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## TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors of Tai Ping Carpets International Limited (the “Company”) announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010, together with the comparative figures for 2009, as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	2010 HK\$'000	2009 HK\$'000 (As restated)
Revenue	4	1,221,548	1,117,673
Cost of sales	6	<u>(707,010)</u>	<u>(621,753)</u>
Gross profit		514,538	495,920
Distribution costs	6	(102,562)	(83,700)
Administrative expenses	6	(415,592)	(392,879)
Impairment of intangible assets	7	(15,533)	–
Other (losses)/gains, net	5	<u>(845)</u>	<u>2,966</u>
Operating (loss)/profit		(19,994)	22,307
Finance income		197	147
Finance costs		<u>(1,084)</u>	<u>(1,259)</u>
Finance costs – net		<u>(887)</u>	<u>(1,112)</u>
Share of (loss)/profit of:			
an associate		(1,335)	(1,670)
jointly controlled entities		<u>33,313</u>	<u>41,075</u>
Profit before income tax		11,097	60,600
Income tax expenses	8	<u>(22,905)</u>	<u>(21,247)</u>
(Loss)/profit for the year		<u>(11,808)</u>	<u>39,353</u>
(Loss)/profit attributable to:			
Owners of the parent		(13,063)	39,134
Non-controlling interests		<u>1,255</u>	<u>219</u>
		<u>(11,808)</u>	<u>39,353</u>
(Loss)/earnings per share for (loss)/profit attributable to the owners of the parent (expressed in HK cents per share)			
Basic	9	<u>(6.16)</u>	<u>18.44</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i> (As restated)
(Loss)/profit for the year	<b>(11,808)</b>	39,353
Other comprehensive income:		
Currency translation differences	<u><b>49,326</b></u>	<u>9,369</u>
Total comprehensive income for the year	<u><b>37,518</b></u>	<u>48,722</u>
Total comprehensive income for the year attributable to:		
Owners of the parent	<b>35,434</b>	48,354
Non-controlling interests	<u><b>2,084</b></u>	<u>368</u>
	<u><b>37,518</b></u>	<u>48,722</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		As at 31 December		As at
		2010	2009	1 January
	Note	HK\$'000	HK\$'000	HK\$'000
			(As restated)	(As restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Land use rights		5,359	7,122	9,064
Property, plant and equipment		278,886	319,955	343,199
Investment properties		–	6,800	6,800
Construction in progress		6,036	2,301	10,896
Intangible assets		25,661	29,934	25,333
Interest in an associate		17,489	18,824	20,494
Interests in jointly controlled entities		322,078	297,192	258,067
Deferred income tax assets		8,557	13,820	11,702
Pledged bank deposits		1,359	5,105	–
Bank deposits		439	1,194	2,385
		<u>665,864</u>	<u>702,247</u>	<u>687,940</u>
<b>Current assets</b>				
Inventories		192,535	163,922	196,489
Trade and other receivables	10	232,754	197,907	215,241
Derivative financial instruments		1,109	92	169
Amount due from an associate		403	–	1,808
Amounts due from jointly controlled entities		19,495	19,755	15,642
Financial assets at fair value through profit or loss		133,065	87,328	59,170
Current income tax assets		–	1,177	–
Pledged bank deposits		1,988	5,106	901
Cash and cash equivalents		86,697	99,006	111,614
		<u>668,046</u>	<u>574,293</u>	<u>601,034</u>
Non-current asset classified as held for sale		<u>25,411</u>	<u>–</u>	<u>5,695</u>
		<u>693,457</u>	<u>574,293</u>	<u>606,729</u>
<b>Total assets</b>		<u><u>1,359,321</u></u>	<u><u>1,276,540</u></u>	<u><u>1,294,669</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		As at 31 December		As at
		2010	2009	1 January
	Note	HK\$'000	HK\$'000	HK\$'000
			(As restated)	(As restated)
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		21,219	21,219	21,219
Reserves		445,389	396,893	387,673
Retained earnings:				
Proposed final dividend		19,097	19,097	19,097
Others		516,799	548,958	528,921
		<u>1,002,504</u>	<u>986,167</u>	<u>956,910</u>
<b>Non-controlling interests</b>		<u>45,018</u>	<u>39,563</u>	<u>39,020</u>
<b>Total equity</b>		<u>1,047,522</u>	<u>1,025,730</u>	<u>995,930</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred income tax liabilities		6,235	6,194	4,823
Retirement benefit obligations		18,281	15,454	13,592
Other long-term liabilities		837	1,865	3,655
		<u>25,353</u>	<u>23,513</u>	<u>22,070</u>
<b>Current liabilities</b>				
Bank borrowings – unsecured		5,989	2,206	–
Trade and other payables	11	256,137	199,685	240,378
Current income tax liabilities		9,846	10,932	18,646
Other long-term liabilities – current portion		1,028	1,028	4,199
Amounts due to non-controlling interests shareholders		13,446	13,446	13,446
		<u>286,446</u>	<u>227,297</u>	<u>276,669</u>
<b>Total liabilities</b>		<u>311,799</u>	<u>250,810</u>	<u>298,739</u>
<b>Total equity and liabilities</b>		<u>1,359,321</u>	<u>1,276,540</u>	<u>1,294,669</u>
<b>Net current assets</b>		<u>381,600</u>	<u>346,996</u>	<u>324,365</u>
<b>Total assets less current liabilities</b>		<u>1,072,875</u>	<u>1,049,243</u>	<u>1,018,000</u>

## 1. BASIS OF PREPARATION

### a. Statement of compliance

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

### b. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

## 2. CORRECTION OF PRIOR PERIOD ERROR

During the year ended 31 December 2010, the Group has discovered an error in its consolidated financial statements for the year ended 31 December 2009. The error was related to the recognition of the liabilities for Carpets International Thailand Public Company Limited (“Carpets Inter”), the Group’s subsidiary in Thailand, under the Legal Severance Pay Plan (the “Plan”) for its employees in Thailand, amounting to HK\$15,454,000 as at 31 December 2009 (2008: HK\$13,592,000). The Group has never recognised any liability in respect of this plan in its consolidated financial statements for the year ended 31 December 2009. In accordance with HKAS 19 “Employee Benefits”, such liability meets the definition of employee benefit liability and should have been recognised in the Group’s consolidated financial statements. In connection with the recognition of the liability, a corresponding deferred tax asset amounting to HK\$4,636,000 (2008: HK\$4,119,000) is recognised. The effects of correction of error on the Group’s consolidated financial statements for the year ended 31 December 2009 are summarised as follows:

### Consolidated Income Statement

	<b>For the year ended 31 December 2009</b>	
	<b>(As previously reported)</b>	<b>(As restated)</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Administrative expenses	392,277	392,879
Operating profit	22,909	22,307
Finance costs	670	1,259
Profit before income tax	61,791	60,600
Income tax expenses	21,604	21,247
Profit for the year	40,187	39,353
Profit attributable to owners of the parent	<u>39,968</u>	<u>39,134</u>

## Consolidated Statement of Comprehensive Income

	31 December 2009	
	(As previously reported)	(As restated)
	HK\$'000	HK\$'000
Total comprehensive income for the year	50,067	48,722
Total comprehensive income for the year attributable to owners of the parent	<u>49,699</u>	<u>48,354</u>

## Consolidated Statement of Financial Position

	31 December 2009	
	(As previously reported)	(As restated)
	HK\$'000	HK\$'000
Deferred tax assets	9,184	13,820
Total assets	1,271,904	1,276,540
Retirement benefit obligations	–	15,454
Total liabilities	235,356	250,810
Reserves	397,222	396,893
Retained earnings after proposed final dividend	559,447	548,958
Total equity	1,036,548	1,025,730
Total equity and liabilities	1,271,904	1,276,540
Total assets less current liabilities	<u>1,044,607</u>	<u>1,049,243</u>

The effects of correction of error on the Group's consolidated statement of financial position as at 1 January 2009 are summarised as follows:

## Consolidated Statement of Financial Position

	1 January 2009	
	(As previously reported)	(As restated)
	HK\$'000	HK\$'000
Deferred tax assets	7,583	11,702
Total assets	1,290,550	1,294,669
Retirement benefit obligations	–	13,592
Total liabilities	285,147	298,739
Reserves	387,491	387,673
Retained earnings after proposed final dividend	538,576	528,921
Total equity	<u>1,005,403</u>	<u>995,930</u>

### 3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

#### a. New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

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 "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 land use rights from operating lease to finance lease.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2010</b>	2009	<b>1 January</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>2009</b>
			<b>HK\$'000</b>
Decrease in leasehold land and land use rights	–	10,869	11,159
Increase in property, plant and equipment	<u>–</u>	<u>10,869</u>	<u>11,159</u>

HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interests in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

HKFRS 5 (amendment), ‘Non-current assets held for sale and discontinued operations’. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

**b. New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted**

HKAS 24 (revised)	Related party disclosures <sup>1</sup>
HKAS 1 (amendment)	Limited exemption from corporation HKFRS 7 disclosures for first time adopters <sup>1</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKAS 12 (amendment)	Income taxes <sup>3</sup>

*Note:*

<sup>1</sup> Effective from annual periods beginning on or after 1 January 2011

<sup>2</sup> Effective from annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective from annual periods beginning on or after 1 January 2012

**4. TURNOVER AND 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. Management considers the businesses primarily based on the nature of operations and customers. The Group is currently organised into four major business segments: Commercial, Residential Boutique Contract (“RBC”), Wholesale and Others (including manufacturing and trading of yarn and property holding).

The Board of Directors assesses the performance of the operating segments based on a measure of segment results. Segment results excludes the effects of non-recurring expenditure from the operating segments such as impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of change in fair value of derivative financial instruments.

The segment information provided to the management for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

**For the year ended 31 December 2010**

	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	<u>806,513</u>	<u>361,382</u>	<u>19,123</u>	<u>1,187,018</u>	<u>34,530</u>	<u>-</u>	<u>1,221,548</u>
Segment results	<u>26,747</u>	<u>50,012</u>	<u>(27,944)</u>	48,815	(770)	-	48,045
Unallocated expenses <sup>1</sup>				(67,934)	-	-	(67,934)
Operating loss <sup>2,3</sup>				<u>(19,119)</u>	<u>(770)</u>	<u>-</u>	<u>(19,889)</u>
Finance costs							(1,084)
Finance income							197
Share of (loss)/profit of:							
an associate	(1,335)	-	-	(1,335)	-	-	(1,335)
jointly controlled entities <sup>2</sup>	33,208	-	-	33,208	-	-	33,208
Profit before income tax							11,097
Income tax expenses							(22,905)
Loss for the year							<u>(11,808)</u>
Segment assets	739,757	189,706	7,039	936,502	43,546	19,808	999,856
Interest in an associate	17,892	-	-	17,892	-	-	17,892
Interests in jointly controlled entities	341,573	-	-	341,573	-	-	341,573
Total assets							<u>1,359,321</u>
Segment liabilities	<u>204,115</u>	<u>60,078</u>	<u>13,047</u>	<u>277,240</u>	<u>12,128</u>	<u>22,431</u>	<u>311,799</u>
Capital expenditure	26,434	7,842	6	34,282	-	18,469	52,751
Depreciation of property, plant and equipment	50,157	2,661	104	52,922	-	9,106	62,028
Amortisation of land use rights	-	-	-	-	-	2,152	2,152
Amortisation of intangible assets	-	39	2,324	2,363	-	4,051	6,414
Impairment of intangible assets	-	-	15,533	15,533	-	-	15,533
Impairment of inventories	-	301	-	301	-	-	301
Recovery of impairment of trade and other receivables	(2,373)	(654)	(42)	(3,069)	-	-	(3,069)
Gain/(loss) on disposal of property, plant and equipment	<u>485</u>	<u>-</u>	<u>-</u>	<u>485</u>	<u>361</u>	<u>(85)</u>	<u>761</u>

For the year ended 31 December 2009, as restated

	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	<u>741,744</u>	<u>313,045</u>	<u>31,177</u>	<u>1,085,966</u>	<u>31,707</u>	<u>-</u>	<u>1,117,673</u>
Segment results	<u>57,830</u>	<u>31,184</u>	<u>(7,270)</u>	81,744	1,357	-	83,101
Unallocated expenses <sup>1</sup>				(59,040)	-	-	(59,040)
Operating profit <sup>2</sup>				<u>22,704</u>	<u>1,357</u>	<u>-</u>	<u>24,061</u>
Finance costs							(1,259)
Finance income							147
Share of (loss)/profit of an associate	(1,670)	-	-	(1,670)	-	-	(1,670)
jointly controlled entities <sup>2</sup>	39,321	-	-	39,321	-	-	39,321
Profit before income tax							60,600
Income tax expenses							(21,247)
Profit for the year							<u>39,353</u>
Segment assets	656,719	202,713	30,251	889,683	38,976	12,110	940,769
Interest in an associate	18,824	-	-	18,824	-	-	18,824
Interests in jointly controlled entities	316,947	-	-	316,947	-	-	316,947
Total assets							<u>1,276,540</u>
Segment liabilities	<u>159,531</u>	<u>50,472</u>	<u>13,510</u>	<u>223,513</u>	<u>2,250</u>	<u>25,047</u>	<u>250,810</u>
Capital expenditure	23,856	4,984	32	28,872	-	3,156	32,028
Depreciation of property, plant and equipment	39,029	8,426	86	47,541	145	9,883	57,569
Amortisation of land use rights	-	-	-	-	-	1,943	1,943
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 and other receivables	(480)	1,847	(2,610)	(1,243)	-	-	(1,243)
Gain/(loss) on disposal of property, plant and equipment	<u>1,424</u>	<u>(696)</u>	<u>-</u>	<u>728</u>	<u>870</u>	<u>(70)</u>	<u>1,528</u>

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
- <sup>3</sup> Included gain on disposal of investment properties

Analysis of revenue and non-current assets other than deferred income tax assets and capital expenditure by geographical location is as follows:

**For the year ended 31 December 2010**

	<b>Revenue</b> <i>HK\$'000</i>	<b>Non-current assets</b> <i>HK\$'000</i>
Hong Kong and Macau	68,494	17,361
Mainland China	25,430	41,812
South East Asia	326,300	187,227
Middle East	91,322	–
Other Asian countries	38,886	1,446
Europe	167,442	16,655
North America and Latin America	383,128	53,102
Others	120,546	137
	<u>1,221,548</u>	<u>317,740</u>
Interest in an associate <sup>1</sup>		17,489
Interests in jointly controlled entities <sup>2</sup>		<u>322,078</u>

**For the year ended 31 December 2009**

	<b>Revenue</b> <i>HK\$'000</i>	<b>Non-current assets</b> <i>HK\$'000</i>
Hong Kong and Macau	63,345	38,066
Mainland China	23,966	43,536
South East Asia	243,771	192,262
Middle East	56,468	–
Other Asian countries	32,662	1,381
Europe	134,375	11,612
North America and Latin America	509,034	84,265
Others	54,052	1,289
	<u>1,117,673</u>	<u>372,411</u>
Interest in an associate <sup>1</sup>		18,824
Interests in jointly controlled entities <sup>2</sup>		<u>297,192</u>

*Notes:*

<sup>1</sup> Located in South East Asia

<sup>2</sup> Located in the Mainland China and the U.S.

There is no single external customer contributed more than 10% to the Group's revenue for the years ended 31 December 2010 and 2009.

## 5. OTHER (LOSSES)/GAINS, NET

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Gain on disposal of financial assets at fair value through profit or loss	1,128	752
Gain on disposal of property, plant and equipment	400	1,528
Gain on disposal of investment properties	361	–
Gain/(loss) on change in fair value of derivative financial instruments	1,108	(77)
Net foreign exchange (losses)/gains	(3,865)	1,235
Other	23	(472)
	<u>          </u>	<u>          </u>
	<b>(845)</b>	<b>2,966</b>

## 6. EXPENSES BY NATURE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (As restated)
Raw materials and consumables used	340,782	252,660
Changes in inventories	8,044	19,640
Amortisation of intangible assets	6,414	2,247
Amortisation of land use rights	2,152	1,943
Depreciation of property, plant and equipment	62,028	57,569
Employee benefit expenses	329,528	372,542
Operating lease charges		
– Land and buildings	25,582	25,069
– Plant and machinery	490	1,569
Impairment of inventories	301	1,291
Bad debts written off	1,960	–
Director's fees	576	590
Auditor's remuneration	3,481	2,777
Direct operating expenses arising from investment properties that generated rental income	1	12
Research and development costs	2,652	2,265
	<u>          </u>	<u>          </u>

## 7. IMPAIRMENT OF INTANGIBLE ASSETS

During the year ended 31 December 2010, as a result of the deteriorating results of J.S.L. Carpets Corporation (“JSL”), party of the Group’s Wholesale Division in the United States of America, management has decided to restructure the wholesale business and as a result, recorded an impairment charge over the goodwill and intangible assets arising from the acquisition JSL, amounting to HK\$15,533,000.

## 8. 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 year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current income tax		
– Hong Kong	<b>3,806</b>	3,258
– The People's Republic of China ("PRC") and overseas	<b>16,474</b>	16,643
Underprovision in prior years	<b>2,576</b>	1,395
Deferred income tax	<b>49</b>	(49)
	<u><b>22,905</b></u>	<u>21,247</u>
Income tax expenses	<u><b>22,905</b></u>	<u>21,247</u>

Share of income tax expense of an associate of HK\$180,000 (2009: HK\$36,000) and share of income tax expense of jointly controlled entities of HK\$14,698,000 (2009: HK\$12,678,000) respectively are included in the share of (loss)/profit of an associate and jointly controlled entities.

## 9. (LOSS)/EARNINGS PER SHARE

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

	2010	2009
(Loss)/profit attributable to owners of the parent (HK\$'000)	<u><b>(13,063)</b></u>	<u>39,134</u>
Weighted average number of ordinary shares in issue (thousands)	<u><b>212,187</b></u>	<u>212,187</u>
Basic (loss)/earnings per share (HK cents)	<u><b>(6.16)</b></u>	<u>18.44</u>

The Group had no outstanding share options as at 31 December 2009 and 31 December 2010. As a result, diluted (loss)/earnings per share is not presented.

## 10. TRADE AND OTHER RECEIVABLES

### Group

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	203,822	176,730
Less: provision for impairment of trade receivables	<u>(13,801)</u>	<u>(19,670)</u>
Trade receivables, net	190,021	157,060
Prepayment	25,898	21,808
Other receivables	7,904	11,711
Value added tax receivables	6,320	4,351
Rental deposits	<u>2,611</u>	<u>2,977</u>
	<u><b>232,754</b></u>	<u><b>197,907</b></u>

The amounts approximated to the respective fair values as at 31 December 2010 and 2009. 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 based on invoice date is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 to 30 days	141,941	86,723
31 to 60 days	20,776	34,023
61 to 90 days	10,018	14,702
More than 90 days	<u>17,286</u>	<u>21,612</u>
	<u><b>190,021</b></u>	<u><b>157,060</b></u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Amount past due at the reporting date but not impaired:		
Less than 30 days past due	44,653	42,809
31 to 60 days past due	14,339	11,425
61 to 90 days past due	7,798	4,612
More than 90 days past due	<u>12,891</u>	<u>19,566</u>
	<u><b>79,681</b></u>	<u><b>78,412</b></u>

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

As at 31 December 2010, trade receivables of HK\$80 million (2009: HK\$78 million) were past due but not impaired. The balances were 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.

Movements on the Group's provision for impairment of trade receivables are as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
As at 1 January	<b>19,670</b>	26,360
Recovery of impairment loss previously recognised	<b>(3,069)</b>	(1,243)
Receivables written off during the year as uncollectible	<b>(2,800)</b>	(5,447)
	<u>          </u>	<u>          </u>
As at 31 December	<b><u>13,801</u></b>	<b><u>19,670</u></b>

## 11. TRADE AND OTHER PAYABLES

### Group

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade payables	<b>65,667</b>	46,258
Other payables	<b>190,470</b>	153,427
	<u>          </u>	<u>          </u>
	<b><u>256,137</u></b>	<b><u>199,685</u></b>

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

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 to 30 days	<b>56,302</b>	41,373
31 days to 60 days	<b>7,606</b>	3,489
61 days to 90 days	<b>642</b>	60
More than 90 days	<b>1,117</b>	1,336
	<u>          </u>	<u>          </u>
	<b><u>65,667</u></b>	<b><u>46,258</u></b>

## **DIVIDEND**

No interim dividend was paid during the year (2009: Nil). The Directors recommend a final dividend of HK9 cents per share (2009: HK9 cents) for the year ended 31 December 2010. 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 19 May 2011.

## **CHAIRMAN'S STATEMENT**

It is naturally disappointing to record a net loss for the year, which has been principally due to impairment charges and provisions relating to J.S.L. Carpet Corporation ("JSL"), our U.S. wholesale business, which was acquired in 2008. The wholesale sector was severely affected by the downturn in the U.S., which necessitated a write-down of related goodwill and non-current assets. However, as JSL also performs a valuable sourcing role for a portfolio of top-end hand-knotted and woven rugs, a slimmed-down entity is being integrated more closely into our core operations.

Nevertheless, despite such one-off charges, the underlying business continued to perform well in challenging circumstances, and our consolidated statement of financial position and cash position remain strong.

While the adverse effect of the global recession on our businesses in the first half of 2010 caused us to issue a profit warning, actual performance in the second half of the year was good. For the full year, revenue increased by 9%, with year-on-year growth reaching 23% in the second half of the year, and the overall profitability of the underlying base business improved. Order bookings were strong throughout 2010, and we enter 2011 with a significantly improved position in that regard.

We completed a company-wide strategic planning exercise to map out our growth targets over the coming years and have taken the first steps towards its implementation. The deliberate realignment of our global brand architecture resulted in the creation of a new product line specifically targeting the hospitality sector. Called "1956 by Tai Ping," it will be rolled out globally during the second quarter of 2011.

Our RBC Division had an exceptional 2010, with 15% sales growth over the prior year in residential, boutique hotels, retail, aviation, and yacht sectors. In May, we completed the acquisition of Manufacture des Tapis de Cogolin ("Cogolin"). This world-famous, hand-woven French luxury brand enhances our already strong portfolio. In line with our strategic intent to grow our residential, yacht and aviation business in Asia, we developed our first Asian luxury collection. Created by Andre Fu, the world-renowned, Hong Kong-based designer, the collection was previewed in our Paris showroom in Paris during Maison & Objet and will see its global launch in Hong Kong in spring 2011.

The Commercial Division did well despite the decline in the hospitality sector in the U.S. We are poised for expansion in 2011 due to the anticipated recovery of the hospitality sector and the implementation of strategic growth initiatives in recent months. In 2010, we proudly completed the installation of the Marina Bay Sands resort in Singapore, one of the largest hospitality projects in the world.

Our manufacturing operations in China and Thailand had a successful year, managing to increase operational efficiencies despite civil unrest in Thailand and labour shortages in the Pearl River Delta area. We have improved our retention of top-skilled employees through targeted programmes of wage increases, improved secondary benefits, and training and development.

In order to deliver premium quality carpets and rugs to our customers around the world, we continue to focus our strategy on our portfolio of top quality brands, excellent design, world-class manufacturing, and outstanding customer service.

Based on improving market conditions and our current order book, 2011 should be a positive year for Europe and Asia. We also see signs of recovery in the United States in our targeted sectors. In 2011 we will continue to strengthen our brand portfolio and global infrastructure.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group's consolidated turnover for the year ended 31 December 2010 was HK\$1,222 million, a year-on-year increase of 9% or HK\$104 million. All regions contributed to the increase, but most notable was the performance of the business in Europe, which saw sales grown by 27%. The gross margin, however, decreased by 2 percentage points to 42% in 2010, which was mainly attributable to increased wages and increased raw material costs at our factories, and price pressure in the hospitality sector, only partly offset by a favourable product mix and improved production efficiencies.

The Group recorded an operating loss of HK\$20 million in 2010, a decrease of HK\$42 million compared to operating profit of HK\$22 million in 2009. The drop in operating profit is caused by continued losses in our Wholesale Division, including a HK\$15 million impairment charge, losses in foreign exchange due to the weakness of the Euro throughout the year and additional provisions at the global level partly offset by growing profits in our RBC Division.

Operating expenses growth was contained to 9% due to increasing synergies at our manufacturing operations and global support functions.

Share of profits of the jointly controlled entities which mainly reflects our 49% interest in the carpet manufacturing operations of Weihai Shanhua in China was HK\$33 million in 2010, a drop of 19% or HK\$8 million compared to 2009 as Shanhua operates exclusively in the more price and economy sensitive hospitality sector.

Despite the operating losses our earnings before interest, tax, depreciation and amortisation (EBITDA) at HK\$83 million remained strong, although it declined from HK\$124 million in the previous year.

As a result, loss attributable to owners amounted to HK\$13 million, a decrease of HK\$52 million, as compared with profit of HK\$39 million in 2009.

## **CARPET OPERATIONS**

Turnover of the carpet operations increased by 9%, or HK\$101 million, to HK\$1,187 million in 2010, which was mainly attributable to the excellent performance of the RBC Division, but also helped by increased sales in the Commercial Division, offset by a decrease in the Wholesale Division.

Our turnover is getting more and more equally divided over our three regions with the Americas accounting for 32% of total carpet turnover in 2010, while Asia and Europe/Others accounted for 47% and 21% respectively. In 2009, the corresponding shares of total carpet turnover by the Americas, Asia and Europe/Others were 44%, 33% and 23% respectively.

The gross profit margin in 2010 declined by 2 percentage points to 42%, despite a continued improvement in mix with RBC sales growing faster than Commercial sales. The operating profit of the carpet operations decreased by HK\$42 million, to loss of HK\$20 million year-on-year.

### **The Americas**

Results in the Americas were disappointing with Carpet turnover decreasing to HK\$380 million, a 14% decrease year-on-year. The decrease is attributable to the continued weakness of the hospitality and casino sectors in the U.S., which were especially affected by changes in the global economy, albeit that the second half of the year showed signs of an improvement.

Turnover of the U.S. commercial business dropped by 24% to HK\$181 million and the business returned a HK\$3 million loss for the year, a decrease of HK\$32 million versus 2009, when the business reported a profit of HK\$29 million.

Despite a continued strong performance of the aviation sector the U.S. the residential business saw a decline in sales. Turnover in 2010 was HK\$156 million, a decrease of 9% compared to 2009. Profitability was equally affected with operating profit reducing to HK\$12 million.

JSL, a U.S.-based wholesale distributor of high-end custom carpets and rugs, was acquired by the Group in 2008. JSL has seen a decline of turnover in the last couple of years and we decided to integrate the business into our mainline operations to reduce operating expenses. JSL's turnover was HK\$19 million, a decrease of 39% compared to the previous year. The operation returned an operating loss of HK\$28 million. The Group has taken a HK\$16 million impairment charge in 2010 to reflect the reduced value of the intangibles associated with the wholesale business.

## **Asia**

Asia is becoming ever more important for the Group. Turnover in Asia increased from HK\$447 million by HK\$118 million or 26% to HK\$565 million mainly due to strong performances of the businesses in Hong Kong and Thailand. Carpets Inter, the Group's subsidiary in Thailand managed to increase its sales by 26%, primarily due to a strong performance of the automotive and carpet tile divisions. Sales from Hong Kong were also strong, driven by sales into Macau and Southern China. The Marina Bay Sands resort in Singapore one of the largest hospitality projects in the world, was completed in 2010 with Tai Ping delivering all room and public area carpets.

Gross margins declined slightly, but operating profit increased strongly compared to previous year.

## **Europe, Middle East and Africa (“EMEA”)**

EMEA continued its strong growth performance of the last couple of years and delivered turnover of HK\$242 million, up HK\$51 million or 27% compared with previous year. This exceptional growth was delivered through Europe's focus on key growth sectors like boutique hotels, European luxury retail, high-end yachts and aviation. Performance in the yacht sector was especially strong with turnover growing by more than 60%. The Group was awarded the world-wide contract for the Louis Vuitton boutiques and also received an order for a private airport terminal in Doha from the government of Qatar. Results of the Commercial Division in Europe were disappointing. Overall margins in the region decreased slightly, but operating profits strongly increased due to the strong growth in turnover.

In May, the Group completed the acquisition of Cogolin, which brought to fruition a much-coveted opportunity to add to Tai Ping's portfolio of luxury brands. Founded in 1924, La Manufacture still operates from its original factory in the south of France and produces a traditional range of hand-woven luxury carpets.

## **Jointly Controlled Entities**

Combined turnover of the three jointly controlled entities in China was up to HK\$1,001 million in 2010. In 2010 the Group's share of the profit after income tax expenses and the Hong Kong Financial Reporting Standards (“HKFRS”) accounting adjustments of the jointly controlled entities amounted to HK\$33 million, which was 19% lower compared with the previous year, mainly due to the adjustments to HKFRS made in 2010 compared to 2009.

## **Manufacturing Operations**

Our manufacturing operations in Nanhai and Bangkok managed to improve their output and operating efficiency, despite significant labour shortages in China and civil unrest in Bangkok. The Nanhai factory addressed the labour shortages by increasing wages and salaries and offering better secondary benefits, which has re-established Tai Ping as an employer of choice for the industry in the region. We continued our investments towards sustainable practices and applied for an upgrade from NSF/ANSI Silver to Gold status on two product platforms for our factory in Thailand and we are preparing the application for the Nanhai factory. We relaunched our innovation management process and have taken further steps to harmonise working practices between the two manufacturing operations.

## **Human Resources**

We increased our number of employees by 100 to 3,300. In 2010 we took initiatives to increase the quality of secondary benefits for our factory workers at our Nanhai and Bangkok operations to increase retention of key skilled staff. We also introduced a new company wide, work-level classification, performance evaluation and bonus system for all our management.

## **Design and Marketing**

Design and Marketing worked together on key growth initiatives such as preparations for a new acquisition and branding initiatives to clarify our brand and product positioning in the hospitality and residential market sectors.

The acquisition of Cogolin was supported through carefully crafted, locally issued press release about our intention to preserve “La Manufacture”, which has helped to ensure a positive buzz and continued excitement in the months following the acquisition. During 2011, the re-named “La Manufacture Cogolin” will launch with an all-new visual identity and an updated product line.

To better clarify our product offering for the high-volume hospitality business, the team conceived the “1956 by Tai Ping” concept as a new product line. Scheduled to launch in 2011 with a new visual identity that will help customers clearly distinguish commercial products from residential, “1956 by Tai Ping” will help develop sales for machine-made Axminster and commercial-grade hand-tufted product specifically destined for application in hotels, casinos, convention centers and other large-scale, high traffic areas.

We completed the development of our first upscale collection for the Asian home market with Andre Fu, a renowned Hong Kong-based designer. Known for an urbane style with a local flavor, Andre Fu is a sophisticated spokesman for the Tai Ping brand and will help reinforce our plans to reposition Tai Ping for the growing residential sector in Asia.

Quintessentials, a new pass-tufted collection, was created to provide a less expensive alternative to Tai Ping’s hand-tufted products when simple stripes and textures are needed. Projected to develop incremental sales, this program has been extremely well received by our sales representatives and clients.

To support growth in one of our key targeted sectors we launched Passport, our first dedicated collection for the aviation market.

## **NON-CARPET OPERATIONS**

### **Yarn Operations**

Premier Yarn Dyers, Inc. (“PYD”), which operates the Group’s U.S.-based yarn-dyeing facilities, had a good year as turnover recovered from a decline in 2009. Turnover increased by HK\$3 million or 10% to HK\$34 million. Operating profit rose to HK\$3 million.

### **Other Operations**

In November 2010 we agreed to sell the 26th floor of Regent Centre, Hong Kong, the current home of our corporate headquarters, to a wholly-owned subsidiary of Winsor Properties Holdings Limited which is a Hong Kong based developer for a total consideration of HK\$32 million. The disposal will be completed in September 2011. We will move our staff into a new corporate head-office in the third quarter of 2011.

### **Capital Expenditure**

Capital expenditure in the form of property, plant and equipment, construction in progress and intangible assets (other than goodwill) incurred by the Group totalled HK\$53 million in 2010 (2009: HK\$32 million). As at 31 December 2010, the aggregate net book value of the Group’s property, plant and equipment, investment properties, land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK\$316 million (2009: HK\$352 million).

### **Liquidity and 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 2010, the Group had total cash and bank balances amounting to HK\$87 million (2009: HK\$100 million).

As at 31 December 2010, the Group also held financial assets at fair value through profit or loss of HK\$133 million (2009: HK\$87 million).

### **Details of Charges on the Group’s Assets**

The Group had charges on bank deposits of HK\$2 million (2009: 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, Bangladesh 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, Bangladesh and Argentina are not significant in terms of the Group's results.

The Group recorded net exchange loss of HK\$4 million, arising from overseas operations in 2010, 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.

## **Contingent Liabilities**

As at 31 December 2010, the Group's total contingent liabilities amounted to HK\$37 million (2009: HK\$40 million).

## **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.

## **CORPORATE GOVERNANCE**

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 2010.

## **Financial Reporting and Internal Controls**

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.

### **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 four 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.

## **CLOSING OF REGISTER**

The Register of Members of the Company will be closed from Tuesday, 17 May 2011 to Thursday, 19 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, 46/F Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 16 May 2011.

By order of the Board

**Nicholas T. J. Colfer**

*Chairman*

**James H. Kaplan**

*Chief Executive Officer*

Hong Kong, 25 March 2011

*The names of Directors as at the date hereof are – Chairman and Non-executive Director: Mr. Nicholas T. J. Colfer; Chief Executive Officer and Executive Director: Mr. James H. Kaplan; Independent Non-executive Directors: Mrs. Yvette Y. H. Fung, Mr. Roderic N. A. Sage, Mr. Lincoln C. K. Yung, Mr. Aubrey K. S. Li; Non-executive Directors: Mr. Ian D. Boyce, Mr. Lincoln K. K. Leong; Mr. David C. L. Tong, Mr. John J. Ying; Alternate Director: Mr. Nelson K. F. Leong (Alternate to Mr. Lincoln K. K. Leong).*

*The 2010 Annual Report containing the information required by the Listing Rules will be published in due course in the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>).*