



Tai Ping Carpets International Limited  
Interim Report 2010

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## Management Discussion & Analysis

The Directors of Tai Ping Carpets International Limited (the “Company”) are pleased to present the Interim Report and condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010. The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2010, and the condensed consolidated statement of financial position as at 30 June 2010, along with selected explanatory notes, all of which are unaudited and reviewed by the Audit Committee of the Company, can be found on pages 8 to 24 of this report.

The Group’s consolidated turnover for the six months ended 30 June 2010 was HK\$509 million, a period-on-period decrease of 6%, or HK\$32 million. The reduction was due to the continued weak conditions in the U.S. market, which led to the delay or cancellations of projects in key sectors and the weakness of the Euro in the reporting period, partly offset by strong turnover growth in Europe and the Middle East.

Turnover of carpet operations decreased by 6% period-on-period, while the turnover of non-carpet operations showed an increase of 3%. Overall gross margin decreased from 43% to 42%, mainly attributable to strong price competition in the Americas and the negative impact of the strong U.S. dollar on European margins.

The Group recorded an operating loss of HK\$40 million for the first six months compared with an operating profit of HK\$9 million for the corresponding period in 2009. The decrease was mainly due to a HK\$39 million drop in profitability of the Commercial and Wholesale businesses. The Group’s loss attributable to owners was HK\$46 million, a reduction of HK\$58 million from the previous period. The share of profits from jointly controlled entities decreased by 33% to HK\$9 million.

### Carpet Operations

The decline in turnover in Carpet operations was due to the Commercial and Wholesale businesses, which declined by 11% and 53% respectively. Our Residential Boutique Contract (“RBC”) business continued to perform strongly, despite the difficult economic climate, and turnover increased by 15%, led by strong sales in Europe and the Middle East.

Total sales of the Commercial business decreased by 11%, or HK\$41 million, period-on-period, mainly attributable to a sharp reduction in the U.S. Turnover in Thailand and the rest of Asia grew by 25%.

Total sales of the RBC business grew by 15%, or HK\$19 million, period-on-period. The increase was driven by Europe and Middle East which despite the negative impact from currency fluctuations showed turnover growth of 61%, partly offset by a decline in turnover in the U.S. Margins were slightly below previous period, mainly as a result of the strong U.S. dollar. Operating profit is slightly below previous period also due to the negative impact from currency movements.

The Wholesale business comprises our U.S.-based subsidiary J.S.L. Carpet Corporation (“JSL”), which was acquired in early 2008. Its sales have diminished significantly due to poor market conditions in the U.S. Residential sector, which is the main customer base that JSL serves. We have taken steps to significantly reduce overheads and restructured the sales force. We have also introduced JSL products to our European entities which will broaden JSL’s customer base. The outlook for the second half of 2010 is more positive.

Adjusted for the negative impact of currency movements, margins would have been similar to previous period. Factory operating expenses, especially labour costs in the PRC increased significantly, but the Group was able to offset partly the adverse impact by increases in productivity and efficiency at our factories in Nanhai and Bangkok.

Under the current economic conditions we continue to hold a firm control on expenses, but we are making strategic investments in people and marketing tools in key growth markets. Operating expenses totalled HK\$253 million, an increase of 13% from the previous period.

### **Other Operations**

Other operations comprises mainly our Group's U.S.-based yarn-dyeing subsidiary and only represents 3% of the Group's sales. Turnover in other operations increased by 3% period-on-period, following a weak 2009 and profitability decreased slightly.

### **Acquisitions**

In May, the Group completed the acquisition of Manufacture des Tapis de Cogolin, a well renowned brand of hand-woven carpets based in the south of France, which will significantly strengthen our product and brand portfolio. The Group intends to invest in the necessary technology and talent to restore the brand to a position of prominence in the market, and to secure its future growth.

### **Outlook**

For the first time in our recent history we have returned a loss for the first six months, as turnover in the U.S. was hit by continuing weak market conditions, which we were unable to offset by profitable growth from Europe, the Middle East and Asia, and the weak Euro hit reported turnover and margins from European sales. Our second half of the year is traditionally stronger than the first half and we are cautiously optimistic about the outlook for the full year.

We have hedged part of our remaining exposure in Euro. Our order book is up compared to the same time last year and our factories are seeing increased production and efficiencies. However, we do not expect the U.S. market to recover shortly and we will maintain a tight control on expenses to improve profitability.

We will continue to look at opportunities to expand our presence in the luxury segment of the market and continue our strategy of profitable growth through regional expansion and selective acquisitions.

### **Dividend**

The Board does not recommend the payment of an interim dividend for the period (2009: Nil).

### **Capital Expenditure**

Capital expenditure in the form of property, plant & equipment and construction in progress incurred by the Group totalled HK\$11 million during the six months ended 30 June 2010 (2009: HK\$13 million). As at 30 June 2010, 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\$333 million (as at 31 December 2009: HK\$352 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 30 June 2010, the Group had total cash and bank balances amounting to HK\$92 million (as at 31 December 2009: HK\$105 million).

As at 30 June 2010, the Group also held financial assets at fair value through profit or loss of HK\$99 million (as at 31 December 2009: HK\$87 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 the U.S. dollar, 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 losses of HK\$10 million, arising from overseas operations in 2010, which related mostly to European countries with exchange loss of HK\$9 million due to volatile exchange rates of Euro and Pound Sterling.

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 30 June 2010, the Group employed 3,300 employees (as at 31 December 2009: 3,200 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.

### **Contingent Liabilities**

As at 30 June 2010, the Group's total contingent liabilities amounted to HK\$41 million (see Note 15 to the condensed consolidated financial statements for full disclosure) (as at 31 December 2009: HK\$40 million).

**James H. Kaplan**  
*Chief Executive Officer*

Hong Kong, 27 August 2010

## Corporate Governance & Other Information

### **Compliance with the Code on Corporate Governance Practices**

During the six months ended 30 June 2010, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company 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 six-month period ended 30 June 2010 and up to the date of publication of this Interim Report.

### **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 auditors (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, 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 period up to the date of this Interim Report, the Audit Committee held two meetings with the management and the external auditors 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 auditors and internal auditors, and discussing issues arising from the audits including internal controls and financial reporting.

### **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares during the six months ended 30 June 2010. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares during the period.

### **Change in Director**

Mr. Michael T.H. Lee ("Mr. Lee") did not offer himself for re-election as Director at the Annual General Meeting of the Company on 18 June 2010 as he need to devote more time to his other business engagements. Mr. Lee has confirmed that he has no disagreement with the Board and the Board is not aware of any matters that need to be brought to the attention of the shareholders of the Company.

After the retirement of Mr. Lee as a Director of the Company, the Company has three Independent Non-executive Directors in the Board and is in compliance with the requirement of Rule 3.10(1) of the Listing Rules.

## Directors' Interests in Equity Securities

As at 30 June 2010, 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

Number 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 <sup>1</sup>   | –                | 2,000,000                           | 0.943%                           |
| Nelson K. F. Leong <sup>1</sup><br>(Alternate Director to Lincoln K. K. Leong) | –                | 2,000,000                           | 0.943%                           |
| John J. Ying <sup>2</sup>  | –                | 32,605,583                          | 15.366%                          |
| James H. Kaplan  | 522,000          | –                                   | 0.246%                           |

Notes:

- <sup>1</sup> 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.
- <sup>2</sup> 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 period 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.

## Share Options

The existing share options scheme ("2002 Share Options Scheme" or the "Scheme") was approved by the shareholders of the Company at an Annual General Meeting held on 23 May 2002. The Scheme fully complies with Chapter 17 of the Listing Rules.

During the period between 1 January 2010 and the date of this report, there were no outstanding share options under the 2002 Share Option Scheme.

## Substantial Shareholders

As at 30 June 2010, 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<br>held in the Company<br>of HK\$0.10 each<br>(long position) | Aggregate<br>% of the share<br>capital |
|---|--|--|
| Acorn Holdings Corporation <sup>1</sup>               | 40,014,178   | 18.858%                                |
| Bermuda Trust Company Limited <sup>1</sup>            | 40,014,178   | 18.858%                                |
| Harneys Trustees Limited <sup>1</sup>                 | 77,674,581   | 36.607%                                |
| Lawrencium Holdings Limited <sup>1</sup>              | 77,674,581   | 36.607%                                |
| The Mikado Private Trust Company Limited <sup>1</sup> | 77,674,581   | 36.607%                                |
| The Hon. Sir Michael Kadoorie <sup>1</sup>            | 77,674,581   | 36.607%                                |
| Peak Capital Partners I, L.P. <sup>2</sup>            | 32,605,583   | 15.366%                                |

Notes:

- <sup>1</sup> 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.
- <sup>2</sup> 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).

# Condensed Consolidated Income Statement

For the six months ended 30 Jun

|   | Note | Unaudited        |                  |
|---|------|------------------|------------------|
|   |      | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Turnover  | 2    | 508,723          | 540,480          |
| Cost of sales   |      | (295,288)        | (307,034)        |
| Gross profit  |      | 213,435          | 233,446          |
| Distribution costs  |      | (43,891)         | (41,996)         |
| Administrative expenses   |      | (209,328)        | (182,977)        |
| Other operating income, net   |      | 62               | 975              |
| Operating (loss)/profit   | 3    | (39,722)         | 9,448            |
| Interest income from banks  |      | 107              | 86               |
| Finance costs   | 4    | (166)            | (425)            |
| Share of (losses)/profits of  |      |                  |                  |
| an associate  |      | (907)            | (2,099)          |
| jointly controlled entities   |      | 8,958            | 13,454           |
| (Loss)/profit before income tax expenses  |      | (31,730)         | 20,464           |
| Income tax expenses   | 5    | (14,149)         | (8,016)          |
| (Loss)/profit for the period  |      | (45,879)         | 12,448           |
| (Loss)/profit attributable to:  |      |                  |                  |
| Owners of the Company   |      | (45,820)         | 12,267           |
| Non-controlling interests   |      | (59)             | 181              |
|   |      | (45,879)         | 12,448           |
| (Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in HK cents) |      |                  |                  |
| Basic & diluted   | 7    | (21.59)          | 5.78             |

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 Jun

|  | Unaudited |          |
|--|-----------|----------|
|  | 2010      | 2009     |
|  | HK\$'000  | HK\$'000 |
| (Loss)/profit for the period                               | (45,879)  | 12,448   |
| Other comprehensive income for the period:                 |           |          |
| Exchange differences on translating foreign operations     | 24,643    | 2,072    |
| Total comprehensive income for the period                  | (21,236)  | 14,520   |
| Total comprehensive income for the period attributable to: |           |          |
| Owners of the Company                                      | (21,537)  | 13,428   |
| Non-controlling interests                                  | 301       | 1,092    |
|  | (21,236)  | 14,520   |

## Condensed Consolidated Statement of Financial Position

|   |      | Unaudited<br>30 Jun<br>2010 | Audited<br>31 Dec<br>2009<br>(restated) |
|---|------|-----------------------------|---|
|   | Note | HK\$'000                    | HK\$'000                                |
| <b>Assets</b>   |      |                             |   |
| <b>Non-current assets</b>                             |      |                             |   |
| Intangible assets                                     | 8    | 33,217                      | 29,934                                  |
| Leasehold land & land use rights                      | 9    | 6,190                       | 7,122                                   |
| Property, plant & equipment                           | 9    | 299,057                     | 319,955                                 |
| Investment properties                                 | 9    | –                           | 6,800                                   |
| Construction in progress                              | 9    | 9,077                       | 2,301                                   |
| Interest in an associate                              |      | 18,129                      | 18,824                                  |
| Interests in jointly controlled entities              |      | 316,100                     | 316,947                                 |
| Deferred tax assets                                   |      | 8,164                       | 9,184                                   |
|   |      | <b>689,934</b>              | <b>711,067</b>                          |
| <b>Current assets</b>                                 |      |                             |   |
| Inventories   |      | 203,207                     | 163,922                                 |
| Trade & other receivables                             | 10   | 183,592                     | 197,907                                 |
| Derivative financial instruments                      |      | 51                          | 92                                      |
| Financial assets at fair value through profit or loss |      | 99,460                      | 87,328                                  |
| Tax recoverable                                       |      | –                           | 1,177                                   |
| Pledged bank deposits                                 | 11   | 5,154                       | 5,106                                   |
| Cash & cash equivalents                               | 11   | 91,669                      | 105,305                                 |
|   |      | <b>583,133</b>              | <b>560,837</b>                          |
| <b>Total assets</b>                                   |      | <b>1,273,067</b>            | <b>1,271,904</b>                        |

Condensed Consolidated Statement of Financial Position

|   | Note | Unaudited<br>30 Jun<br>2010<br>HK\$'000 | Audited<br>31 Dec<br>2009<br>(restated)<br>HK\$'000 |
|---|------|---|---|
| <b>Equity</b>   |      |   |   |
| <b>Capital &amp; reserves attributable to owners of the Company</b> |      |   |   |
| Share capital   | 12   | 21,219                                  | 21,219  |
| Reserves  | 13   | 935,132                                 | 956,669   |
| Proposed final dividend   | 13   | –                                       | 19,097  |
|   |      | 956,351                                 | 996,985   |
| <b>Non-controlling interests</b>                                    |      | 39,423                                  | 39,563  |
| <b>Total equity</b>   |      | 995,774                                 | 1,036,548   |
| <b>Liabilities</b>  |      |   |   |
| <b>Non-current liabilities</b>                                      |      |   |   |
| Deferred tax liabilities  |      | 6,502                                   | 6,194   |
| Other long-term liabilities   |      | 1,395                                   | 1,865   |
|   |      | 7,897                                   | 8,059   |
| <b>Current liabilities</b>  |      |   |   |
| Trade & other payables  | 14   | 241,157                                 | 215,337   |
| Other long-term liabilities – current portion                       |      | 313                                     | 1,028   |
| Taxation  |      | 8,829                                   | 10,932  |
| Dividend payable  |      | 19,097                                  | –   |
|   |      | 269,396                                 | 227,297   |
| <b>Total liabilities</b>  |      | 277,293                                 | 235,356   |
| <b>Total equity &amp; liabilities</b>                               |      | 1,273,067                               | 1,271,904   |
| <b>Net current assets</b>   |      | 313,737                                 | 333,540   |
| <b>Total assets less current liabilities</b>                        |      | 1,003,671                               | 1,044,607   |

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 Jun

|  | Unaudited  |  |                          |
|--|--|--|--------------------------|
|  | Capital &<br>reserves<br>attributable to<br>owners of the<br>Company<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total equity<br>HK\$'000 |
| Balance as at 1 Jan 2010                   | 996,985  | 39,563                                       | 1,036,548                |
| Currency translation differences           | 24,283   | 360  | 24,643                   |
| Net income recognised directly in equity   | 24,283   | 360  | 24,643                   |
| Loss for the period                        | (45,820)   | (59)   | (45,879)                 |
| Total comprehensive income for the period  | (21,537)   | 301  | (21,236)                 |
| Payment of final dividend                  | (19,097)   | –  | (19,097)                 |
| Deregistration of a subsidiary             | –  | (441)  | (441)                    |
|  | (19,097)   | (441)  | (19,538)                 |
| Balance as at 30 Jun 2010                  | 956,351  | 39,423                                       | 995,774                  |
| Balance as at 1 Jan 2009                   | 966,383  | 39,020                                       | 1,005,403                |
| Currency translation differences           | 1,161  | 911  | 2,072                    |
| Net income recognised directly in equity   | 1,161  | 911  | 2,072                    |
| Profit for the period                      | 12,267   | 181  | 12,448                   |
| Total comprehensive income for the period  | 13,428   | 1,092  | 14,520                   |
| Payment of final dividend                  | (19,097)   | –  | (19,097)                 |
| Dividend paid to non-controlling interests | –  | (196)  | (196)                    |
|  | (19,097)   | (196)  | (19,293)                 |
| Balance as at 30 Jun 2009                  | 960,714  | 39,916                                       | 1,000,630                |

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 Jun

|  | Note | Unaudited        |                  |
|--|------|------------------|------------------|
|  |      | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Net cash (used in)/generated from operating activities         |      | (19,098)         | 6,063            |
| Net cash used in investing activities                          |      | (11,085)         | (29,265)         |
| Net cash used in financing activities                          |      | (479)            | (3,326)          |
| Decrease in cash & cash equivalents                            |      | (30,662)         | (26,528)         |
| Cash & cash equivalents at the beginning of the period         |      | 105,305          | 117,406          |
| Effect of foreign exchange rates changes                       |      | 17,026           | 1,218            |
| Cash & cash equivalents at 30 Jun                              |      | 91,669           | 92,096           |
| <b>Analysis of the balances of cash &amp; cash equivalents</b> |      |                  |                  |
| Cash at bank & on hand   | 11   | 91,669           | 92,096           |
|  |      | 91,669           | 92,096           |

# Notes to the Condensed Consolidated Financial Statements

## 1. Basis of Preparation & Accounting Policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain properties and financial assets at fair value through profit or loss.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2009.

1.1 The Group has adopted, for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA that have material impact on the results and the financial position of the Group in the current accounting period:

- a. HKAS 17 (amendment), “Leases”, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold Land & Land Use Rights”, and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The property is classified as finance lease if the property interest is held for own use, that land interest is accounted for as property, plant & equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as below:

|  | 30 Jun<br>2010<br>HK\$’000 | 31 Dec<br>2009<br>HK\$’000 |
|--|----------------------------|----------------------------|
| Decrease in leasehold land & land use rights | 10,723                     | 10,869                     |
| Increase in property, plant & equipment      | 10,723                     | 10,869                     |

## Notes to the Condensed Consolidated Financial Statements

### 1. Basis of Preparation & Accounting Policies

- 1.2 The following new standards and amendments are effective for the current accounting period, but are not currently relevant to the Group or does not have any material financial impact on the Group's condensed consolidated financial statements:

|                               |   |
|-------------------------------|---|
| HK(IFRIC) – Interpretation 18 | Transfers of Assets from Customers  |
| HKFRSs (Amendments)           | Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008     |
| HKFRSs (Amendments)           | Improvements to HKFRSs issued in 2009                                     |
| Amendments to HKAS 39         | Eligible hedged items   |
| Amendments to HKFRS 2         | Share-based Payment – Group Cash-settled Share-based Payment Transactions |
| HKAS 27 (Revised)             | Consolidated and Separate Financial Statements                            |
| HKFRS 3 (Revised)             | Business Combinations   |
| HK(IFRIC) – Interpretation 17 | Distribution of Non-cash Assets to Owners                                 |

- 1.3 The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new HKFRSs to the Group's results of operations and financial position in the period of initial application.

|   |  |
|---|--|
| Amendments to HKAS 32                       | Classification of Rights Issues <sup>1</sup>                             |
| Amendments to HK(IFRIC) – Interpretation 14 | Prepayments of a Minimum Funding Requirements <sup>3</sup>               |
| HK(IFRIC) – Interpretation 19               | Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup> |
| HKAS 24 (Revised)                           | Related Party Disclosures <sup>3</sup>                                   |
| HKFRS 9                                     | Financial Instruments <sup>4</sup>                                       |

#### Notes:

- <sup>1</sup> Effective for annual periods beginning on or after 1 February 2010  
<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010  
<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011  
<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

## 2. Segment Information

Management has determined the operating segments based on the reports reviewed by the management that are used to assess performance and allocate resources. The management 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, Wholesale and Others (including manufacturing and trading of yarn and property holding).

The segment information provided to the management for the reportable segments for the six months ended 30 June 2010 and 2009 is as follows:

### For the six months ended 30 June 2010

|  | Commercial<br>HK\$'000 | Residential<br>Boutique<br>Contract<br>HK\$'000 | Wholesale<br>HK\$'000 | Total Carpet<br>HK\$'000 | Others<br>HK\$'000 | Unallocated<br>HK\$'000 | Group<br>HK\$'000 |
|--|------------------------|---|-----------------------|--------------------------|--------------------|-------------------------|-------------------|
| Revenues from external customers                 | 331,413                | 151,523   | 9,040                 | 491,976                  | 16,747             | –                       | 508,723           |
| Segment results                                  | 2,111                  | (3,705)   | (4,958)               | (6,552)                  | 2,020              | –                       | (4,532)           |
| Unallocated expenses <sup>1</sup>                |                        |   |                       | (35,023)                 | –                  | –                       | (35,023)          |
| Operating loss <sup>2,3</sup>                    |                        |   |                       | (41,575)                 | 2,020              | –                       | (39,555)          |
| Finance costs                                    |                        |   |                       |                          |                    |                         | (166)             |
| Interest income from banks                       |                        |   |                       |                          |                    |                         | 107               |
| Share of (losses)/profits of                     |                        |   |                       |                          |                    |                         |                   |
| an associate                                     |                        |   |                       |                          |                    |                         | (907)             |
| jointly controlled entities <sup>2</sup>         |                        |   |                       |                          |                    |                         | 8,791             |
| Loss before income tax expenses                  |                        |   |                       |                          |                    |                         | (31,730)          |
| Income tax expenses                              |                        |   |                       |                          |                    |                         | (14,149)          |
| Loss for the period                              |                        |   |                       |                          |                    |                         | (45,879)          |
| Depreciation of property, plant & equipment      | 18,927                 | 3,648   | 47                    | 22,622                   | –                  | 5,136                   | 27,758            |
| Amortisation of leasehold land & land use rights | –                      | –   | –                     | –                        | –                  | 980                     | 980               |
| Amortisation of intangible assets                | –                      | –   | 1,073                 | 1,073                    | –                  | –                       | 1,073             |

## Notes to the Condensed Consolidated Financial Statements

### 2. Segment Information

For the six months ended 30 June 2009

|  | Commercial | Residential<br>Boutique<br>Contract | Wholesale | Total Carpet | Others   | Unallocated<br>(restated) | Group<br>(restated) |
|--|------------|-------------------------------------|-----------|--------------|----------|---------------------------|---------------------|
|  | HK\$'000   | HK\$'000                            | HK\$'000  | HK\$'000     | HK\$'000 | HK\$'000                  | HK\$'000            |
| Revenues from external customers                 | 372,803    | 132,265                             | 19,120    | 524,188      | 16,292   | –                         | 540,480             |
| Segment results                                  | 36,028     | (2,378)                             | 524       | 34,174       | 2,050    | –                         | 36,224              |
| Unallocated expenses <sup>1</sup>                |            |                                     |           | (25,717)     | –        | –                         | (25,717)            |
| Operating profit <sup>2</sup>                    |            |                                     |           | 8,457        | 2,050    | –                         | 10,507              |
| Finance costs                                    |            |                                     |           |              |          |                           | (425)               |
| Interest income from banks                       |            |                                     |           |              |          |                           | 86                  |
| Share of (losses)/profits of                     |            |                                     |           |              |          |                           |                     |
| an associate                                     |            |                                     |           |              |          |                           | (2,099)             |
| jointly controlled entities <sup>2</sup>         |            |                                     |           |              |          |                           | 12,395              |
| Profit before income tax expenses                |            |                                     |           |              |          |                           | 20,464              |
| Income tax expenses                              |            |                                     |           |              |          |                           | (8,016)             |
| Profit for the period                            |            |                                     |           |              |          |                           | 12,448              |
| Depreciation of property, plant & equipment      | 16,531     | 9,929                               | 1,135     | 27,595       | –        | 1,552                     | 29,147              |
| Amortisation of leasehold land & land use rights | –          | –                                   | –         | –            | –        | 980                       | 980                 |
| Amortisation of intangible assets                | –          | –                                   | 1,174     | 1,174        | –        | –                         | 1,174               |

Notes:

- <sup>1</sup> Included shared expenses for global operation, information technology, marketing, internal audit, etc.
- <sup>2</sup> Excluded the share of profit of one jointly controlled entity which is included in the Wholesale segment and forms part of the segment results.
- <sup>3</sup> Included gain on disposal of investment properties.

### 3. Operating (Loss)/Profit

|   | Six months ended<br>30 June |                    |
|---|-----------------------------|--------------------|
|   | 2010                        | 2009<br>(restated) |
|   | HK\$'000                    | HK\$'000           |
| Operating (loss)/profit is stated after crediting & charging the following: |                             |                    |
| <b>Crediting:</b>   |                             |                    |
| Gain on disposal of property, plant & equipment                             | 210                         | 826                |
| Gain on disposal of investment properties                                   | 361                         | –                  |
| Reversal of impairment of inventories                                       | 1,188                       | 1,518              |
| Exchange gain   | –                           | 1,880              |
| <b>Charging:</b>  |                             |                    |
| Depreciation of property, plant & equipment (Note 9)                        | 27,758                      | 29,147             |
| Amortisation of leasehold land & land use rights (Note 9)                   | 980                         | 980                |
| Amortisation of intangible assets (Note 8)                                  | 1,073                       | 1,174              |
| Exchange loss   | 10,272                      | –                  |
| Impairment of trade & other receivables                                     | 1,964                       | 5,318              |

#### 4. Finance Costs

|  | Six months ended<br>30 June |                  |
|--|-----------------------------|------------------|
|  | 2010<br>HK\$'000            | 2009<br>HK\$'000 |
| Interest on bank loans & overdrafts wholly repayable within five years | 9                           | 8                |
| Amortised interest costs   | 157                         | 417              |
|  | 166                         | 425              |

#### 5. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period. 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 period at the tax rates prevailing in the respective countries.

The amount of income tax expenses charged/(credited) to the condensed consolidated income statement represents:

|   | Six months ended<br>30 June |                  |
|---|-----------------------------|------------------|
|   | 2010<br>HK\$'000            | 2009<br>HK\$'000 |
| Current income tax                                  |                             |                  |
| Hong Kong   | 5,153                       | 1,971            |
| The PRC & overseas                                  | 5,879                       | 7,680            |
| Underprovision/(overprovision) in prior years       | 1,759                       | (1,145)          |
| Deferred taxation relating to:                      |                             |                  |
| the origination & reversal of temporary differences | 1,358                       | (490)            |
| Income tax expenses                                 | 14,149                      | 8,016            |

#### 6. Dividend

The Board does not recommend the payment of an interim dividend for the period (2009: Nil). The 2009 final dividend was paid on 12 July 2010.

#### 7. (Loss)/Earnings Per Share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of shares in issue during the period.

|   | Six months ended<br>30 June |         |
|---|-----------------------------|---------|
|   | 2010                        | 2009    |
| (Loss)/profit attributable to owners of the Company (HK\$'000)  | (45,820)                    | 12,267  |
| Weighted average number of ordinary shares in issue (thousands) | 212,187                     | 212,187 |
| Basic (loss)/earnings per share (HK cents)                      | (21.59)                     | 5.78    |

The Company had no dilutive potential ordinary shares outstanding as at 30 June 2010 and 2009.

## 8. Intangible Assets

For the six months ended 30 June 2010

|                                 | Goodwill<br>HK\$'000 | Vendor<br>relationship<br>HK\$'000 | Computer<br>software<br>HK\$'000 | Other<br>intangible<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|----------------------|------------------------------------|----------------------------------|---|-------------------|
| <b>Cost</b>                     |                      |                                    |                                  |   |                   |
| As at 1 Jan 2010                | 14,533               | 7,215                              | 7,762                            | 4,751                                     | 34,261            |
| Addition                        | -                    | -                                  | 4,356                            | -   | 4,356             |
| As at 30 Jun 2010               | 14,533               | 7,215                              | 12,118                           | 4,751                                     | 38,617            |
| <b>Accumulated amortisation</b> |                      |                                    |                                  |   |                   |
| As at 1 Jan 2010                | -                    | 2,886                              | -                                | 1,441                                     | 4,327             |
| Amortisation                    | -                    | 721                                | -                                | 352                                       | 1,073             |
| As at 30 Jun 2010               | -                    | 3,607                              | -                                | 1,793                                     | 5,400             |
| <b>Net book value</b>           |                      |                                    |                                  |   |                   |
| As at 30 Jun 2010               | 14,533               | 3,608                              | 12,118                           | 2,958                                     | 33,217            |
| As at 31 Dec 2009               | 14,533               | 4,329                              | 7,762                            | 3,310                                     | 29,934            |

For the six months ended 30 June 2009

|                                 | Goodwill<br>HK\$'000 | Vendor<br>relationship<br>HK\$'000 | Computer<br>software<br>HK\$'000 | Other<br>intangible<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|----------------------|------------------------------------|----------------------------------|---|-------------------|
| <b>Cost</b>                     |                      |                                    |                                  |   |                   |
| As at 1 Jan 2009 & 30 Jun 2009  | 13,957               | 7,215                              | 1,490                            | 4,751                                     | 27,413            |
| <b>Accumulated amortisation</b> |                      |                                    |                                  |   |                   |
| As at 1 Jan 2009                | -                    | 1,443                              | -                                | 637                                       | 2,080             |
| Amortisation                    | -                    | 722                                | -                                | 452                                       | 1,174             |
| As at 30 June 2009              | -                    | 2,165                              | -                                | 1,089                                     | 3,254             |
| <b>Net book value</b>           |                      |                                    |                                  |   |                   |
| As at 30 Jun 2009               | 13,957               | 5,050                              | 1,490                            | 3,662                                     | 24,159            |
| As at 31 Dec 2008               | 13,957               | 5,772                              | 1,490                            | 4,114                                     | 25,333            |

Other intangible assets as at 30 June 2010 and 2009 include customer relationship, non-competition agreements and design library.

## 9. Capital Expenditure

For the six months ended 30 June 2010

|   | Leasehold<br>land & land<br>use rights<br>(restated)<br>HK\$'000 | Investment<br>properties<br>HK\$'000 | Property, plant & equipment    |                       |                             |                       |   | Construction<br>in progress<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|--------------------------------------|--------------------------------|-----------------------|-----------------------------|-----------------------|---|---|-------------------|
|   |  |                                      | Land<br>(restated)<br>HK\$'000 | Buildings<br>HK\$'000 | Other<br>assets<br>HK\$'000 | Sub-total<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 |   |                   |
|   |  |                                      |                                |                       |                             |                       |   |   |                   |
| Net book value as at<br>1 Jan 2010<br>(as previously reported)              | 17,991   | 6,800                                | -                              | 95,899                | 213,187                     | 309,086               | 2,301                                   | 336,178                                 |                   |
| Adjustment for<br>amendment to HKAS 17                                      | (10,869)   | -                                    | 10,869                         | -                     | -                           | 10,869                | -                                       | -                                       |                   |
| Net book value as at<br>1 Jan 2010 (as restated)                            | 7,122  | 6,800                                | 10,869                         | 95,899                | 213,187                     | 319,955               | 2,301                                   | 336,178                                 |                   |
| Exchange adjustments  | 48   | -                                    | -                              | 700                   | 2,109                       | 2,809                 | 48                                      | 2,905                                   |                   |
| Additions   | -  | -                                    | -                              | -                     | 2,727                       | 2,727                 | 8,359                                   | 11,086                                  |                   |
| Transfer from construction<br>in progress to property,<br>plant & equipment | -  | -                                    | -                              | -                     | 1,631                       | 1,631                 | (1,631)                                 | -                                       |                   |
| Disposals   | -  | (6,800)                              | -                              | -                     | (307)                       | (307)                 | -                                       | (7,107)                                 |                   |
| Depreciation &<br>amortisation  | (980)  | -                                    | (146)                          | (1,876)               | (25,736)                    | (27,758)              | -                                       | (28,738)                                |                   |
| Net book value as at<br>30 Jun 2010   | 6,190  | -                                    | 10,723                         | 94,723                | 193,611                     | 299,057               | 9,077                                   | 314,324                                 |                   |

For the six months ended 30 June 2009

|   | Leasehold<br>land & land<br>use rights<br>(restated)<br>HK\$'000 | Investment<br>properties<br>HK\$'000 | Property, plant & equipment    |                       |                             |                       |   | Construction<br>in progress<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|--------------------------------------|--------------------------------|-----------------------|-----------------------------|-----------------------|---|---|-------------------|
|   |  |                                      | Land<br>(restated)<br>HK\$'000 | Buildings<br>HK\$'000 | Other<br>assets<br>HK\$'000 | Sub-total<br>HK\$'000 | Construction<br>in progress<br>HK\$'000 |   |                   |
|   |  |                                      |                                |                       |                             |                       |   |   |                   |
| Net book value as at<br>1 Jan 2009<br>(as previously reported)              | 20,223   | 6,800                                | -                              | 105,889               | 226,151                     | 332,040               | 10,896                                  | 369,959                                 |                   |
| Adjustment for<br>amendment to HKAS 17                                      | (11,159)   | -                                    | 11,159                         | -                     | -                           | 11,159                | -                                       | -                                       |                   |
| Net book value as at<br>1 Jan 2009 (as restated)                            | 9,064  | 6,800                                | 11,159                         | 105,889               | 226,151                     | 343,199               | 10,896                                  | 369,959                                 |                   |
| Exchange adjustments  | -  | -                                    | -                              | 2,076                 | 3,332                       | 5,408                 | 248                                     | 5,656                                   |                   |
| Additions   | -  | -                                    | -                              | -                     | 5,248                       | 5,248                 | 7,305                                   | 12,553                                  |                   |
| Transfer from construction<br>in progress to property,<br>plant & equipment | -  | -                                    | -                              | -                     | 8,826                       | 8,826                 | (8,826)                                 | -                                       |                   |
| Disposals   | -  | -                                    | -                              | (5,207)               | (51)                        | (5,258)               | -                                       | (5,258)                                 |                   |
| Depreciation &<br>amortisation  | (980)  | -                                    | (145)                          | (5,136)               | (23,866)                    | (29,147)              | -                                       | (30,127)                                |                   |
| Net book value as at<br>30 Jun 2009   | 8,084  | 6,800                                | 11,014                         | 97,622                | 219,640                     | 328,276               | 9,623                                   | 352,783                                 |                   |

**10. Trade & Other Receivables**

|                                       | 30 Jun<br>2010<br>HK\$'000 | 31 Dec<br>2009<br>HK\$'000 |
|---------------------------------------|----------------------------|----------------------------|
| Trade receivables                     | 163,417                    | 176,730                    |
| Less : Impairment loss of receivables | (20,751)                   | (19,670)                   |
| Trade receivables, net                | 142,666                    | 157,060                    |
| Other receivables                     | 40,926                     | 40,847                     |
|                                       | 183,592                    | 197,907                    |

The amounts approximated to the respective fair values as at 30 June 2010 and 31 December 2009. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. As at the end of the reporting period, the ageing analysis of the trade receivables is as follows:

|  | 30 Jun<br>2010<br>HK\$'000 | 31 Dec<br>2009<br>HK\$'000 |
|--|----------------------------|----------------------------|
| Current  | 70,415                     | 78,648                     |
| Amount past due at the end of the reporting period but not impaired: |                            |                            |
| Less than 30 days past due   | 40,545                     | 42,809                     |
| 31 to 60 days past due   | 13,788                     | 11,425                     |
| 61 to 90 days past due   | 7,128                      | 4,612                      |
| More than 90 days past due   | 10,790                     | 19,566                     |
|  | 72,251                     | 78,412                     |
|  | 142,666                    | 157,060                    |

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

**11. Pledged Bank Deposits and Cash & Cash Equivalents**

|                             | 30 Jun<br>2010<br>HK\$'000 | 31 Dec<br>2009<br>HK\$'000 |
|-----------------------------|----------------------------|----------------------------|
| Cash at bank & on hand      | 91,669                     | 105,305                    |
| Short-term bank deposits    | 5,154                      | 5,106                      |
|                             | 96,823                     | 110,411                    |
| Less: Pledged bank deposits | (5,154)                    | (5,106)                    |
|                             | 91,669                     | 105,305                    |

## 12. Share Capital

|                                  | No. of shares | HK\$'000 |
|----------------------------------|---------------|----------|
| Authorised – HK\$0.10 per share: |               |          |
| As at 1 Jan 2010 & 30 Jun 2010   | 400,000,000   | 40,000   |
| Issued & fully paid:             |               |          |
| As at 1 Jan 2010 & 30 Jun 2010   | 212,187,488   | 21,219   |

## 13. Reserves

|                                  | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Properties revaluation reserve<br>HK\$'000 | General reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Retained earnings<br>HK\$'000 | Proposed final dividend<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------|---------------------------|-----------------------------|--|-----------------------------|------------------------------|-------------------------------|-------------------------------------|-------------------|
| Balance as at 1 Jan 2010         | 189,699                   | 71,625                      | 4,161                                      | 16,000                      | 115,737                      | 559,447                       | 19,097                              | 975,766           |
| Currency translation differences | –                         | –                           | –  | –                           | 24,283                       | –                             | –                                   | 24,283            |
| Loss for the period              | –                         | –                           | –  | –                           | –                            | (45,820)                      | –                                   | (45,820)          |
| 2009 final dividend declared     | –                         | –                           | –  | –                           | –                            | –                             | (19,097)                            | (19,097)          |
| Balance as at 30 Jun 2010        | 189,699                   | 71,625                      | 4,161                                      | 16,000                      | 140,020                      | 513,627                       | –                                   | 935,132           |

|                                  | Share premium<br>HK\$'000 | Capital reserve<br>HK\$'000 | Properties revaluation reserve<br>HK\$'000 | General reserve<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Retained earnings<br>HK\$'000 | Proposed final dividend<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------|---------------------------|-----------------------------|--|-----------------------------|------------------------------|-------------------------------|-------------------------------------|-------------------|
| Balance as at 1 Jan 2009         | 189,699                   | 71,625                      | 4,161                                      | 16,000                      | 106,006                      | 538,576                       | 19,097                              | 945,164           |
| Currency translation differences | –                         | –                           | –  | –                           | 1,161                        | –                             | –                                   | 1,161             |
| Profit for the period            | –                         | –                           | –  | –                           | –                            | 12,267                        | –                                   | 12,267            |
| 2008 final dividend declared     | –                         | –                           | –  | –                           | –                            | –                             | (19,097)                            | (19,097)          |
| Balance as at 30 Jun 2009        | 189,699                   | 71,625                      | 4,161                                      | 16,000                      | 107,167                      | 550,843                       | –                                   | 939,495           |

## 14. Trade & Other Payables

|                   | 30 Jun<br>2010<br>HK\$'000 | 31 Dec<br>2009<br>HK\$'000 |
|-------------------|----------------------------|----------------------------|
| Trade payables    | 48,492                     | 48,464                     |
| Other payables    | 86,835                     | 87,991                     |
| Deposits received | 105,830                    | 78,882                     |
|                   | 241,157                    | 215,337                    |

As at the end of the reporting period, the ageing analysis of the trade payables, based on invoice date, is as follows:

|                    | 30 Jun<br>2010<br>HK\$'000 | 31 Dec<br>2009<br>HK\$'000 |
|--------------------|----------------------------|----------------------------|
| 0 to 30 days       | 40,114                     | 43,579                     |
| 31 days to 60 days | 7,270                      | 3,489                      |
| 61 days to 90 days | 742                        | 60                         |
| Over 90 days       | 366                        | 1,336                      |
|                    | 48,492                     | 48,464                     |

## 15. Contingent Liabilities

|   | 30 Jun<br>2010<br>HK\$'000 | 31 Dec<br>2009<br>HK\$'000 |
|---|----------------------------|----------------------------|
| Corporate guarantee in respect of performance bonds issued by the subsidiaries to customers | 7,303                      | 3,480                      |
| Counter-indemnity in respect of performance bonds issued by banks                           | 16,593                     | 19,359                     |
| Guarantees in lieu of rental & utility deposits   | 9,431                      | 9,396                      |
| Counter-indemnity in respect of advance payment bonds issued by banks                       | 7,807                      | 7,854                      |
|   | <b>41,134</b>              | <b>40,089</b>              |

## 16. Capital Commitments

|   | 30 Jun<br>2010<br>HK\$'000 | 31 Dec<br>2009<br>HK\$'000 |
|---|----------------------------|----------------------------|
| Contracted but not provided for in respect of property, plant & equipment | 3,232                      | 549                        |
|   | <b>3,232</b>               | <b>549</b>                 |

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

|   |   |       |
|---|---|-------|
| Authorised but not contracted for in respect of property, plant & equipment | – | 6,845 |
|   | – | 6,845 |

## 17. Related Party Transactions

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

### 17.1 Sale of goods & services

|  | Six months ended<br>30 June |                  |
|--|-----------------------------|------------------|
|  | 2010<br>HK\$'000            | 2009<br>HK\$'000 |
| Sale of carpets to:  |                             |                  |
| an associate <sup>1</sup>                                    | 45                          | 3,632            |
| The Hongkong & Shanghai Hotels, Limited ("HSH") <sup>2</sup> | 1,992                       | 136              |
|  | <b>2,037</b>                | <b>3,768</b>     |

Notes:

<sup>1</sup> Sale to an associate were conducted in the normal course of business and at mutually agreed prices between the parties.

<sup>2</sup> 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.

Notes to the Condensed Consolidated Financial Statements

17. Related Party Transactions

17.2 Purchase of goods

|  | Six months ended<br>30 June |                  |
|--|-----------------------------|------------------|
|  | 2010<br>HK\$'000            | 2009<br>HK\$'000 |
| Purchase of goods from:                  |                             |                  |
| jointly controlled entities <sup>1</sup> | 5,870                       | 27,246           |
|  | 5,870                       | 27,246           |

Note:

<sup>1</sup> Purchase from jointly controlled entities were conducted in the normal course of business and at mutually agreed prices between the parties.

17.3 Key management compensation

|   | Six months ended<br>30 June |                  |
|---|-----------------------------|------------------|
|   | 2010<br>HK\$'000            | 2009<br>HK\$'000 |
| Salaries & other short-term employee benefits | 20,954                      | 17,878           |

17.4 Period/year end balances arising from sale/purchase of goods/services

|                                    | 30 Jun<br>2010<br>HK\$'000              | 31 Dec<br>2009<br>HK\$'000 |
|------------------------------------|---|----------------------------|
|                                    | Trade receivables from related parties: |                            |
| an associate                       | 212                                     | –                          |
| HSH                                | –                                       | 67                         |
|                                    | 212                                     | 67                         |
| Trade payables to related parties: |   |                            |
| jointly controlled entities        | 1,669                                   | 6,239                      |
|                                    | 1,669                                   | 6,239                      |