87,768	12,149	19,097	308,713

The contributed surplus of the Company represents the excess of the consolidated net assets of a subsidiary acquired over the nominal amount of the Company's shares issued for the acquisition, as a result of the Group reorganisation in 1990. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to members of the Company.

33. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rate of the jurisdictions in which group companies are domiciled.

Group

	2009 HK$'000	2008 HK$'000
Deferred tax assets as at 1 Jan	**2,760**	6,289
Exchange differences	**181**	(424)
Deferred taxation credited/(charged) to the consolidated income statement (Note 11)	**49**	(3,105)
Deferred tax assets as at 31 Dec	**2,990**	2,760

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$392,210,000 (2008: HK$322,471,000) to carry forward against future taxable income.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation allowance		Revaluation of properties		Others		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
As at 1 Jan	**1,103**	484	**117**	383	**3,653**	166	**4,873**	1,033
(Credited)/charged to the consolidated income statement	**(596)**	646	**–**	(244)	**1,966**	3,490	**1,370**	3,892
Effect of change in tax rate	**–**	(27)	**–**	(22)	**–**	–	**–**	(49)
Exchange differences	**–**	–	**–**	–	**(49)**	(3)	**(49)**	(3)
As at 31 Dec	**507**	1,103	**117**	117	**5,570**	3,653	**6,194**	4,873

Deferred tax assets

Group

	Impairment of assets		Tax losses		Others		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
As at 1 Jan	**6,178**	6,069	**1,455**	1,253	**–**	–	**7,633**	7,322
Credited to the consolidated income statement	**206**	410	**1,213**	360	**–**	–	**1,419**	770
Effect of change in tax rate	**–**	(32)	**–**	–	**–**	–	**–**	(32)
Exchange differences	**257**	(269)	**(125)**	(158)	**–**	–	**132**	(427)
As at 31 Dec	**6,641**	6,178	**2,543**	1,455	**–**	–	**9,184**	7,633

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated statement of financial position:

Group

	2009 **HK$'000**	2008 HK$'000
Deferred tax assets	**9,184**	7,583
Deferred tax liabilities	**(6,194)**	(4,823)
	2,990	2,760

34. Other Long-term Liabilities

Group

	2009 **HK$'000**	2008 HK$'000
Non-current portion		
Repayable between 1 & 2 years	**1,028**	1,638
Repayable between 2 & 5 years	**837**	2,017
	1,865	3,655
Current portion	**1,028**	4,199
	2,893	7,854

Other long-term liabilities represent:

a. the consideration payable to the vendor in respect of the acquisition of White Oak Carpet Mills, Inc. in 2001. The amounts of HK$1,426,000, being unsecured and interest-free, approximated to the respective fair values as at 31 December 2008 and was fully settled in 2009; and

b. discounted basic consideration and contingent consideration payable to the sellers in respect of the acquisition of JSL in 2008. The amounts, being unsecured and interest-free, were calculated to the fair value as at 31 December 2009. Details of acquisition of a subsidiary are set out in Note 21. The discounted rate used to measure the fair value was 16% (2008: 14%).

35. Trade & Other Payables

Group

	2009 HK$'000	2008 HK$'000
Trade payables	**48,464**	43,449
Other payables	**166,873**	210,375
	215,337	253,824

At the reporting date, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2009 HK$'000	2008 HK$'000
0 to 30 days	**43,579**	36,997
31 days to 60 days	**3,489**	3,378
61 days to 90 days	**60**	573
More than 90 days	**1,336**	2,501
	48,464	43,449

36. Summary of Financial Assets & Financial Liabilities by Category

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group 2009			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss:				
– Listed treasury bonds	87,328	–	–	**87,328**
– Foreign currency forward contracts	–	92	–	**92**
	87,328	92	–	**87,420**

There is no transfer between Level 1 and Level 2 of the fair value hierarchy during the year.

37. Future Operating Lease Income

The Group's investment properties are leased to a number of tenants for varying terms, depending on the location and the status of such properties. As at 31 December 2009, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

Group

	2009 HK$'000	2008 HK$'000
Not later than one year	**38**	442
Later than one year & not later than five years	**–**	313
	38	755

38. Operating Lease Commitments

The Group has entered into a number of operating leases on properties, plant & equipment. The terms of such leases vary from country to country, and some of them may have annual escalation and early termination clauses.

At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

Group

	2009 Property HK$'000	**2009 Other assets HK$'000**	2008 Property HK$'000	2008 Other assets HK$'000
Not later than one year	**19,527**	**1,773**	15,166	1,230
Later than one year & not later than five years	**50,800**	**2,205**	45,301	2,523
Later than five years	**14,302**	**–**	18,902	–
	84,629	**3,978**	79,369	3,753

39. Capital Commitments

Group

	2009 HK$'000	2008 HK$'000
Contracted but not provided for in respect of property, plant & equipment	**549**	619
Authorised but not contracted for in respect of property, plant & equipment	**–**	71
	549	690

The Group's share of capital commitments of the jointly controlled entities not included in the above was as follows:

Contracted but not provided for in respect of property, plant & equipment	**–**	9,654
Authorised but not contracted for in respect of property, plant & equipment	**6,845**	12,510
	6,845	22,164

40. Contingent Liabilities

	Group		Company	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Guarantees for banking facilities granted to subsidiaries	**–**	–	**–**	97,000
Corporate guarantee in respect of performance bonds issued by the subsidiaries to customers	**3,480**	8,145	**–**	–
Counter-indemnity in respect of performance bonds issued by banks	**19,359**	8,562	**–**	–
Guarantees in lieu of rental & utility deposit	**9,396**	1,218	**–**	–
Counter-indemnity in respect of advance payment bonds issued by banks	**7,854**	5,748	**–**	–
	40,089	23,673	**–**	97,000

The Company has not recognised any deferred income in respect of the guarantees for banking facilities granted to subsidiaries and corporate guarantee in respect of performance bonds issued by the subsidiaries to customers as their fair value cannot be reliably measured and their transaction price was HK$Nil (2008: HK$Nil).

41. Related Party Transactions

The following transactions were carried out in the normal course of the Group's business:

41.1 Sale of goods & services

	2009 **HK$'000**	2008 HK$'000
Sale of carpets:		
an associate[1]	**4,224**	7,029
The Hongkong & Shanghai Hotels, Limited ("HSH")[2]	**332**	3,151
	4,556	10,180

Notes:

[1] Sales to an associate were conducted in the normal course of business and at mutually agreed prices between the parties.

[2] By virtue of the fact that HSH is under common control with the Company, the Company's transactions with HSH and its subsidiaries are related party transactions. These transactions also fall under the definition of continuing connected transactions under the Listing Rules and are disclosed under the "Connected Transactions" section in the Directors' Report.

41.2 Purchase of goods

	2009 HK$'000	2008 HK$'000
Purchase of goods from:		
an associate[1]	–	568
jointly controlled entities[1]	**42,372**	59,275
	42,372	59,843

Note:
[1] Purchases from an associate and jointly controlled entities were conducted in the normal course of business and at mutually agreed prices between the parties.

41.3 Key management compensation

	2009 HK$'000	2008 HK$'000
Salaries & other short-term employee benefits	**36,672**	45,406

41.4 Year-end balances arising from sale/purchase of goods/services

	2009 HK$'000	2008 HK$'000
Trade receivables from related parties:		
an associate	–	1,808
HSH	**67**	176
	67	1,984
Trade payables to related parties:		
jointly controlled entities	**6,239**	10,352
	6,239	10,352

42. Event After the Reporting Date

On 1 February 2010, the disposal of the Group's investment properties was completed. Further details are set out in Note 18 to the financial statements.

Principal Subsidiaries, an Associate & Jointly Controlled Entities

The table lists below are the subsidiaries, an associate and jointly controlled entities of the Group as at 31 December 2009 which, in the opinion of the Directors, principally affected the results or financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Country of incorporation & operations	Principal activities	Issued & paid-up capital	Percentage of equity attributable to the Group
Subsidiaries				
Costigan Limited	British Virgin Islands/ Hong Kong	Investment holding	100 shares of US$1 each	100%[1]
Luard Enterprises Limited	British Virgin Islands/ Hong Kong	Investment holding	1 share of US$1	100%[1]
Carpets International Thailand Public Company Limited	Thailand	Carpet manufacturing	10,000,000 shares of Baht10 each	99%
Edward Fields, Inc.	United States of America	Carpet trading	US$100,000	100%
Foshan Nanhai Tai Ping Carpets Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$5,000,000	80%
Premier Yarn Dyers, Inc.	United States of America	Yarn dyeing	1,100 shares of US$100 each	100%
Tai Ping Carpets Americas, Inc.	United States of America	Carpet trading	220,000 shares of US$1 each	100%
Tai Ping Carpets Europe S.A.S.	France	Carpet trading	Euro 350,000	100%
Tai Ping Carpets India Private Limited	India	Carpet trading	Rupees 1,000,000	100%
Tai Ping Carpets Interieur GmbH	Germany	Carpet trading	Euro 511,292	100%
Tai Ping Carpets Latin America S.A.	Argentina	Carpet trading	Pesos 300,000	100%
Tai Ping Carpets Limited	Hong Kong	Carpet trading	2,000,000 shares of HK$10 each	100%
TPC Macau Limitada	Macau	Carpet trading	MOP25,000	100%
Tai Ping Carpets (S) Pte. Limited	Singapore	Carpet trading	S$5,000,000	100%
J.S.L. Carpet Corporation	United States of America	Carpet trading	100 shares of US$23,400 each	100%

Name	Country of incorporation & operations	Principal activities	Issued & paid-up capital	Percentage of equity attributable to the Group
Associate				
Philippine Carpet Manufacturing Corporation	The Philippines	Carpet manufacturing	1,017,581 shares of PHP100 each	33%
Jointly controlled entities				
Weihai Shanhua Huabao Carpet Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$15,090,000	49%
Weihai Shanhua Premier Carpet Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$5,400,000	49%
Weihai Shanhua Weavers Carpet Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$6,000,000	49%
Weavers Guild LLC	United States of America	Carpet trading	N/A	50%

Notes:

[1] Directly held by the Company

[2] None of the subsidiaries had issued any debt securities at the end of the year

[3] Registered as foreign equity joint ventures under PRC Law

Major Investment Properties

Location	Lot number	Type of use	Lease term
Rooms 1317-1320, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong	325/71,750 shares of and in Remaining Portion of Lot No. 299 in D.D. 444	Commercial	2047

Senior Management

Name	Position held	Age[1]	Joined group	Business experience
Mr. Eric A. S. Cooper	Vice President, Global Technical Operations & Quality	58	2005	Carpet manufacturing
Mr. Philip A. Decker	General Manager, Contract Division	42	2007	Carpet sales & marketing
Mr. Jack S. Gates	President, Premier Yarn Dyers, Inc.	70	1983	Carpet & textiles manufacturing
Mr. John P. Goggin	Managing Director, Commercial, U.S.	56	2004	Carpet sales & marketing
Mr. Parkpoom Jarnyaham	Managing Director, Carpets Inter	56	2004	Carpet manufacturing, sales & marketing
Mr. Adam J. S. Jones	Managing Director, Commercial, Europe	38	2005	Carpet sales & marketing
Mr. Daniel S. Kasakoff	Managing Director, Commercial, Latin America	62	2007	Carpet sales & marketing
Mr. Marcel Gerard Jan Lebon	Group Chief Financial Officer & Global Human Resources Director	47	2009	Financial management & human resources
Mr. Alan S. Millstein	Global Managing Director, RBC	63	2008	Carpet sales & marketing
Mr. Richard N. Morris	Managing Director, Commercial, Asia	46	2004	Carpet sales & marketing
Mr. Anthony T. Mott	Managing Director, Global Business Development	45	2004	Carpet sales & business development
Mr. William J. Palmer	Global Managing Director, Commercial	49	1999	Carpet sales & marketing
Mr. Alan Porto	Chief Information Officer	44	2009	Information technology
Ms. Simone S. Rothman	Chief Marketing Officer	50	2004	Marketing, PR & business development
Ms. Catherine Vergez	Managing Director, RBC, Europe	47	1991	Carpet sales & marketing
Mr. Mark S. Worgan	Vice President, Global Operations	46	2008	Carpet manufacturing & logistics

Note:
[1] Age as at 16 April 2010

Corporate Information

Auditor

BDO Limited

Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Shanghai Commercial Bank Limited
Chong Hing Bank Limited

Company Secretary

Chan Wing Sze

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Hamilton, Bermuda

Branch Registrars and Registration Office

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