



Tai Ping Carpets International Limited
Interim Report 2014

Table of Contents

Management Discussion & Analysis	2
Corporate Governance & Other Information	6
Condensed Consolidated Income Statement	10
Condensed Consolidated Statement of Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Financial Statements	16
Corporate Information	38

Management Discussion & Analysis

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) hereby presents the Interim Report and condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014. The condensed consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 30 June 2014, and the condensed consolidated statement of financial position as at 30 June 2014, along with selected explanatory notes, all of which are unaudited and reviewed by the Audit Committee of the Company, can be found on pages 10 to 37 of this report.

The Group’s consolidated turnover for the six months ended 30 June 2014 was HK\$594 million, compared to HK\$668 million in 2013, down 11% compared to prior period.

Despite first half restructuring costs of HK\$7 million, operating expenses have been reduced by HK\$9 million, a reduction of 6% compared to 2013. This reflects the initial impact of streamlining and efficiency initiatives that will drive increasing benefit through the second half and into 2015.

The lag in Group sales has resulted in an operating loss of HK\$46 million for the first six months compared with a loss of HK\$29 million for the corresponding period in 2013.

The Group’s loss attributable to the equity holders of the Company is HK\$56 million, an increase of HK\$44 million versus the previous period loss of HK\$12 million which included a significant insurance recovery of flood related losses of HK\$28 million.

Carpet Operations

First half turnover from carpet operations was 11% behind 2013 at HK\$576 million due primarily to a 24% decrease in Asia. Global Industry business sales were down 16%, while Global Artisan and Aviation sales were up 0.3%. The gross profit margin was up slightly from 41% to 42%.

The Americas

At HK\$249 million, turnover in the Americas was up 6% compared to the first half of 2013.

Artisan sales were up 7%, at HK\$102 million. The major increase was in the Aviation sector where continued focus on key customers and the launch of new products have driven growth of 33%.

U.S. Residential turnover was down 4% reflecting a lower than normal reduced order-book at the beginning of the year, but bookings show an increase year over year.

Hospitality business has strengthened with turnover up 5% to HK\$130 million and the U.S. Hospitality sector is expected to continue to strengthen through the second half and into 2015.

Asia

Asia was challenging, with turnover down 24% compared to the first half of 2013. This was principally due to Thailand, which was down 29% to HK\$164 million, with domestic and automotive demand severely impacted by political instability and the reduction in tourism. There has been evidence of stabilisation recently, and the prospects for the second half are more promising. Local management continues to monitor the situation, with contingency plans ready to deploy in the event of further disruption.

Industry sector turnover in the rest of Asia was also down 14% to HK\$87 million, impacted by a lower than normal order-book at the start of the year. However, with significant orders taken from the second quarter, an improvement is expected through the balance of the year.

The Asian Artisan business was down 4%, although the benefit of our new Shanghai showroom – formally opened in March 2014 – is now starting to show through with bookings for the Artisan sector showing significant improvement year over year.

Europe, the Middle East and Africa (“EMEA”)

First half turnover in EMEA was down 6% compared with prior period at HK\$94 million.

The major challenges in the region have been in the UK and the Middle East, where the Hospitality business has been particularly poor leading to the closure of our Dubai office in April 2014. In mainland Europe, business in the Yacht sector and sales from La Manufacture Cogolin have shown encouraging growth, while the German and French markets continue to meet expectations.

Operating expenses have been managed down by HK\$17 million compared to the first half of 2013 with the improvement realised through a series of restructuring and efficiency initiatives. We will continue to streamline the European cost structure consistent with longer-term business expectations.

The reduction in operating expenses has mitigated operating losses which are approximately half of those incurred in the first half of 2013.

Manufacturing Operations

The project to build a new Artisan factory in Xiamen, P.R.C., is progressing with all approvals and permissions now received. Construction will begin in August with substantial completion of phase one expected by the end of 2015. Conceived by the renowned French architect Jean-Marc Sandrolini, the new facility will become the production heart of our Artisan business.

Non-carpet Operations

Other operations comprise mainly our Group’s U.S.-based yarn-dyeing subsidiary and only represent 3% of the Group’s sales. Turnover decreased by 3% period-on-period, and the operation is close to break-even for the first half of the year.

Outlook

We have seen a strengthening in the key hospitality markets in the U.S. and while low quality/low price competition is strong, there are signs of stabilisation in Thailand. Sales in the Yacht and Aviation sectors remain strong, but residential market demand in Europe and the Americas has been flat.

Restructuring and efficiency initiatives are starting to show in reduced operating expenses, with an increasing impact expected through the balance of the year.

With a considerably improved order-book in hand, mostly for delivery in 2014, the second half will be considerably stronger.

Dividend

As per previous years, the Board does not recommend the payment of an interim dividend for the period (2013: Nil).

However, the Board has reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board has decided to recommend the payment of a special dividend of HK40 cents per share. The special dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 September 2014. The special dividend will be paid on or before 29 September 2014.

The special dividend should not be taken as an indication of the level of profit or dividend for the full year.

Capital Expenditure

Capital expenditure in the form of property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets incurred by the Group totaled HK\$34 million during the six months ended 30 June 2014 (2013: HK\$60 million). As at 30 June 2014, the aggregate net book value of the Group's property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets amounted to HK\$377 million (as at 31 December 2013: HK\$377 million).

Liquidity & Financial Resources

The Group coordinates its financing and cash management activities at the corporate level. Net cash generated from operating activities was positive. As at 30 June 2014, the Group had total net cash amounting to HK\$166 million (as at 31 December 2013: net cash HK\$307 million).

Details of Charges on the Group's Assets

The Group had charges on bank deposits of HK\$1 million (as at 31 December 2013: HK\$1 million) made 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 P.R.C., Singapore, India and Argentina. The Group treats its investments in these foreign operations as permanent equity, so exchange differences from translating the net investments in these foreign operations do not affect cash flows and are dealt with in the reserves.

The Group's sales are denominated primarily in U.S. dollars, and to a lesser extent in Thai Baht and Euro and a variety of other currencies.

The Group recorded a net exchange loss of HK\$1 million, arising from overseas operations. The Group's main exposure is to the Euro, which strengthened against the U.S. dollar versus prior period. We have partly hedged our operating exposure against the Euro for 2014 by the use of forward contracts and the Group will closely monitor exchange rate movements and take appropriate action to manage any material exposure that may arise.

Human Resources & Remuneration Policies

The number of employees has decreased by 100 – down from 3,100 at the end of 2013, to 3,000 at end of June 2014. While much of the reduction was linked to productivity improvement in the factories, this also reflects the reductions in major offices linked to restructuring and streamlining.

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 2014, the Group's total contingent liabilities amounted to HK\$14 million (as at 31 December 2013: HK\$13 million).

James H. Kaplan
Chief Executive Officer

Hong Kong, 22 August 2014

Corporate Governance & Other Information

Corporate Governance

The Company is committed to maintain high standards of corporate governance. The Company has complied with the code provisions in the Corporate Governance Code (the “CG 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”) during the six months ended 30 June 2014 except the following:

The Company’s Non-executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every director would retire by rotation at least once every three years, which is in line with the CG Code.

In respect of code provision A.6.7 of the CG Code, all Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting of the Company (the “AGM”) held on 23 May 2014 except Mr. Ian D. Boyce (Non-executive Director) and Mr. Aubrey K. S. Li (Independent Non-executive Director) due to other business engagement.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding the Directors’ transactions in the securities of the Company (the “Tai Ping Code”) 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 Tai Ping Code during the six months ended 30 June 2014.

Audit Committee

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of the Audit Committee are aligned with the CG Code. 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.

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of interim financial information for the six months ended 30 June 2014.

Change of Directors

Mr. Ian D. Boyce resigned as a Non-executive Director of the Company with effect from the close of the AGM on 23 May 2014. Mr. Boyce was a Director of the Company for over 14 years and has decided to retire and live overseas.

Mr. Andrew C. W. Brandler was appointed as a Non-executive Director of the Company at the AGM on 23 May 2014.

Constitutional Documents

In order to give more clarity to the Bye-laws of the Company, the amendment of Bye-law 190(vii)(A) (2) of the Company was approved by shareholders of the Company at the AGM on 23 May 2014. An up-to-date consolidated version of the Memorandum of Association and Bye-laws of the Company was published on the websites of the Company (www.taipingcarpets.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) on 23 May 2014.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares during the period.

Directors' Interests in Equity Securities

As at 30 June 2014, 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
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,000,000 ¹	1.272%
John J. Ying	–	32,605,583 ²	15.366%
Aubrey K. S. Li	100,000	–	0.047%
James H. Kaplan	522,000	–	0.246%

Notes:

¹ The shares are held through a company which is controlled by Mr. Nelson K. F. Leong.

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

Save for the Directors' interests as disclosed above, at no time during the 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 or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2014, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following interests, being 5% or more in the issued ordinary share capital of the Company.

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

Notes:

- ¹ Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is interested. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 77,674,581 shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those shares.
- ² Mr. John J. Ying (a Non-executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term “general partner” commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Dividend

The Board does not recommend the payment of an interim dividend for the period.

However, the Board has reviewed the Company’s liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board has declared the payment of a special dividend of HK40 cents per share. The special dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 September 2014. The special dividend will be paid on or before 29 September 2014.

Closure of Register of Members

For the purpose of determining shareholders who are entitled to the special dividend, the register of members of the Company will be closed from Wednesday, 10 September 2014 to Friday, 12 September 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the special dividend, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 8 September 2014.

Condensed Consolidated Income Statement

For the six months ended 30 June

	Note	Unaudited	
		2014 HK\$'000	2013 HK\$'000
Revenue	6	594,273	667,877
Cost of sales		(329,976)	(381,488)
Gross profit		264,297	286,389
Distribution costs	7	(179,524)	(175,733)
Administrative expenses	7	(132,377)	(134,004)
Gain in relation to Thailand flooding	8	–	27,921
Other gains/(losses) – net	9	1,843	(5,838)
Operating loss		(45,761)	(1,265)
Finance income		1,317	682
Finance costs		(698)	(1,071)
Finance income/(costs) – net	10	619	(389)
Share of loss of an associate		–	(202)
Loss before income tax		(45,142)	(1,856)
Income tax expense	11	(11,277)	(10,825)
Loss for the period		(56,419)	(12,681)
(Loss)/profit attributable to:			
owners of the Company		(56,487)	(11,666)
non-controlling interests		68	(1,015)
		(56,419)	(12,681)
Loss per share attributable to the owners of the Company (expressed in HK cents per share)			
Basic/diluted	13	(26.62)	(5.50)

The notes on pages 16 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	Unaudited	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	(56,419)	(12,681)
Other comprehensive income net of tax:		
Item that will not be reclassified subsequently to profit or loss:		
deferred tax on remeasurement of post-employment benefit obligation	225	–
Item that may be reclassified to profit and loss:		
currency translation differences	803	(2,796)
Other comprehensive income for the period, net of tax	1,028	(2,796)
Total comprehensive income for the period	(55,391)	(15,477)
Attributable to:		
owners of the Company	(55,158)	(13,691)
non-controlling interests	(233)	(1,786)
	(55,391)	(15,477)

The notes on pages 16 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

		Unaudited 30 Jun 2014 HK\$'000	Audited 31 Dec 2013 HK\$'000
	Note		
Assets			
Non-current assets			
Land use rights	14	33,008	33,667
Property, plant & equipment	15	285,819	291,184
Construction in progress	15	22,439	16,037
Intangible assets	16	36,073	36,339
Deferred income tax assets		12,527	12,108
Prepayments	17	3,307	2,393
Pledged bank deposits	18	312	474
Fixed deposits	19	15,395	315
		408,880	392,517
Current assets			
Inventories		286,621	238,806
Trade & other receivables	17	202,106	294,351
Derivative financial instruments		6	-
Financial assets at fair value through profit or loss		110,521	33,235
Current income tax assets		1,468	716
Pledged bank deposits	18	390	100
Fixed deposits	19	158,710	96,505
Cash & cash equivalents	20	165,733	306,760
		925,555	970,473
Non-current asset held for sale	21	17,192	17,192
		942,747	987,665
Total assets		1,351,627	1,380,182

The notes on pages 16 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

		Unaudited 30 Jun 2014 HK\$'000	Audited 31 Dec 2013 HK\$'000
	Note		
Equity			
Equity attributable to owners of the Company			
Share capital	22	21,219	21,219
Reserves	23	383,665	382,561
Retained earnings:			
Proposed final dividend		–	25,462
Others		390,145	446,407
		795,029	875,649
Non-controlling interests		42,137	42,370
Total equity		837,166	918,019
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		5,204	219
Retirement benefit obligations		26,755	25,477
Other long-term liabilities		3,015	3,015
		34,974	28,711
Current liabilities			
Bank borrowings – unsecured	24	85,323	82,336
Trade & other payables	25	390,367	339,823
Current income tax liabilities		3,577	8,477
Derivative financial instruments		220	2,816
		479,487	433,452
Total liabilities		514,461	462,163
Total equity & liabilities		1,351,627	1,380,182
Net current assets		463,260	554,213
Total assets less current liabilities		872,140	946,730

The notes on pages 16 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June

	Unaudited						
	Attributable to owners of the Company						Non-
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	controlling interests HK\$'000	equity HK\$'000
Balance at 1 January 2013	21,219	189,699	213,513	452,333	876,764	58,339	935,103
Comprehensive income							
Loss for the period	-	-	-	(11,666)	(11,666)	(1,015)	(12,681)
Other comprehensive income for the period							
Currency translation differences	-	-	(2,025)	-	(2,025)	(771)	(2,796)
Total comprehensive income for the period, net of tax	-	-	(2,025)	(11,666)	(13,691)	(1,786)	(15,477)
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividends relating to 2012	-	-	-	(25,462)	(25,462)	-	(25,462)
Total transactions with owners	-	-	-	(25,462)	(25,462)	-	(25,462)
Balance at 30 June 2013	21,219	189,699	211,488	415,205	837,611	56,553	894,164
Balance at 1 January 2014	21,219	189,699	192,862	471,869	875,649	42,370	918,019
Comprehensive income							
(Loss)/profit for the period	-	-	-	(56,487)	(56,487)	68	(56,419)
Other comprehensive income for the period							
Currency translation differences	-	-	1,104	-	1,104	(301)	803
Deferred tax on actuarial loss of retirement benefit obligations	-	-	-	225	225	-	225
Total other comprehensive income for the period, net of tax	-	-	1,104	225	1,329	(301)	1,028
Total comprehensive income for the period	-	-	1,104	(56,262)	(55,158)	(233)	(55,391)
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividends relating to 2013	-	-	-	(25,462)	(25,462)	-	(25,462)
Total transactions with owners	-	-	-	(25,462)	(25,462)	-	(25,462)
Balance at 30 June 2014	21,219	189,699	193,966	390,145	795,029	42,137	837,166

The notes on pages 16 to 37 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Note	Unaudited	
		2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Cash generated from operations		84,449	26,195
Net payment for derivative financial instruments		(2,602)	(1,518)
Retirement benefit paid		(349)	–
Income tax paid		(12,301)	(6,310)
Interest paid		(698)	(1,071)
Net cash generated from operating activities		68,499	17,296
Cash flows from investing activities			
Purchases of property, plant & equipment and construction in progress		(30,386)	(21,894)
Acquisition of intangible assets		(3,452)	(3,977)
Addition in land use rights		–	(33,812)
Proceeds from disposal of property, plant & equipment		418	231
Proceeds from disposal of financial assets at fair value through profit or loss		322,704	101,089
Purchase of financial assets at fair value through profit or loss		(398,844)	(101,077)
Interest received		1,317	682
Net cash used in investing activities		(108,243)	(58,758)
Cash flows from financing activities			
Proceeds from borrowings		33,997	362,230
Repayments of borrowings		(31,010)	(348,733)
(Increase)/decrease in pledged bank deposits		(128)	6,277
Increase in fixed deposits		(77,285)	(128,668)
Dividend paid to the Company's shareholders		(25,259)	(25,264)
Net cash used in financing activities		(99,685)	(134,158)
Net decrease in cash & cash equivalents		(139,429)	(175,620)
Cash & cash equivalents at beginning of period		306,760	453,162
Exchange (loss)/gain on cash & cash equivalents		(1,598)	675
Cash & cash equivalents at end of period	20	165,733	278,217

The notes on pages 16 to 37 are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. General Information

Tai Ping Carpets International Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in the manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, P.O. Box HM 1179, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at 8/F, Tower 1, Kowloon Commerce Centre, 51-53 Kwai Cheong Road, Kwai Chung, Hong Kong.

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

These condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed consolidated interim financial statements were approved for issue by the Board of the Company on 22 August 2014.

These condensed consolidated interim financial statements have not been audited.

2. Basis of Preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 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 interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

3. Changes in Accounting Standards

Except as described below, accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2013, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards and interpretations which are mandatory for the first time for the financial period beginning 1 January 2014 but have no material impact to the Group.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Novation of Derivatives
HK(IFRIC) – Int 21	Levies

4. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013, with the exception of changes in estimates that are required in determining the provision for income taxes (see Note 11).

5. Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies.

(a) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held cash and cash equivalents of HK\$165,733,000 (as at 31 December 2013: HK\$306,760,000) (Note 20) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 30 June 2014	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 & 2 years HK\$'000	Between 2 & 5 years HK\$'000	Total HK\$'000
Trade & other payables	-	154,626	-	-	154,626
Bank borrowings – unsecured	78,000	7,323	-	-	85,323
	78,000	161,949	-	-	239,949
As at 31 December 2013	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 & 2 years HK\$'000	Between 2 & 5 years HK\$'000	Total HK\$'000
Trade & other payables	-	161,827	-	-	161,827
Bank borrowings – unsecured	78,000	4,336	-	-	82,336
	78,000	166,163	-	-	244,163

(b) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	110,521	–	–	110,521
Derivative financial instruments:				
Foreign currency forward contracts	–	6	–	6
	110,521	6	–	110,527
Liabilities				
Derivative financial instruments:				
Foreign currency forward contracts	–	220	–	220
	–	220	–	220

Notes to the Condensed Consolidated Financial Statements

5. Financial Risk Management

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

2013	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	33,235	-	-	33,235
	33,235	-	-	33,235
Liabilities				
Derivative financial instruments:				
Foreign currency forward contracts	-	2,816	-	2,816
	-	2,816	-	2,816

There are no transfer between level 1 and 2 during the period.

The fair value of mutual funds which are traded in active markets is based on quoted market prices at the reporting date of the consolidated statement of financial position. The fair value measurement for these listed mutual funds held by the Group is the current bid price and classified as level 1.

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure fair value of an instrument are observable, the instrument is included in level 2.

6. Revenues & Segment Information

(a) Revenues

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Sale of carpets	523,314	591,232
Sale of underlays	9,239	11,538
Installation of carpets	12,532	16,844
Interior furnishings	22,429	21,628
Sale of yarns	20,889	18,759
Sale of raw materials	5,781	6,497
Other	89	1,379
	594,273	667,877

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the Board which are used to assess performance and allocate resources. The Board considers the businesses performance review on a geographical basis is a fairer evaluation of the business as the economic and operating environment in each region has its own characteristics. The Board assesses the performance in the following geographical areas: Asia, EMEA, North America and South America. The presentation of the segment information has, therefore, changed to geographical areas of business since the second half of 2013 hence for the six months ended 30 June 2014, the comparative figures have also been restated to conform with current period's presentation.

The Board assesses the performance of the operating segments based on a measure of segment results. Segment results represent the operating profit/loss of each business segment and the effects of gain/loss and income/expenditure which are considered relevant in assessing the segment's performance.

Notes to the Condensed Consolidated Financial Statements

6. Revenues & Segment Information

The segment information provided to the management for the reportable segments for the six months ended 30 June 2014 and 2013 is as follows:

For the six months ended 30 June 2014

	Asia HK\$'000	EMEA HK\$'000	North America HK\$'000	South America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	251,494	93,893	235,407	13,479	-	594,273
Cost of production ¹	(177,325)	(41,995)	(117,273)	(8,485)	-	(345,078)
Gross margin	74,169	51,898	118,134	4,994	-	249,195
Segment results	1,991	(26,316)	(20,336)	(1,691)	-	(46,352)
Unallocated expenses ²						591
Operating loss						(45,761)
Finance income						1,317
Finance costs						(698)
Loss before income tax						(45,142)
Income tax expense						(11,277)
Loss for the period						(56,419)
Capital expenditure	(21,213)	(4,655)	(3,395)	(8)	(4,567)	(33,838)
Depreciation of property, plant & equipment (Note 15)	(23,362)	(2,136)	(4,916)	(18)	(167)	(30,599)
Amortisation of land use rights (Note 14)	-	-	-	-	(340)	(340)
Amortisation of intangible assets (Note 16)	(871)	-	(65)	-	(2,735)	(3,671)
(Impairment)/recovery of impairment of trade receivables	(68)	2,042	122	(37)	-	2,059

Notes to the Condensed Consolidated Financial Statements

6. Revenues & Segment Information

For the six months ended 30 June 2013

	Asia HK\$'000	EMEA HK\$'000	North America HK\$'000	South America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	332,348	99,879	230,129	5,521	-	667,877
Cost of production ¹	(234,523)	(38,762)	(117,256)	(3,755)	-	(394,296)
Gross margin	97,825	61,117	112,873	1,766	-	273,581
Segment results	18,847	(34,250)	(18,279)	(4,904)	-	(38,586)
Unallocated expenses ²						9,400
Gain in relation to Thailand flooding	27,921	-	-	-	-	27,921
Operating loss						(1,265)
Finance income						682
Finance costs						(1,071)
Share of loss of an associate	-	-	-	-	(202)	(202)
Loss before income tax						(1,856)
Income tax expense						(10,825)
Loss for the period						(12,681)
Capital expenditure	(18,839)	(3,348)	(1,225)	(17)	(36,254)	(59,683)
Depreciation of property, plant & equipment (Note 15)	(25,664)	(1,775)	(5,003)	(29)	(75)	(32,546)
Amortisation of land use rights	(1,061)	-	-	-	(225)	(1,286)
Amortisation of intangible assets (Note 16)	(170)	-	(65)	-	(3,140)	(3,375)
(Impairment)/recovery of impairment of trade receivables	(750)	(9,208)	3,958	26	-	(5,974)

Notes:

¹ Cost of production comprises cost of sales, transportation and administrative expenses of the factories, which are classified as distribution costs and administrative expenses in the condensed consolidated income statement.

² Unallocated expenses include corporate expenses and income of the Group.

7. Expenses by Nature

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Depreciation of property, plant & equipment (Note 15)	30,599	32,546
Amortisation of land use rights (Note 14)	340	1,286
Amortisation of intangible assets (Note 16)	3,671	3,375
Impairment of trade receivables	1,620	10,403
Impairment of inventories	2,275	1,723
Inventories written off	172	–
Bad debts written off	2,042	4,124
Recovery of impairment of trade receivables previously recognised	(3,679)	(4,429)

8. Gain in Relation to Thailand Flooding

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Gain in relation to Thailand flooding – insurance recoveries	–	27,921

Insurance recoveries in relation to Thailand flooding

During the financial period ended 30 June 2013, the Group received a settlement proposal of property loss claims of 108,143,000 Thai Baht (approximately HK\$27,921,000). Base on the management's assessment, this represents the minimum settlement amount of property loss claims and was recognised as income in the condensed consolidated income statement for the six months ended 30 June 2013.

All the Group's insurance claims in relation to the flooding were finalised with the insurance companies in the second half of 2013. There were no insurance recoveries in 2014.

9. Other Gains/(Losses) – Net

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss	1,146	16
Loss on disposal of property, plant & equipment	(16)	(884)
Gain/(loss) on change in fair value of derivative financial instruments	347	(83)
Net foreign exchange losses	(1,071)	(3,958)
Others	1,437	(929)
	1,843	(5,838)

10. Finance Income/(Costs) – Net

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	(698)	(1,071)
Finance income – interest income from banks	1,317	682
Finance income/(costs) – net	619	(389)

11. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Current income tax		
Hong Kong	6,203	3,470
PRC & overseas	5,192	3,986
Overprovision in prior years	(4,746)	(848)
Deferred income tax expense	4,628	4,217
Income tax expense	11,277	10,825

Income tax expense is recognised based on management's estimate of the weighted average income tax rate expected for the full financial period. The estimated weighted average income tax rate for the period ended 30 June 2014 is 18% (2013: 22%).

12. Dividend

The Board does not recommend the payment of an interim dividend for the period (2013: Nil). The 2013 final dividend was paid on 20 June 2014.

However, the Board has reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board has decided to recommend the payment of a special dividend of HK40 cents per share. The special dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 September 2014. The special dividend will be paid on or before 29 September 2014.

13. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2014	2013
Loss attributable to owners of the Company (HK\$'000)	(56,487)	(11,666)
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic loss per share (HK cents)	(26.62)	(5.50)

The Group had no dilutive potential shares outstanding during the period ended 30 June 2014 and 2013, so diluted loss per share is the same as basic loss per share.

14. Land Use Rights

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

	30 Jun 2014	31 Dec 2013
	HK\$'000	HK\$'000
Outside Hong Kong, held on leases of between 10 and 50 years	33,008	33,667
	30 Jun 2014	31 Dec 2013
	HK\$'000	HK\$'000
At beginning of the period/year	33,667	1,406
Additions	–	34,037
Exchange differences	(319)	216
Amortisation of land use rights (Note 7)	(340)	(1,992)
At end of the period/year	33,008	33,667

15. Property, Plant & Equipment and Construction in Progress

For the six months ended 30 June 2014

	Property, plant & equipment			Construction in progress HK\$'000	Total HK\$'000
	Buildings HK\$'000	Other assets HK\$'000	Sub-total HK\$'000		
At 1 January 2014					
Cost or valuation	170,889	817,080	987,969	16,037	1,004,006
Accumulated depreciation	(109,803)	(586,982)	(696,785)	-	(696,785)
Net book amount	61,086	230,098	291,184	16,037	307,221
Period ended 30 June 2014					
Opening net book amount	61,086	230,098	291,184	16,037	307,221
Exchange differences	488	1,244	1,732	(48)	1,684
Additions	-	14,365	14,365	16,021	30,386
Transfer from construction in progress	-	9,571	9,571	(9,571)	-
Disposals & assets written off	-	(434)	(434)	-	(434)
Depreciation (Note 7)	(2,713)	(27,886)	(30,599)	-	(30,599)
Closing net book amount	58,861	226,958	285,819	22,439	308,258
At 30 June 2014					
Cost or valuation	171,671	841,551	1,013,222	22,439	1,035,661
Accumulated depreciation	(112,810)	(614,593)	(727,403)	-	(727,403)
Net book amount	58,861	226,958	285,819	22,439	308,258

Notes to the Condensed Consolidated Financial Statements

15. Property, Plant & Equipment and Construction in Progress

For the six months ended 30 June 2013

	Property, plant & equipment				Total HK\$'000
	Buildings	Other	Sub-total	Construction	
	HK\$'000	assets HK\$'000	HK\$'000	in progress HK\$'000	
At 1 January 2013					
Cost or valuation	171,288	846,697	1,017,985	15,903	1,033,888
Accumulated depreciation	(112,441)	(592,311)	(704,752)	-	(704,752)
Net book amount	58,847	254,386	313,233	15,903	329,136
Period ended 30 June 2013					
Opening net book amount	58,847	254,386	313,233	15,903	329,136
Exchange differences	(644)	(1,233)	(1,877)	(217)	(2,094)
Additions	-	9,478	9,478	12,416	21,894
Transfer from construction in progress	-	6,494	6,494	(6,494)	-
Disposals & assets written off	-	(1,115)	(1,115)	-	(1,115)
Depreciation (Note 7)	(3,503)	(29,043)	(32,546)	-	(32,546)
Closing net book amount	54,700	238,967	293,667	21,608	315,275
At 30 June 2013					
Cost or valuation	169,822	850,896	1,020,718	21,608	1,042,326
Accumulated depreciation	(115,122)	(611,929)	(727,051)	-	(727,051)
Net book amount	54,700	238,967	293,667	21,608	315,275

16. Intangible Assets

For the six months ended 30 June 2014

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 January 2014						
Cost	7,215	49,279	2,570	1,950	2,626	63,640
Accumulated amortisation	(7,215)	(18,118)	-	(780)	(1,188)	(27,301)
Net book amount	-	31,161	2,570	1,170	1,438	36,339
Period ended 30 June 2014						
Opening net book amount	-	31,161	2,570	1,170	1,438	36,339
Exchange differences	-	(3)	(32)	-	(12)	(47)
Additions	-	3,194	-	-	258	3,452
Amortisation (Note 7)	-	(3,516)	-	(65)	(90)	(3,671)
Closing net book amount	-	30,836	2,538	1,105	1,594	36,073
At 30 June 2014						
Cost	7,215	52,467	2,538	1,950	2,852	67,022
Accumulated amortisation	(7,215)	(21,631)	-	(845)	(1,258)	(30,949)
Net book amount	-	30,836	2,538	1,105	1,594	36,073

Notes to the Condensed Consolidated Financial Statements

16. Intangible Assets

For the six months ended 30 June 2013

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 January 2013						
Cost	7,215	40,847	2,462	1,950	2,166	54,640
Accumulated amortisation	(7,215)	(12,271)	-	(650)	(1,180)	(21,316)
Net book amount	-	28,576	2,462	1,300	986	33,324
Period ended 30 June 2013						
Opening net book amount	-	28,576	2,462	1,300	986	33,324
Exchange differences	-	10	(36)	-	(13)	(39)
Additions	-	3,977	-	-	-	3,977
Impairment	-	-	-	-	-	-
Amortisation (Note 7)	-	(3,310)	-	(65)	-	(3,375)
Closing net book amount	-	29,253	2,426	1,235	973	33,887
At 30 June 2013						
Cost	7,215	44,842	2,426	1,950	2,101	58,534
Accumulated amortisation	(7,215)	(15,589)	-	(715)	(1,128)	(24,647)
Net book amount	-	29,253	2,426	1,235	973	33,887

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

17. Trade & Other Receivables

	30 Jun 2014	31 Dec 2013
	HK\$'000	HK\$'000
Trade receivables	145,239	203,332
Less: provision for impairment of trade receivables	(17,831)	(21,614)
Trade receivables – net	127,408	181,718
Prepayments	38,160	30,763
Value added tax receivables	10,451	2,200
Rental deposits	9,142	8,633
Insurance recoveries receivables	–	57,795
Other receivables	20,252	15,635
	205,413	296,744

Other receivables included in non-current assets amounted to HK\$3,307,000 (as at 31 December 2013: HK\$2,393,000).

The trade receivables approximate fair values as at 30 June 2014 and 31 December 2013. 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:

	30 Jun 2014	31 Dec 2013
	HK\$'000	HK\$'000
0 to 30 days	77,104	113,384
31 to 60 days	21,828	35,505
61 to 90 days	13,874	14,354
91 to 365 days	10,896	24,676
More than 365 days	21,537	15,413
	145,239	203,332

Notes to the Condensed Consolidated Financial Statements

17. Trade & Other Receivables

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

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Amounts past due but not impaired:		
Less than 30 days past due	29,515	55,677
31 to 60 days past due	7,310	12,092
61 to 90 days past due	4,810	4,669
91 to 365 days past due	5,782	17,372
More than 365 days past due	5,289	224
	52,706	90,034

The balances mainly relate to existing customers, most of which have no recent history of default.

As at 30 June 2014, trade receivables of approximately HK\$52,706,000 (as at 31 December 2013: HK\$90,034,000) 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.

18. Pledged Bank Deposits

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Pledged bank deposits	702	574
Less: non-current pledged bank deposits	(312)	(474)
	390	100

Pledged bank deposits represented deposits made to a bank for the performance guarantee (the "Guarantee") issued by the bank to the Group's customers. The Guarantee will expire during the period from 31 July 2013 to 20 July 2018 (2013: during the period from 31 July 2013 to 31 October 2017).

19. Fixed Deposits

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Fixed deposits with maturity over one year	15,395	315
Fixed deposits with maturity over three months but less than one year	158,710	96,505
Total fixed deposits	174,105	96,820

20. Cash & Cash Equivalents

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Cash & cash equivalents	165,733	306,760

21. Non-current Asset Held for Sale

On 13 December 2013, the Directors approved the disposal of the Group's interest in an associate. Accordingly, management reclassified all the Group's interests in an associate as non-current asset held for sale as at 31 December 2013, as the carrying value would be recovered principally through sale, the interest in an associate is available for immediate sale at their present conditions and such sale is considered highly probable.

22. Share Capital

	No. of shares	HK\$'000
Authorised – Ordinary shares of HK\$0.10 each:		
At 1 January 2014 & 30 June 2014	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK\$0.10 each:		
At 1 January 2014 & 30 June 2014	212,187,488	21,219

23. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Properties revaluation reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
Balance at 1 January 2014	189,699	55,928	4,161	16,000	116,773	382,561
Currency translation differences	-	-	-	-	1,104	1,104
Balance at 30 June 2014	189,699	55,928	4,161	16,000	117,877	383,665

	Share premium HK\$'000	Capital reserve HK\$'000	Properties revaluation reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
Balance at 1 January 2013	189,699	55,928	4,161	16,000	137,424	403,212
Currency translation differences	-	-	-	-	(2,025)	(2,025)
Balance at 30 June 2013	189,699	55,928	4,161	16,000	135,399	401,187

24. Bank Borrowings – Unsecured

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Current		
Outstanding bills payable repayable within 60 days	7,323	4,336
Short-term bank loan	78,000	78,000
	85,323	82,336

25. Trade & Other Payables

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Trade payables	68,808	56,970
Deposits received in advance	163,083	120,583
Accrued expenses	85,359	104,659
Other payables	73,117	57,611
	390,367	339,823

Notes to the Condensed Consolidated Financial Statements

25. Trade & Other Payables

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

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
0 to 30 days	48,276	43,818
31 days to 60 days	13,578	7,730
61 days to 90 days	3,198	664
More than 90 days	3,756	4,758
	68,808	56,970

26. Contingent Liabilities

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Performance bonds issued by banks	14,158	12,666

27. Capital Commitments

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
Authorised but not contracted for in respect of land use right and property, plant & equipment	55,739	154,569
Contracted but not provided for in respect of property, plant & equipment	7,419	10,663
	63,158	165,232

28. Operating Lease Commitments

The Group has entered into a number of operating lease agreements on property, plant and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Jun 2014 Property HK\$'000	30 Jun 2014 Other assets HK\$'000	31 Dec 2013 Property HK\$'000	31 Dec 2013 Other assets HK\$'000
Not later than one year	42,544	1,675	39,159	1,672
Later than one year and not later than five years	120,423	1,871	117,081	1,843
Later than five years	69,874	-	40,018	-
	232,841	3,546	196,258	3,515

29. Related Party Transactions

The Mikado Private Trust Company Limited (“MPTCL”) is a major substantial shareholder of the Company and MPTCL is also deemed to be interested in more than 30% of the voting power of The Hongkong and Shanghai Hotels, Limited.

The following transactions were carried out with related parties:

(a) Sale of goods & services

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Sale of carpets:		
The Hongkong and Shanghai Hotels, Limited (“HSH”) ¹	770	623

Notes:

¹ 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.

(b) Key management compensation

Key management includes Chairman, Executive Director and senior management. The compensation paid or payable to key management for employee service is shown below:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Salaries & other short-term employee benefits	12,919	8,403

(c) Period/year-end balances arising from sale/purchase of goods/services

	30 Jun 2014 HK\$'000	31 Dec 2013 HK\$'000
	Trade receivables from related parties:	
HSH	–	665

Corporate Information

Board of Directors

Executive Director

Mr. James H. Kaplan (*Chief Executive Officer*)

Non-executive Directors

Mr. Nicholas T. J. Colfer (*Chairman*)

Mr. David C. L. Tong

Mr. John J. Ying

Mr. Nelson K. F. Leong

Mr. Andrew C. W. Brandler

Independent Non-executive Directors

Mrs. Yvette Y. H. Fung

Mr. Roderic N. A. Sage

Mr. Lincoln C. K. Yung

Mr. Aubrey K. S. Li

Executive Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)

Mr. James H. Kaplan

Mr. David C. L. Tong

Mr. John J. Ying

Mr. Nelson K. F. Leong

Audit Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)

Mr. Aubrey K. S. Li

Mr. John J. Ying

Remuneration Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)

Mrs. Yvette Y. H. Fung

Mr. David C. L. Tong

Nomination Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)

Mr. Lincoln C. K. Yung

Mrs. Yvette Y. H. Fung

Company Secretary

Mr. Lee Siu Kau

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Principal Share Registrar and Transfer Agent

Appleby Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Branch Share Registrar

Computershare Hong Kong Investor Services Limited
1712-1716, 17/F, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
P.O. Box HM 1179
Hamilton HM EX
Bermuda

Principal Office in Hong Kong

8/F, Tower 1, Kowloon Commerce Centre
51-53 Kwai Cheong Road
Kwai Chung, Hong Kong
Tel: (852) 2848 7668
Fax: (852) 2845 9363

Company Website

www.taipingcarpets.com

Stock Code: 146