Tai Ping Carpets International Limited

Annual Report 2017

TAI PING

Incorporated in Bermuda
with Limited Liability
Stock Code: 146

Tai Ping Carpets International Limited

Annual Report 2017

TAI PING

Vision

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

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

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

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

Peerless since 1956

Private Residence, Paris, by Thomas Dariel

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Tai Ping at-a-Glance

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

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

Tai Ping offers its customers access to a full range of quality floorcovering products, from luxury to affordable, appropriate for every commercial and residential environment. The Company's global network attends to customer needs with unparallelled attention to detail, providing a full service from custom design through post-installation services. In November 2016, the Company announced a strategic review of its Commercial business (primarily machine-made carpets business) and had subsequently received offers to acquire this business. The Commercial business was sold for US$94 million (HK$729 million) in September 2017, which led to the subsequent distribution of a special dividend of HK$361 million (or HK$1.70 per share) to the shareholders in November 2017.

Since then, Tai Ping focuses exclusively on its remaining Artisan business with hand-made or traditionally woven carpets that target high-end business segments including luxury residential, private yachts and jets, boutique stores, and premium or VIP areas of corporate offices, luxury hotels and resorts. With its superior design and manufacturing capabilities, Tai Ping can transform the most complicated custom design into a work of art for the most discerning buyer.

FINANCIAL HIGHLIGHTS

The highlights of the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017, together with the comparative figures for 2016, that have been restated to reflect the results of the remaining Artisan business, with the Commercial business classified as "Discontinued operation", are as follows:

In thousands of Hong Kong dollars except per share amounts

		2017	2016
Per share	Net worth per share (HK$)	**2.43**	3.38
	Basic earnings/(losses) per share (HK cents)		
	Continuing Operations	**(73.71)**	(52.68)
	Discontinued operation	**165.26**	36.95
	Total – Included Discontinued Operation	**91.55**	(15.73)
	Final dividend declared per share (HK cents)	**–**	3.00

FINANCIAL HIGHLIGHTS (CONTINUED)

		2017	2016
For the year	Turnover	**446,858**	531,185[1]
	Profit/(loss) for the year	**189,744**	(37,708)
	Profit/(loss) attributable to owners of the Company		
	Continuing Operations	**(156,393)**	(111,778)
	Discontinued operation	**350,644**	78,406
	Total – Included Discontinued Operation	**194,251**	(33,372)
	Additions to land use rights, property, plant & equipment, construction in progress and intangible assets	**123,285**	97,532

Note:

1 Turnover of 2016 has been restated to conform the presentation of the 2017 financial statements.

In thousands of Hong Kong dollars except per share amounts

		2017	2016
As at 31 December	Capital & reserves attributable to owners of the Company	**484,257**	682,461
	Shares in issue (in thousands)	**212,187**	212,187
Ratio	Return on capital & reserves attributable to owners	**40.1%**	(4.9%)

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

Year ended 31 December

Assets & Liabilities

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**917,212**	1,245,484	1,264,446	1,336,532	1,380,182
Total liabilities	**401,942**	528,367	485,461	501,053	462,163
Total equity	**515,270**	717,117	778,985	835,479	918,019

Consolidated Income Statement

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit/(loss) attributable to:					
Owners of the Company	**194,251**	(33,372)	18,958	23,832	46,785
Non-controlling interests	**(4,507)**	(4,336)	1,003	1,859	3,562
	189,744	(37,708)	19,961	25,691	50,347

Kips Bay Decorator Show House 2017, New York, by Dineen Architecture + Design Pc
Bokeh I, Blur Collection, Tai Ping

Chairman's Statement

2017 was one of the most significant years in the Company's 62-year history, as its Commercial machine-made carpet operations were sold, marking Tai Ping's return to its roots as a premier Artisan carpet producer.

In recent years it had become evident to the Board of directors (the "Board") that it would be increasingly difficult in future to manage both the Commercial and Artisan operations, as these were two very distinct businesses, each with different characteristics, customer groups and distribution channels, and for a company of Tai Ping's size it would become ever-more challenging to allocate the requisite financial and management resources to both.

Therefore, in November 2016 we announced a strategic review of the Commercial business, as a result of which a number of offers to acquire this business were received, as announced in May 2017. Negotiations with these parties resulted in terms being agreed with a potential purchaser, as disclosed to shareholders in our 3 August 2017 announcement. Shareholders approved this disposal at a price of US$94 million (HK$729 million) on 13 September 2017, and the transaction was completed at the end of that month. There was a gain on disposal of HK$343 million, and a special dividend was paid to shareholders of HK$361 million in November 2017.

As noted in last year's Annual Report, the other major organisational change has been the transfer of all hand-made operations from the Nanhai factory, which operated successfully for some 25 years, to the new Xiamen facility. This process was substantially completed by year-end with approval of the final phase, and this provides the capacity to meet future sales growth demand without significant additional outlay.

As would be expected, a year of such dramatic transition has not been straightforward, with resources very stretched in executing the sale of the Commercial business, managing the transfer of assets and personnel, reorganising and streamlining the remaining organisation, and completing the manufacturing relocation at accelerated speed. Inevitably this created uncertainty among both employees and customers, which contributed to challenging trading during the year, in what was already a complex and dynamic macro-economic climate.

Thus, uncertainty ahead of the disposal, together with disruptions to production during the factory transition, had an impact on the first half of the year, while the sale, employee transfer and internal restructuring held back what is normally the strongest sales period in the second half. All of this, together with significant non-recurring expenses, combined to deliver a weaker operating performance compared to 2016.

However, from early October, streamlining of the remaining business was initiated, with overheads reduced and a simplified regional organisation established, and Artisan performance improved.

With the transition phase now largely complete, the Company is well positioned for the future. It is financially stable, less diverse and focused solely on the high-margin Artisan sector, in which Tai Ping is the leading brand globally, respected for its unrivalled design and manufacturing competence, and underpinned by the new state-of-the-art Xiamen facility.

A new management team has been established as of 1 January 2018 under the leadership of Mr. Mark S. Worgan, the former Chief Operating Officer, who has succeeded Mr. James H. Kaplan as Chief Executive Officer. Their 2018 priority is to ensure that the Company is right-sized to service its addressable sector effectively and profitably. Going forward, the emphasis is on keeping things simple, continuing to drive efficiencies, and investing in sales and distribution to strengthen links with existing and new customers in our chosen markets and sectors.

I should like to pay particular tribute to our previous Chief Executive Officer Mr. James H. Kaplan, who stepped down at the end of the year. During his 14 years at the helm the Company was fundamentally transformed: it grew significantly, its position as global leader was firmly established, and major challenges were overcome, such as the 2011 Bangkok factory flood. In particular, the twin Artisan and Commercial platforms were firmly established, laying the foundations for both the sales transaction last year and the remaining Artisan business as the Company's future platform.

I should also like to pay tribute to Tai Ping's management and staff who, in an extraordinarily challenging year, embraced and executed unprecedented change in the business and their working environment. They served us exceptionally well in meeting these challenges, and this gives the Board confidence for the future.

Nicholas T. J. Colfer
Chairman

Hong Kong, 23 March 2018

Management Discussion & Analysis

BUSINESS REVIEW

As reported in the Chairman's Statement, 2017 was dominated by two significant non-recurring events – the very substantial disposal of the Company's Commercial activities and the relocation of manufacturing operations from Nanhai to Xiamen. Both events inevitably caused uncertainty and disruption to operations which, together with associated one-off expenses, had a material affect on trading results.

Against this backdrop, for the retained on-going business turnover for the year was HK$447 million, 16% lower than prior year on a comparable basis.

Gross margin was also lower at 48%, compared to prior year 55% on a comparable basis.

Distribution costs decreased in line with sales, but both margin and administrative expenses were impacted by one-off severance costs incurred as part of the manufacturing relocation.

Non-recurring expenses relating to Nanhai closure, Xiamen construction and business streamlining amounted to HK$59 million in 2017, a similar level to the prior year figure of HK$58 million.

As a result, there was an operating loss of HK$159 million, but after the gain on disposal of the Commercial business, the Group's net profit attributable to shareholders was HK$194 million, compared to a net loss of HK$33 million in 2016.

Turnover in the Americas was HK$194 million, down 20% from prior year, principally due to the instability referred to above. EMEA and Asia were less affected, and sales decreased by 13% year over year in each region to HK$156 million and HK$96 million, respectively.

Manufacturing Operations

2017 marked a major milestone in the commissioning of Tai Ping's new Xiamen manufacturing workshop with Phase One fully operational in the second half.

Investment in training began to pay off with employee skill levels improving and headcount growing. Improvement was supported by the transfer of experienced staff from the former facility in Guangdong. The Administration building became operational mid-year with all support functions including customer services, design, and purchasing on site by December.

Construction of Phase Two was completed on schedule at the end of the year and this will allow for capacity to double as the business grows. The transfer of all remaining operations to Xiamen will complete in the second quarter of 2018.

The Company's other factory, in Bangkok Thailand, was sold as part of the Commercial business divestment, while the former workshop in Nanhai, Guangdong will be fully closed after the transfer to Xiamen is completed.

Total headcount for manufacturing operations at the end of the year was 664.

Human Resources

As at 31 December 2017, the overall number of employees across the business had decreased from 2,773 to 893 as a result of the disposal of the Commercial business. The reduction also includes some streamlining of headcount in the remaining Artisan business in the last quarter of the year.

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.

The primary focus for Human Resources during the year was in maintaining stability and retaining talent through a period of considerable organisational change.

Mr. James H. Kaplan retired as Chief Executive Officer and has been succeeded by Mr. Mark S. Worgan, effective from 1 January 2018.

Information Technology

Deployment of the final Oracle ERP modules across Europe was completed in quarter three, and training continues to raise skill levels and improve the accuracy of usage.

Implementation of the Datatex factory ERP system was rescheduled as key staff members were redeployed to accelerate manufacturing relocation, the project went live in the first quarter of 2018.

Design and Marketing

In 2017, the House of Tai Ping continued to establish itself as a creative leader through the launch of innovative new collections across its brands.

The primary Tai Ping launches were: “Blur”, an ambitious hand-knotted collection inspired by vintage photography; “Scenematic”, a second collaboration with renowned Hong Kong designer André Fu inspired by scenic silhouettes of urban life; and “Reform”, a geometric rug created to be adaptable to different spaces and usages, developed in conjunction with rising stars Lim & Lu.

Edward Fields launched “Reverence”, a ground-breaking collaboration with Fernando Mastrangelo, a bright, new and extremely gifted design talent based in Brooklyn, New York.

Lastly, the Manufacture Cogolins launched “Isotopie”, a fresh, playful collection of bright, graphic motifs, and “Four corners”, a cooperation with designer Jason Miller that draws inspiration from Navajo blankets.

NON CARPET OPERATIONS

Premier Yarn Dyers, the Group's US yarn-dyeing operation saw revenues drop of 6% due to a capacity limitation to meet the shift in product mix. The end result was a marginal loss in 2017 due to the cost for essential maintenance and repairs that will secure the businesses future.

The minority shareholding in Philippine Carpet Manufacturing Corporation continues to be classified as an asset held for sale. Property assets in Manila are being marketed for sale, after which Tai Ping will sell or otherwise unwind its shareholding. This is expected to complete within the next 12 months.

LIQUIDITY & FINANCIAL RESOURCES

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

As at 31 December 2017, the Group had: total cash and bank balances amounting to HK$264 million (2016: HK$144 million); unsecured bank borrowings of HK$62 million (2016: HK$119 million); financial assets at fair value through profit or loss of HK$nil (2016: HK$89 million).

Mark S. Worgan
Chief Executive Officer

Hong Kong, 23 March 2018

Swell I, Reverence Edition, Edward Fields
Wool, Delicate Silk, Dull Silk, Handmade Rug

Board of Directors

Chairman & Non-Executive Director
Nicholas T. J. Colfer: aged 58
Chairman since 2005; Non-Executive Director since 2003; Chairman of the Executive and Nomination Committees

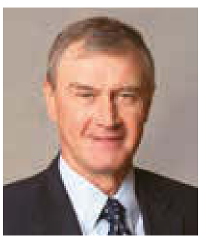
Mr. Colfer is a Director of Sir Elly Kadoorie & Sons Ltd., a Non-Executive Director of The Hongkong and Shanghai Hotels, Ltd. and serves on several other corporate boards in Hong Kong. He holds a Master of Arts degree from the University of Oxford.

Chief Executive Officer & Executive Director
Mark S. Worgan: aged 54
Chief Executive Officer and Executive Director since 2018; Member of the Executive Committee

Mr. Worgan joined Tai Ping in 2008 and was the Vice President of Operations and Chief Operation Officer of Tai Ping. He is a director of a number of subsidiaries of Tai Ping. He has over 30 years of experience in textiles and floorcovering industry and prior to joining Tai Ping, he held various positions including global operations director, and chief executive officer of the US operations of Brintons Carpets Ltd. He holds a Bachelor of Science degree from the University of Aston in Birmingham, United Kingdom.

Non-Executive Director
Nelson K. F. Leong: aged 54
Non-Executive Director since 2012; Member of the Executive Committee

Mr. Leong is an Executive Director of Henry G. Leong Estates Ltd., a Director of Fontana Enterprises Ltd., Gainsborough Associates Ltd. and a number of companies involved in real estate in Hong Kong and North America. He holds a Master of Business Administration degree from the University of Toronto and a Bachelor of Arts degree from Brown University.



Non-Executive Director
Andrew C. W. Brandler: aged 61
Non-Executive Director since 2014

Mr. Brandler is a Director and Chairman of Sir Elly Kadoorie & Sons Ltd., a Non-Executive Director and Deputy Chairman of The Hongkong and Shanghai Hotels, Ltd., a Non-Executive Director of CLP Holdings Ltd. and an Independent Non-Executive Director of MTR Corporation Ltd. He has had an extensive career as an international banker and company executive. He is a Chartered Accountant, and holds Bachelor of Arts and Master of Arts degrees from the University of Cambridge and a Master of Business Administration degree from Harvard Business School.

Non-Executive Director
David C. L. Tong: aged 47
Non-Executive Director since 1997; Member of the Executive and Remuneration Committees

Mr. Tong is a Director of Sir Elly Kadoorie & Sons Ltd., CLP Power Hong Kong Ltd., Hong Kong Business Aviation Centre Ltd. and serves on several other corporate boards in Hong Kong. He was an Independent Non-Executive Director of Hong Kong Aircraft Engineering Co., Ltd. He is a Chartered Engineer and holds a Bachelor of Engineering degree from the University of London.

Non-Executive Director
John J. Ying: aged 55
Non-Executive Director since 1999; Member of the Executive and Audit Committees

Mr. Ying is the Managing Director of Peak Capital, a private investment firm focused on investments in Greater China and Chairman of the Asian Republican Coalition. He resigned as Chairman of Bracell Ltd. (formerly Sateri Holdings Ltd.) on 1 November 2016. He holds a Master of Business Administration degree from the Wharton School, a Master of Arts degree from the University of Pennsylvania and a Bachelor of Science degree from the Massachusetts Institute of Technology.

Independent Non-Executive Director
Yvette Y. H. Fung: aged 56
Independent Non-Executive Director since 2004; Member of the Remuneration and Nomination Committees

Mrs. Fung is a Director of Hsin Chong International Holdings Ltd. and Chair of The Yeh Family Philanthropy Ltd., a member of various boards in the education and non-profit sectors. She holds both a Juris Doctor and a Bachelor of Arts degree from Stanford University and a Master of Business Administration degree from the University of California, Los Angeles.

Independent Non-Executive Director
Roderic N. A. Sage: aged 65
Independent Non-Executive Director since 2005; Chairman of the Remuneration and Audit Committees

Mr. Sage is an Independent Non-Executive Director of Guoco Group Ltd. and Alpha Real Trust Ltd. listed on London's Specialist Fund Market. He was the Executive Chairman of a specialist tax, corporate services and trust consultancy firm in Hong Kong. Prior to that, he had worked with KPMG Hong Kong for over 20 years as a senior partner and member of the management board. He has been granted fellow status with the Institute of Chartered Accountants in England and Wales and with the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Institute of Taxation in England.

Independent Non-Executive Director
Aubrey K. S. Li: aged 68
Independent Non-Executive Director since 2010; Member of the Audit Committee

Mr. Li is the Chairman of IAM Holdings (Hong Kong) Ltd. (formerly MCL Partners Ltd.), a Hong Kong-based investment group, a Non-Executive Director of The Bank of East Asia, Ltd. and an Independent Non-Executive Director of Café de Coral Holdings Ltd., Kunlun Energy Co., Ltd., Kowloon Development Co., Ltd. and Pokfulam Development Co., Ltd. He was a Non-Executive Director of AFFIN Bank Berhad and an Independent Non-Executive Director of China Everbright International Ltd. He possesses extensive experience in the fields of investment banking, merchant banking and capital markets. He holds a Master of Business Administration degree from Columbia University and a Bachelor of Science degree in Civil Engineering from Brown University.

Independent Non-Executive Director
Lincoln C. K. Yung, JP, FHKIB: aged 72
Non-Executive Director (1980-2004) and Independent Non-Executive Director since 2004; Member of the Nomination Committee

Mr. Yung is currently Deputy Managing Director of Nanyang Holdings Ltd., Honorary Chairman of Shanghai Commercial Bank Ltd., a Director of The Shanghai Commercial & Savings Bank, Ltd., Honorary President of HK Wuxi Trade Association Ltd. and the Executive Vice-chairman of Federation of HK Jiangsu Community Organisations Ltd. He has extensive experience in the textile, banking and investment industries and serves on various committees and boards. He is a Honorary Advisory Vice President and Fellow of The Hong Kong Institute of Bankers and holds a Master of Business Administration degree from the University of Chicago and is a graduate of Cornell University. He was appointed an Adjunct Professor of The Hong Kong Polytechnic University (School of Accounting and Finance).

Independent Non-Executive Director
Daniel G. Green: aged 44
Independent Non-Executive Director since 2018

Mr. Green is the Managing Director of Arnhold Holdings Ltd. Mr. Green joined Arnhold in 2002 and has served as an Executive Director since 2006. Prior to joining Arnhold, he worked in New York as a strategy consultant for Andersen Consulting (now Accenture), and as an equity analyst for Sofaer Capital's Global Hedge Fund. He is currently on the General committee of The Hong Kong Exporters' Association and on the Executive Committee of the Hong Kong Chapter of Young Presidents' Organization. He graduated with honors from the University of Pennsylvania with a degree in Systems Engineering.

Corporate Governance

CORPORATE GOVERNANCE

The Board and management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company has complied with the applicable 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") throughout the year ended 31 December 2017, except for the deviation as disclosed in this report.

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 throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

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

The Board currently consists of eleven members. Among them, one is Executive Director, five are Non-Executive Directors and five are Independent Non-Executive Directors.

Mr. James H. Kaplan retired as Executive Director of the Company with effect from 1 January 2018. Mr. Mark S. Worgan and Mr. Daniel G. Green were appointed as Executive Director and Independent Non-Executive Director of the Company, respectively with effect from 17 January 2018.

The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Group pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the current Directors, together with information relating to the relationship among them, are set out on pages 18 to 20 in this Annual Report.

The Board considers that its diversity, including gender diversity, is a vital asset to the business. The Board adopted a Board Diversity Policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

During the year, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to Directors. Additionally, training has been attended by all Directors covering a broad range of topics including Directors' duties, updates on the Listing Rules and accounting reporting standards.

The Board has a balance of skills and experience appropriate for the requirements of the businesses of the Group. All Directors have separate and independent access to the advice and services of the senior management and the Company Secretary, with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

BOARD MEETINGS

The Board held a total of four Board meetings during the year ended 31 December 2017 in which two meetings were held to approve the 2016 final results and 2017 interim results of the Group; the other meetings were held to consider financial and operating performances of the Group. The Chief Financial Officer and Company Secretary, attended all Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial perspectives.

The attendance of individual Directors during the year ended 31 December 2017 is set out in the table below. All businesses transacted at the Board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

	No. of meetings attended
Chairman & Non-Executive Director	
Nicholas T. J. Colfer	4/4
Former Chief Executive Officer & Executive Director	
James H. Kaplan	4/4
Non-Executive Directors	
Nelson K. F. Leong	4/4
David C. L. Tong	3/4
John J. Ying	2/4
Andrew C. W. Brandler	4/4
Independent Non-Executive Directors	
Yvette Y. H. Fung	4/4
Aubrey K. S. Li	3/4
Roderic N. A. Sage	4/4
Lincoln C. K. Yung	3/4

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

Apart from the above mentioned Board meetings, the Chairman of the Board held a meeting with all the Non-Executive Directors and Independent Non-Executive Directors without the presence of the Executive Director during the year for discussing, amongst other matters, Directors' time commitment and contribution in performing their responsibilities to the Company, and the Group's strategy.

CHAIRMAN & CHIEF EXECUTIVE OFFICER

The posts of Chairman and Chief Executive Officer ("CEO") are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman of the Board is Mr. Nicholas T. J. Colfer and the former CEO was Mr. James H. Kaplan who had been succeeded by Mr. Mark S. Worgan, effective from 1 January 2018. To comply with code provision A.2.1 of the CG Code, the division of responsibilities between the Chairman and the CEO is formally set out in writing. Essentially, the Chairman takes the lead to oversee the Board functions while the CEO, supported by his management team, is responsible for the day-to-day management of the business of the Company.

NON-EXECUTIVE DIRECTORS

The Company's Non-Executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every Director would retire by rotation at the annual general meeting of the Company (the "AGM") at least once every three years which is in line with the CG Code.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagement, Mr. David T. L. Tong and Mr. John J. Ying, Non-Executive Directors, did not attend the AGM held on 19 May 2017 while Mr. Andrew C. W. Brander, a Non-Executive Director, and Mr. Roderic N. A. Sage, an Independent Non-Executive Director, did not attend the special general meeting of the Company (the "SGM") held on 13 September 2017.

To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board.

The Company considers that its Non-Executive Directors and Independent Non-Executive Directors bring to the Board a good mix of expertise and experience in the fields of accounting, investment and business. At least one of the Independent Non-Executive Directors has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Pursuant to the requirements of the Listing Rules. Mrs. Yvette Y. H. Fung, Mr. Aubrey K. S. Li, Mr. Roderic N. A. Sage and Mr. Lincoln C. K. Yung, Independent Non-Executive Directors, have given the Company annual written confirmations of their independence. Mr. Daniel G. Green was appointed as Independent Non-Executive Director of the Company with effect from 17 January 2018 and he has given the Company a written confirmation of his independence. The Company considers all the Independent Non-Executive Directors to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS

Change in director's biographical details since date of the 2017 interim report of the Company which is required to be disclosed pursuant to Rule 15.51B(1) of the Listing Rules is set out below:

Mr. Lincoln C.K. Yung, an Independent Non-Executive Director of the Company, was redesignated as Honorary President of HK Wuxi Trade Association Limited on 21 November 2017.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Appropriate directors' and officers' liability insurance has been arranged for the Directors and Officers of the Company during the year.

BOARD COMMITTEES

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

1. Executive Committee

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

During the year under review, it held one meeting and the attendances of the members at the meetings are as follows:

	No. of meetings attended
Nicholas T. J. Colfer (Chairman)	1/1
James H. Kaplan	1/1
David C. L. Tong	1/1
John J. Ying	1/1
Nelson K. F. Leong	1/1

2. Remuneration Committee

The Company has set up a Remuneration Committee on 23 September 2005 and the terms of reference of Remuneration Committee are aligned with the CG Code. Detailed terms of reference of Remuneration Committee are accessible on the Company's website. Given below are main duties of the Remuneration Committee:

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

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

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

	No. of meetings attended
Roderic N. A. Sage (Chairman)	1/2
Yvette Y. H. Fung	2/2
David C. L. Tong	2/2

3. Audit Committee

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of 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, risk management and internal control systems. Detailed terms of reference of Audit Committee are accessible on the Company's website.

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

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

	No. of meetings attended
Roderic N. A. Sage (Chairman)	2/3
John J. Ying	3/3
Aubrey K. S. Li	3/3

4. Nomination Committee

The Company has set up a Nomination Committee on 31 March 2012 and the terms of reference of Nomination Committee are aligned with the CG Code. Detailed terms of reference of Nomination Committee are accessible on the Company's website. Given below are main duties of the Nomination Committee:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships
- to assess the independence of Independent Non-Executive Directors
- to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive

The members of the Nomination Committee and their attendances at the meeting of the committee are set out below:

	No. of meeting attended
Nicholas T. J. Colfer (Chairman)	2/2
Lincoln C. K. Yung	2/2
Yvette Y. H. Fung	2/2

AUDITOR'S REMUNERATION

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

	HK$'000
PricewaterhouseCoopers:	
Audit service	3,501
Non-audit services[1]	7,283

Note:

[1] Non-audit service fees include professional services rendered in relation to the disposal of Commercial business of the Group during the year ended 31 December 2017. Certain portion of these services that are directly attributable to the disposal are included as direct expenses.

COMPANY SECRETARY

Mr. Lung Chi Sing Alex ("Mr. Lung") has been the Company Secretary of the Company since November 2016. Mr. Lung is the CFO of the Company. The Company Secretary is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments. Mr. Lung has been in full compliance with the requirements of Rule 3.29 of the Listing Rules during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and they are not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The independent auditor's report is on page 56 and 63.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. The internal control systems of the Group are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems.

The management of the Company monitors the assessment of the risk management and internal controls and has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

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

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit findings and considered that, for the year ended 31 December 2017, the risk management and internal control systems of the Company were effective and adequate. The Audit Committee also reviewed the adequacy of resources, qualifications, experience and training programme of the Group's Internal Audit staff and accounting and financial reporting staff and considered that the staffing was adequate and the staffs were competent to carry out their roles and responsibilities.

HANDLING AND DISSEMINATIN OF INSIDE INFORMATION

The Group has in place a policy on handling and dissemination of inside information. The Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

CHANGE OF ADDRESS OF PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company was changed to Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong with effect from 22 February 2018.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

For both institutional and retail investors, the Company's website at www.taipingcarpets.com provides up-to-date information on the Group. All key information such as announcements, annual and interim reports can be downloaded from it.

In 2017, the Company held the AGM on 19 May 2017 and SGM on 13 September 2017. All Directors, including the Chairman of the Board and chairman of the committees, attended the AGM and SGM to answer questions and proposals raised by the shareholders of the Company with the exception of Mr. David T. L. Tong and Mr. John J. Ying absent from the AGM, and Mr. Andrew C. W. Brandler, Mr. James H. Kaplan and Mr. Roderic N. A. Sage absent from the SGM due to other business engagement.

SHAREHOLDERS' RIGHTS

1. Procedure for shareholders to convene a SGM

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

2. Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

3. Shareholders' enquires

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

Vinda I, Floe Collection, Tai Ping Yacht
100% Field, Handmade Rug

Environmental, Social & Governance Report

ABOUT THIS REPORT

Tai Ping is pleased to present the Environmental, Social & Governance ("ESG") report for the fiscal year 2017. The content of the report is compiled in accordance with ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited, and it details the initiatives, quantitative data, and approach to managing the Group's material ESG issues.

During the year, the Group had relocated substantial part of its hand-made carpet manufacturing activities to the new Artisan workshop in Xiamen, China. After the disposal of the Commercial business, the Xiamen production plant becomes the most significant manufacturing base for the Group. As such, this report focuses mainly on the Xiamen operation as it poses significant environmental and social matters throughout the business of the Group. In addition, this report discloses more environmental quantitative information to reflect upon sustainability performance and involvement, thereby increasing the transparency and accountability of the Group's actions to stakeholders.

Tai Ping is dedicated to offering high-quality custom design carpets to its customers. The Group aims to merge value creation with long-term sustainable development in order to contribute to environmental sustainability and workforce development.

In order to uphold transparency regarding the policy of combining growth with the important issues valued by society, the Group constantly communicates with stakeholders to solicit their opinions and understand their expectations on the Group's ESG performance and disclosure. The Group values stakeholder engagement as it provides valuable input which contributes to steering the Group's development direction in ESG aspects. The Board has taken up the responsibility to oversee the statutory compliance, stakeholder benefits, ESG performance and risk management. The overall direction of the Group's ESG development is set according to the stakeholders' view and insights, addressing stakeholders' concerns wherever possible.

This ESG Report is therefore a good opportunity to demonstrate the measures and achievements the Group has accomplished in pursuit of sustainability and allows it to evaluate the environmental and social impact of the Group's actions. Moreover, this report also allows the Group to lay the groundwork for consideration of the various aspects and implications of sustainability in the development of future initiatives.

ENVIRONMENTAL

The Group strictly complies with the Environmental Protection Law of the People's Republic of China and all local environmental laws and regulations in markets it operates in. A set of policies and procedures defining the environmental management system have been formally established to govern monitoring activities and certified in line with the internationally recognised standards such as the ISO 14001 standard. For example, environmental guidelines have been incorporated into employee handbook for employee to follow. Clear goals and instruction are set up to guide different departments to work hand in hand and drive environmental protection initiatives.

Emission Reduction

The Group spares no effort in operating its business in an environmentally responsible manner through minimising greenhouse gas ("GHG") emissions and its environmental footprint. The biggest environmental impact of the Group's business originates from the use of energy for offices and production line. The objective is to reach even higher levels of energy efficiency and continuously pursue new ways to reduce emission. At the new factory in Xiamen, energy efficiency initiatives are widely undertaken to maximise the energy efficiency and reduce GHG emissions. For example, the Group encourages the adoption of energy-efficient LED lighting systems and remind employees to switch off idle electric appliances. In designing the Xiamen plant, modern glass facades are installed to optimise natural light in production areas during the daytime, and to reduce the energy used for lighting. Furthermore, employees are reminded to turn off idle lightings and electrical appliances in order to save energy.

As waste-water management is a key focus of environmental protection efforts, the Group appointed an environmental consultancy firm to formulate a new waste-water solution and assist in building a modern water treatment plant in the new Xiamen factory. Most of waste-water is generated by the dyeing process and is reduced by recycling back into the dyeing process as well as used for gardening and toilet flushing in the factory. A Dissolved Oxygen Meter is installed in our wastewater treatment process to make sure treated effluent for discharge meets the standards. The resulted neutralised water is soft-water that can be re-used in manufacturing, plant-watering and cleaning. This helps to greatly reduce the amount of effluent discharged to the environment. The treatment plant has commenced, and has operated successfully with a capacity of processing 200 tonnes of waste-water per day throughout the year. As the system achieves zero polluted discharge this allows Tai Ping not to be restricted in setting up its production line only at the dedicated pollution controlled industrial zone.

With waste disposal being one of the most prevalent environmental issues that corporations face, the Group has put in place various measures to address this problem. Proper workflow on waste materials handling is outlined in the internal policies and procedures. Waste segregation system is in place under which staff are required to collect and separate waste according to different categories. Different types of waste, including glue used in manufacturing process, general office waste produced, and sludge from wastewater treatment will be collected by third party contractors, who are authorised by a regulatory body, for proper processing and disposal to fulfil environmental protection requirements.

The Group also demonstrated a commitment to managing the environmental footprint by encouraging employees to make a difference by reducing waste produced in office, manufacturing sites, dormitories or other facilities.

Use of Resources

The Group is dedicated to reducing its impacts on the environment and promote the use of natural resources effectively in different parts of its operations.

The Group strives to ensure all water utilised in the production processes is used as effectively and efficiently as possible to minimise impact to the environment. To identify opportunities for the efficient consumption of water, the Group tracks the usage across the facilities to understand and monitor consumption patterns. As the dyeing stage of carpet production consumes large amounts of water, the Group has invested and adopted a new dyeing technology which significantly reduces water consumption in the production. Also, a high performing waste-water treatment system has been implemented to recycle water used in different manufacturing processes, such as soaking, dyeing and cleaning. The treated water will used for manufacturing, toilet flushing, and plant watering.

In addition, the Group engages only with quality business partners and clearly specifies the requirements of raw materials in procurement contracts. This ensures a high passing rate of raw materials and helps reduce raw material wastage.

The Environment and Natural Resources

Xiamen factory strictly complies with the Environmental Protection Law of the People's Republic of China, the environmental protection rules and regulations in Xiamen, textile industry norms, as well as extending the responsibility and expectations of environmental and natural resource protection to its suppliers and contractors. Prior to the manufacturing relocation to Xiamen, the Group employed an independent environmental consultant to perform environmental impact assessment to prevent or minimise any possible adverse environmental impacts. Stringent process is in place to evaluate production flow design and to prevent any pollution to the environment. Xiamen factory adheres to green manufacturing policies. The Group monitors and minimise greenhouse gas emissions in the manufacturing processes and endeavour to reduce waste and noise production on an ongoing basis.

Through all of the above, the Group is committed to investing in people, technology and innovation to protect the environment.

Environmental Performance Data Table

Environmental KPIs	Unit	Environmental Data (Group) 2017
Total greenhouse gas (GHG) emissions	tonne CO_2e	2,743.74
Scope 1 – Direct emissions and removals	tonne CO_2e	14.78
Scope 2 – Energy indirect emissions	tonne CO_2e	2,728.96
Total hazardous waste produced	tonne	2.35
Total non-hazardous waste produced	tonne	173.61
Total energy consumption	kWh	5,233,008.58
Total direct energy consumption	kWh	53,292.18
Petrol	kWh	49,545.75
Diesel	kWh	3,746.43
Total direct energy consumption intensity		
By revenue	kWh/revenue (HK$'000)	0.12
Total indirect energy consumption	kWh	5,179,716.40
Purchased electricity	kWh	1,943,320.00
Purchased steam	kWh	3,236,396.40
Total indirect energy consumption intensity		
By revenue	kWh/revenue (HK$'000)	11.43
Total Water consumption	m^3	58,173.00
Total Water consumption intensity		
By revenue	m^3/revenue (HK$'000)	0.13
Total packaging materials	tonne	26.52
Total packaging materials intensity		
By revenue	tonne/revenue (HK$'000)	0.000059

SOCIAL RESPONSIBILITY

Employment

The Group adheres to the Labor Contract Law of the People's Republic of China and all employment regulations. Furthermore, the Group sets zero tolerance towards any forms of discrimination or harassment in the workplace.

To deepen employees' understanding of the Group's culture and human resource management approach, a comprehensive employee handbook are given to all employees. The Group's employment policies, compensation and benefits offered to employees, office management details and security information are all clearly set out in the handbook for employees' easy reference.

The Group places great importance on employee engagement and is committed to cultivate a supportive workplace culture. Employees are entitled to a wide-range of benefits, including accommodation for workers coming from different provinces, meal plans, paid leave, medical insurance plans, and travelling subsidies for workers to visit families at home town and so on. The Group also introduced family-friendly initiatives such as paternity leave for male employees. Recreational activities are organised by human resource department to promote work-life-balance and strengthen team bond. Monthly birthday gatherings, a Mid-autumn Festival party and lucky draws, Spring Festival reunion dinners and half-day leave for female employees on International Women's Day are some examples of the Group's support for a healthy work life balance. The above helps to build a cohesive work environment and sustained a low staff turnover rate.

To promote and build a harmonious and inclusive workplace, the Group's code of conduct is communicated to employees when they join the Company. The code of conduct outlines an employee's expected behaviour, as well as anti-harassment, sexual harassment and personal relationship guidelines. Any employment-related decisions, such as recruitment, compensation, promotion, and performance evaluation are conducted solely based on staff's merits and qualifications.

Occupational Health and Safety

The Group cares about its employees' health and safety and adheres to stringent work safety regulations and standards.

It is of utmost priority to provide a safe working environment to employees and protecting them from occupational hazards. As such, comprehensive policies and procedures, such as Control Procedures for Environmental Operation, Hazardous Chemicals EHS Management Regulations and the Control Procedures for Occupational Health and Safety Operation have been established to provide guidelines towards harm prevention and minimising any health hazards to the workforce and relevant parties. As set out in the documents, workers are required to wear protective gear, including safety shoes, safety glasses, ear protection, gloves and task-specific protection, at all times when in the manufacturing site to ensure work safety.

Safety training is regularly provided to employees to enhance their ability to detect any hidden hazards that may reside in tasks. This also enables employees to perform necessary corrective measures to avoid any accidents or to minimise the impact should an accident occur. Fire drills, practice emergency drills and workshops on different workplace hazards are also organised to prepare staff to face accidents. In addition, safety meetings and work-place inspections are conducted to perform regular check and serve as reminders for workers on importance of work safety.

The Group adopts various employee insurance and social insurance plans in accordance with local laws and regulations. In addition, regular body check services are provided to all employees at manufacturing sites.

The Group has been accredited with OHSAS 18001 certification for meeting safety management standard since 2007. With strong controls and good protective measures in place, no fatal accidents occurred in the office or manufacturing facilities in this financial year.

Development and Training

The Group sees its employees as its greatest asset and has devoted resources to tailor development and training programs for all employees in different level of seniority. To cultivate talent and build a professional workforce, the Group has provided expert development, on-job training and self-learning programs to employees. In addition to these resources, external training, team building activities and environmental operation training for supervisors are utilised to help lift team morale, create stronger team bonds and deepen employees' sense of belonging to the Group.

An effective performance assessment mechanism which comprises the Goal and Performance Management and Performance Improvement Plan is adopted to enable the Company to better evaluate staff performance and plan relevant training and development programs more effectively. Based on their annual targets and goals, employees will receive performance appraisal and feedback from their immediate supervisor at the end of a fiscal year. This helps employees to identify their strengths whilst highlighting potential areas of development that aid in leading them towards better career planning within the company. If one's performance fails to meet expectations, a Performance Improvement Plan is then initiated to assist those in need.

Labour Standards

The Group is in strict compliance with the Labor Law of the People's Republic of China as well as all local labour laws and regulations in the countries it operates in. Human Rights Policy and Child Labour Protection Procedures are maintained to ensure regulatory compliance.

In hiring process, identity checks are performed by the human resource department to ensure all recruited staff are above legal working age. The Group upholds high labour standards throughout the businesses and requires suppliers to apply the same standard in their operations to combat child or forced labour.

Supply Chain Management

The operation fulfils its commitment to the environment and society by actively observing their supply chain to guarantee all suppliers live up to the Group's standard of quality, labour, environmental and social responsibility. The Procurement and quality assurance departments jointly established a supplier management system to verify supplier qualifications, assess supplier performance and regularly review suppliers' occupational health and safety measures in place. Suppliers who fail to comply with the supply chain management policy will be required to take corrective actions immediately. Relationships with suppliers who fail to meet this standard will be terminated if no improvement is observed after communication.

In addition, the Group conducts its procurement with the highest ethical standards possible. A comprehensive procedure has been implemented to ensure qualified packaging materials that are not harmful to humans and the environment is first to be selected. Moreover, to support the domestic economy and environmental protection, the Group also prioritises the use of materials or products that are manufactured in Xiamen or nearby cities, therefore reducing environmental impact from transportation.

Product Responsibility

Innovation has been considered as one of the key elements in delivering environmental-friendly products to customers. Upon receiving an order, designers will initiate a detailed communication process to better understand customers' needs and expectations. Furthermore, the operations have a quality management system in place which is certified against the ISO 9001 standard and adopted in different supporting facilities, including high-tech dyeing machinery and advance testing equipment to ensure raw material and product procured, manufactured and delivered are in compliance with quality control requirements.

Throughout the years, products are manufactured to comply with the American with Disabilities Act (ADA), where products are edged to facilitate wheelchair activities, and the GLP Green Label Plus, and to pass toxicity tests and are fire-proof.

An extensive monitoring system, spanning across procurement of materials to delivery of products, has been developed to safeguard product health and safety. In addition to using only certified materials for production, chemicals are handled with care to ensure products produced will not contain or be contaminated by any harmful materials.

An advanced testing facility is also employed to verify the quality of the products produced. This not only ensures accurate information is obtained and communicated to customers through labels and advertisements, but also helps to guarantee the quality of all materials sourced, manufactured, and dispatched from the factory. Furthermore, robust complaint management systems and data privacy policy have been developed to ensure that customers' personal information and feedback are properly valued and protected.

The Group fully respects intellectual property rights, as well as customers' data privacy. Employees are required to sign the intellectual property and confidentiality agreement with the Company to ensure that employees are fulfilling their obligations of confidentiality in accordance with the agreements. Furthermore, the Group's employee handbook includes practices regarding conflict of interests, confidentiality, intellectual property, copyright protection and sensitive data privacy protection. The handbook is posted on the intranet for ease of reference and as a constant reminder to all employees.

Anti-corruption

Proper business ethics are one of the Group's key values. The Group strictly complies with the relevant laws and regulations, such as the Criminal Law of the People's Republic of China and the Anti-unfair Competition Law of the People's Republic of China, on anti-corruption with no avail.

The Group endeavours to uphold a high standard of integrity, which is essential for building a sustainable operation. In addition to formulation and communication of a comprehensive code of conduct to employees, detailed instructions describing appropriate responses to any forms of cheating, bribery, corruption and money laundry have been communicated to all new employees during their orientation sessions.

In order to show the Group's commitment to promoting a corruption-free workplace, employees are required to sign the global code of conduct and global whistle blower policy on an annual basis. This helps to keep all workers aware of the latest polices and to refresh their knowledge regarding appropriate workplace conduct. Furthermore, a whistleblowing channel is in place for employees or other stakeholders to anonymously voice out any observed discrimination cases or potential unlawful practice. Reported cases will be investigated on a timely basis and any confirmed case will be escalated to the Chairman of Audit Committee to ensure full remediation has taken place.

Community Investment

The Group recognises that the business can only advance and flourish if the communities in which the Group is based in also succeed and grow – and if the business maintains a harmonious relationship with these communities. The Group is committed to investing in communities to give back to those who have helped to support the business' success. To enact this promise, Xiamen factory emphasises employing local residents in an effort to boost the domestic economy.

In addition, employees are encouraged to join the Company to participate in local charity events and to create a greater value to the local society.

REGULATORY COMPLIANCE

The Group did not observe any forms of non-compliance with laws and regulations within the reporting period that may cause a potential impact on the Group's operating areas, such as environmental protection and conservation, employment, labour practices, operational and organisational activities.

Moncler Flagship Store, New York, by Gilles & Boissier

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES & GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

An analysis of the Group's performance for the year by segment is set out in Note 5 to the consolidated financial statements.

RESULTS & APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 64.

No interim dividend was paid during the year (2016: Nil).

Pursuant to the Special General Meeting of the shareholders of the Company held on 13 September 2017 to approve a special dividend of HK$1.70 per share to be distributed after the sale of the Commercial business had taken place and the record date for determining the entitlement of the special dividend to be fixed by the Board of Directors ("the Board").

On 9 October 2017, the Board declared the special dividend of HK$1.70 per share, amounting to a total of HK$360,719,000 and was paid on 7 November 2017.

At the Board meeting held on 23 March 2018, the Board has further resolved not to declare any dividend for the year ended 31 December 2017 (2016: HK3 cents per share).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$391,000 (2016: HK$315,000).

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

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

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.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Chairman & Non-Executive Director
Nicholas T. J. Colfer

Chief Executive Officer & Executive Director
James H. Kaplan (retired as Chief Executive Officer and Executive Director with effect from 1 January 2018)
Mark S. Worgan (appointed as Chief Executive Officer on 1 January 2018 and appointed as Executive Director on 17 January 2018)

Non-Executive Directors
David C. L. Tong
John J. Ying
Nelson K. F. Leong
Andrew C. W. Brandler

Independent Non-Executive Directors
Yvette Y. H. Fung
Roderic N. A. Sage
Lincoln C. K. Yung
Aubrey K. S. Li
Daniel G. Green (appointed as Independent Non-Executive Director on 17 January 2018)

In accordance with the Company's Bye-laws, Mr. Mark S. Worgan, Mr. Andrew C. W. Brandler, Mr. Daniel G. Green and Mr. Lincoln C. K. Yung will retire by rotation from office at the forthcoming AGM on 18 May 2018. Mr. Mark S. Worgan, Mr. Andrew C. W. Brandler, Mr. Daniel G. Green and Mr. Lincoln C. K. Yung, being eligible, offer themselves for re-election at the forthcoming AGM on 18 May 2018.

Mr. James H. Kaplan retired as Chief Executive Officer and Executive Director with effect from 1 January 2018. Mr. James H. Kaplan has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS

Mr. Mark S. Worgan, new Executive Director of the Company, is entitled to receive the same remuneration as the Chief Executive Officer which includes (i) a total remuneration package of HK$4,200,000 per annum (comprising of monthly basic salaries and allowance); and (ii) a discretionary bonus which is based on the performance of both Mr. Worgan and the Company. The agreement has no fixed term and may be terminated by either party by 3 months' written notice.

Apart from the above, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company of any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY

As at 31 December 2017, the interests of the Directors and chief executive 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 Part XV of the SFO or as notified to the Company were as follows:

Ordinary shares of HK$0.10 each in the Company as at 31 December 2017

No. of ordinary shares held (long position)

Name	Personal Interests (held as beneficial owner)	Corporate Interests (interests of controlled corporation)	% of the Issued share capital of the Company
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,182,000[1]	1.358%
John J. Ying	–	32,605,583[2]	15.366%
Aubrey K. S. Li	100,000[3]	–	0.047%

Notes:

1 2,000,000 shares are held by Gainsborough Associates Limited and 182,000 shares are held by Fontana Enterprises Limited, companies in which Mr. Nelson K. F. Leong holds 33.33% and 40% equity interests respectively and have controlling interest.

2 The shares are held by Peak Capital Partners I, L.P. of which Mr. John J. Ying is the sole shareholder 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).

3 The shares are jointly held by Mr. Aubrey K. S. Li and his spouse.

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interests in the shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, 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 substantial shareholders' interests, being 5% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name	No. of ordinary shares held in the Company of HK$0.10 each (long position)	% of the Issued share capital of the Company
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 in the general partner in Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS & SUPPLIERS

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the section head "Chairman's Statement" and "Management Discussion & Analysis" on pages 10 to 15 of this annual report. Details of the Group's Financial Risk Management are set out in Note 3 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION AND LEGAL COMPLIANCE

The Company is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards applicable to the Group and its business operation from time to time.

The Group obtained the required permits and environmental approvals for its business and production facilities, and complied with such laws, rules and regulations that had a significant impact on the Group, its business and operations.

Please refer to the ESG Report contained in the Annual Report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

CONNECTED TRANSACTIONS

1. Significant related party transactions entered into by the Group during the year ended 31 December 2017, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in Note 37 to the consolidated financial statements.

2. Other related party transactions entered into by the Group in 2017 and up to the date of this Directors' Report, which fall under the definition of "connected transactions" or "continuing connected transactions" and not exempted under Rule 14A.31 and Rule 14A.33 of the Listing Rules, are as follows:

   The Company's subsidiaries have been from time to time supplying products, and providing related ancillary services to The Hongkong and Shanghai Hotels, Limited ("HSH") and its subsidiaries. These transactions fall under the definition of continuing connected transactions under the Listing Rules by virtue of the fact that The Mikado Private Trust Company Limited, a substantial shareholder of the Company, is also interested in more than 30% voting power of HSH. In accordance with the requirements of the Listing Rules, the Company entered into New Products and Services Supply Agreement with HSH on 14 December 2016 (the "Agreement") for the supply of carpets, rugs and all forms of floorcoverings and related installation and transportation services to HSH and its subsidiaries on normal commercial terms for a period of three years from 1 January 2017 to 31 December 2019 subject to an annual cap of HK$10,000,000 for the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019. An announcement in this respect was made on 14 December 2016. For the year ended 31 December 2017, the total order amount and invoiced value of these transactions ("HSH Transactions") amounted to HK$8,500,000 and HK$7,013,000, respectively.

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

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

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

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

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

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

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

iii. the amounts on the HSH Transactions for the year ended 31 December 2017 have not exceeded the relevant cap amount.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM will be held on Friday, 18 May 2018. Notice of the AGM will be published and dispatched to the shareholders together with this report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to attend and vote at the forthcoming AGM on Friday, 18 May 2018, the transfer books and the register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018 (both days inclusive). During such period, no transfer of shares will be effected. In order to establish the right to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 14 May 2018.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board
Mark S. Worgan
Chief Executive Officer

Hong Kong, 23 March 2018

Private Residence, South Corsica, by Pierre-Marie Couturier

Priviate Jet, by Jet Aviation
Gabrielle II, André Fu Collection, Tai Ping

Financial Section

Notes to the Consolidated Financial Statements

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Tai Ping Carpets International Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Tai Ping Carpets International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 146, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Gain on disposal of discontinued operation
- Impairment assessment of long-lived assets

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Gain on disposal of discontinued operation	
Refer to note 25 to the consolidated financial statements In August 2017, the Group entered into a sales and purchase agreement with an independent third party to dispose of the Group's commercial business at a consideration of approximately US$94 million (equivalent to approximately HK$728.5 million). The transaction was completed during the year ended 31 December 2017. The Group has recorded a gain on disposal of the discontinued operation of approximately HK$343 million in the Group's consolidated income statement for the year ended 31 December 2017. We focused on this area due to the financial significance of the gain on disposal of the discontinued operation to the consolidated result of the Group for the year ended 31 December 2017.	Our procedures in relation to the gain on disposal of discontinued operation included the following: • Reviewed the sales and purchase agreement and evaluated management's accounting treatment over the disposal of the discontinued operation; • Agreed the disposal consideration to the sales and purchase agreement and relevant bank receipt documents upon settlement; • Performed relevant audit procedures in validating the completeness and valuation of the net assets of the discontinued operation as of the completion date; and • Tested mathematical accuracy of the calculation of the gain on disposal of discontinued operation. Based on the above work performed, we found management's accounting treatment on the gain on disposal of discontinued operation to be supportable by available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of long-lived assets	
Refer to note 2.10 and note 4.3 to the consolidated financial statements The Group's long-lived assets include property, plant and equipment, land use rights, construction in progress and intangible assets (the "long-lived assets"). As at 31 December 2017, the carrying amount of the long-lived assets in total was approximately HK$402 million. The Group has recorded a loss before tax of HK$158 million from its continuing operations for the year ended 31 December 2017. Management is required to perform impairment assessment if impairment indicators exist on cash generating units ("CGUs") to which the long-lived assets belong. Management has assessed using external and internal sources of information and identified impairment indicators as of 31 December 2017. Management has assessed the recoverable amounts of the underlying CGUs based on value in use. In carrying out the impairment assessment, significant management judgement was used to determine key assumptions and estimations in the discounted cash flow projection including discount rates, revenue growth rate and gross profit margin for purposes of determining the recoverable amounts.	Our procedures in relation to the impairment assessment included the following: • Understood and evaluated management's procedures in identifying the CGUs having impairment indicators using external and internal sources of information; • Engaged our internal specialist to evaluate appropriateness of the model used by management to calculate the value in use of the CGUs; • Assessed the reasonableness of discount rates used by comparing them with the cost of capital and cost of debt of comparable companies; • Assessed the reasonableness of key input data and major assumptions used in the cash flows projection including revenue growth rate and gross profit margin by comparing them with historical results, budgets approved by management and market information; • Tested mathematical accuracy of the value in use calculations; and • Evaluated sensitivity analysis performed by management on the key input data and assumptions in order to assess the potential impact of a range of possible outcomes to the impairment assessment.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of long-lived assets (continued)	
Based on the impairment assessment performed, management has concluded that no provision for impairment of long-lived assets is required for the year ended 31 December 2017. We focused on this area due to the significant management's judgement involved in assumptions and estimations used in determining the recoverable amounts of the long-lived assets.	Based on the above work performed, we found management's assumptions and estimations used in relation to the value in use calculations to be supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

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Consolidated Income Statement

For the year ended 31 December

	Note	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenues	5	**446,858**	531,185
Cost of sales	6	**(233,988)**	(238,817)
Gross profit		**212,870**	292,368
Distribution costs	6	**(181,720)**	(220,116)
Administrative expenses	6	**(197,456)**	(180,341)
Other gains – net	8	**7,671**	12,423
Operating loss		**(158,635)**	(95,666)
Finance income	9	**1,106**	634
Finance costs	9	**(790)**	(16)
Finance income – net	9	**316**	618
Loss before income tax		**(158,319)**	(95,048)
Income tax expense	10	**(2,760)**	(21,328)
Loss for the year from continuing operations		**(161,079)**	(116,376)
Profit for the year from discontinued operation	25	**350,823**	78,668
Profit/(loss) for the year		**189,744**	(37,708)
Profit/(loss) attributable to:			
Owners of the Company		**194,251**	(33,372)
Non-controlling interests		**(4,507)**	(4,336)
		189,744	(37,708)
(Losses)/earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted			
Continuing operations	11	**(73.71)**	(52.68)
Discontinued operation	11	**165.26**	36.95
Total – Included Discontinued operation	11	**91.55**	(15.73)

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year	**189,744**	(37,708)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations	**–**	1,432
Deferred income tax on remeasurement of retirement benefit obligations	**–**	(286)
Items that have been or may be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations, net of tax, in relation to discontinued operation	**649**	–
Non-controlling interests in relation to discontinued operation	**(812)**	–
Exchange reserve released upon disposal of business	**(71,778)**	–
Currency translation differences	**48,097**	(18,231)
Other comprehensive loss for the year, net of tax	**(23,844)**	(17,085)
Total comprehensive income/(loss) for the year	**165,900**	(54,793)
Attributable to:		
Owners of the Company	**168,881**	(48,088)
Non-controlling interests	**(2,981)**	(6,705)
	165,900	(54,793)
Total comprehensive (loss)/income for the year attributable to the owners of the Company arises from:		
Continuing operations	**(110,634)**	(129,866)
Discontinued operation	**279,515**	81,778
Total – Included Discontinued operation	**168,881**	(48,088)

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December

	Note	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Land use rights	13	**29,090**	27,785
Property, plant & equipment	14	**256,297**	204,992
Construction in progress	14	**96,728**	177,951
Intangible assets	15	**19,560**	28,707
Deferred income tax assets	28	**–**	7,530
Prepayments	19	**16,274**	13,570
Pledged bank deposits	22	**–**	277
		417,949	460,812
Current assets			
Inventories	18	**92,888**	217,072
Trade & other receivables	19	**121,467**	300,535
Derivative financial instruments	20	**1,248**	–
Financial assets at fair value through profit or loss	21	**–**	89,220
Current income tax assets		**1,443**	14,460
Pledged bank deposits	22	**687**	2,058
Fixed deposits	23	**–**	389
Cash & cash equivalents	24	**264,338**	143,746
		482,071	767,480
Non-current asset held for sale	17	**17,192**	17,192
		499,263	784,672
Total assets		**917,212**	1,245,484

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

	Note	2017 HK$'000	2016 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	26	**21,219**	21,219
Reserves	27	**286,963**	312,982
Retained earnings:			
Proposed final dividend		**–**	6,366
Others		**176,075**	341,894
		484,257	682,461
Non-controlling interests		**31,013**	34,656
Total equity		**515,270**	717,117
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	28	**3,399**	4,816
Retirement benefit obligations	29	**2,925**	28,857
Other long-term liabilities	30	**–**	1,200
		6,324	34,873
Current liabilities			
Trade & other payables	31	**328,787**	358,860
Derivative financial instruments	20	**–**	108
Current income tax liabilities		**4,831**	15,315
Bank borrowings – unsecured	32	**62,000**	119,211
		395,618	493,494
Total liabilities		**401,942**	528,367
Total equity & liabilities		**917,212**	1,245,484
Net current assets		**103,645**	291,178
Total assets less current liabilities		**521,594**	751,990

The financial statements on pages 64 to 146 were authorised for issue by the Board of Directors on 23 March 2018 and were signed on its behalf.

Nicholas T. J. Colfer
Chairman

Mark S. Worgan
Executive Director

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	21,219	189,699	139,137	386,860	736,915	42,070	778,985
Comprehensive income							
Loss for the year	–	–	–	(33,372)	(33,372)	(4,336)	(37,708)
Other comprehensive income for the year							
Remeasurement of retirement benefit obligations	–	–	–	1,422	1,422	10	1,432
Deferred income tax on remeasurement of retirement benefit obligation	–	–	–	(284)	(284)	(2)	(286)
Currency translation differences	–	–	(15,854)	–	(15,854)	(2,377)	(18,231)
Total other comprehensive (loss)/income for the year, net of tax	–	–	(15,854)	1,138	(14,716)	(2,369)	(17,085)
Total comprehensive (loss)/income for the year	–	–	(15,854)	(32,234)	(48,088)	(6,705)	(54,793)
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividend for 2015	–	–	–	(6,366)	(6,366)	–	(6,366)
Dividend paid to non-controlling interests	–	–	–	–	–	(709)	(709)
Total transactions with owners	–	–	–	(6,366)	(6,366)	(709)	(7,075)
Balance at 31 December 2016	21,219	189,699	123,283	348,260	682,461	34,656	717,117

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017	21,219	189,699	123,283	348,260	682,461	34,656	717,117
Comprehensive income							
Profit/(loss) for the year	–	–	–	194,251	194,251	(4,507)	189,744
Other comprehensive income for the year							
Remeasurement of retirement benefit obligations, net of tax, in relation to discontinued operation	–	–	–	649	649	–	649
Non-controlling interests in relation to discontinued operation	–	–	–	–	–	(812)	(812)
Exchange reserve released upon disposal of business	–	–	(71,778)	–	(71,778)	–	(71,778)
Currency translation differences	–	–	45,759	–	45,759	2,338	48,097
Total other comprehensive (loss)/income for the year, net of tax	–	–	(26,019)	649	(25,370)	1,526	(23,844)
Total comprehensive (loss)/income for the year	–	–	(26,019)	194,900	168,881	(2,981)	165,900
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividend for 2016	–	–	–	(6,366)	(6,366)	–	(6,366)
Special dividend	–	–	–	(360,719)	(360,719)	–	(360,719)
Dividend paid to non-controlling interests	–	–	–	–	–	(662)	(662)
Total transactions with owners	–	–	–	(367,085)	(367,085)	(662)	(367,747)
Balance at 31 December 2017	21,219	189,699	97,264	176,075	484,257	31,013	515,270

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash used in operations	33a	**(216,019)**	(48,946)
Retirement benefit paid		**(394)**	–
Income tax recovered/(paid)		**1,301**	(14,662)
Withholding tax paid		**–**	(10,353)
Interest paid		**(4,038)**	(3,017)
Net cash generated from operating activities from discontinued operation		**90,582**	119,127
Net cash (used in)/generated from operating activities		**(128,568)**	42,149
Cash flows from investing activities			
Purchases of property, plant & equipment and construction in progress		**(103,642)**	(78,915)
Acquisition of intangible assets		**(4,178)**	(5,165)
Proceeds from disposal of property, plant & equipment	33b	**2,897**	158
Proceeds from disposal of investment properties	33b	**–**	13,328
Decrease in fixed deposits		**389**	16,160
Interest received		**1,106**	634
Net cash generated from investing activities from discontinued operation		**765,062**	41,298
Net cash generated from/(used in) investing activities		**661,634**	(12,502)
Cash flows from financing activities			
Proceeds from borrowings	33c	**116,250**	62,029
Repayments of borrowings	33c	**(170,500)**	(89,154)
Decrease in pledged bank deposits		**1,648**	997
Dividend paid to the Company's shareholders		**(367,084)**	(6,366)
Fund transfer from discontinued operation		**287,666**	153,216
Net cash used in financing activities from discontinued operation		**(288,145)**	(154,930)
Net cash used in financing activities		**(420,165)**	(34,208)
Net increase/(decrease) in cash & cash equivalents		**112,901**	(4,561)
Cash & cash equivalents at beginning of year		**143,746**	153,800
Exchange gains/(losses) on cash & cash equivalents		**7,691**	(5,493)
Cash & cash equivalents at end of year	24	**264,338**	143,746

The notes on pages 71 to 146 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at Units 1801-1804,18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

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

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

In August 2017, the Group entered into a sales and purchase agreement with an independent third party to dispose of the Group's Commercial business at a consideration of US$94,000,000 (equivalent to approximately HK$728,500,000) (the "Disposal"). The transaction was completed during the year ended 31 December 2017. Accordingly, the financial results of the Disposal are presented in the consolidated income statement and consolidated statement of cash flows as "Discontinued operation'' in accordance with HKFRS 5 "Non-current Assets Held for Sales and Discontinued Operation'' issued by the HKICPA. Comparative figures for 2016 have also been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Changes in accounting standards

(a) New and amended standards mandatory for the first time for the financial year beginning 1 January 2017 which have no material impact to the Group

HKFRS 12	Annual Improvements 2014-2016 Cycle (amendments)
HKAS 7	Disclosure Initiative (amendments)
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted

The Group has not early adopted the following new and amended standards and interpretations that are relevant to the Group. These standards and interpretations have been issued but not yet effective:

Annual Improvements Project HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle (amendments)[1]
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments)[1]
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments)[1]
HKFRS 9	Financial Instruments (new standard)[1]
HKFRS 15	Revenue from Contracts with Customers (new standard)[1]
HKFRS 15	Clarifications to HKFRS 15 (amendments)[1]
HKAS 40	Transfers of Investment Property (amendments)[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (new interpretation)[1]
HKFRS 9	Prepayment Features with Negative Compensation (amendments)[2]
HKFRS 16	Leases (new standard)[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)[2]
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)[3]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting standards (Continued)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted (Continued)

Notes:

[1] Effective for the Group for annual period beginning on 1 January 2018
[2] Effective for the Group for annual period beginning on 1 January 2019
[3] Effective date is to be determined

HKFRS 9 "Financial instruments"

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting standards (Continued)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted (Continued)

HKFRS 9 "Financial instruments" (Continued)

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

While management is in the process of quantifying the potential effects of this new standard in its consolidated financial statements, the new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The standard is mandatory for financial years commencing on or after 1 January 2018.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting standards (Continued)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted (Continued)

HKFRS 15 "Revenue from contracts with customers" (Continued)

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes to an "asset-liability" approach" based on transfer of control.

Currently, revenue from sales of goods and services are recognised in the income statement when the goods are delivered to customers and title has passed, or when installation services are rendered, and collectability of the related receivables is reasonably assured.

Management is in the process of quantifying potential effects of this new standard in its consolidated financial statements.

The standard is mandatory for financial years commencing on or after 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting standards (Continued)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted (Continued)

HKFRS 16 "Leases"

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Management is in the process of quantifying the potential effects of this new standard in its consolidated financial statements.

The standard is mandatory for financial years commencing on or after 1 January 2019.

2.3 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group account policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

(a) Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors which makes strategic decisions.

2.5 Foreign currency translation

(a) Functional & presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$,000, which is the Company's functional and the Group's presentation currency.

(b) Transactions & balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "Finance income" or "Finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other Gains – Net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity in respect of that operation attributable to the owners of the Company are recognised in the consolidated income statement as part of the gain or loss on disposal.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant & equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2%-18%
Machinery	8%-20%
Leasehold improvements	Shorter of lease term or useful life
Furniture, fixtures & equipment	6%-25%
Motor vehicles	18%-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant & equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within "Other Gains – Net" in the consolidated income statement.

2.7 Construction in progress

Construction in progress represents machinery and furniture, fixtures and equipment to be installed, and buildings of which construction work has not been completed. Construction in progress is stated at cost, which includes construction expenditures incurred and other costs directly attributable to the construction capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction in progress until the construction work is completed. Upon completion, the construction in progress will be transferred to appropriate categories of property, plant and equipment and depreciated in accordance with the policy stated in Note 2.6.

2.8 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 30 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.9 Intangible assets

(a) Vendor relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The vendor relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the costs attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 5 to 7 years.

(c) Brands

Brands acquired in a business combination are initially recognised at fair value at acquisition date. Brands with indefinite useful life are not amortised and are reviewed for impairment on an annual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

(d) Design library and other intangible assets

Design library and other intangible assets (which include web-based applications) with finite useful life are stated at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the respective lives of the assets, ranging from 3 to 15 years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(a) Classification (Continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables" (excluding prepayments), "Pledged bank deposits", "Fixed deposits" and "Cash and cash equivalents" in the consolidated statement of financial position.

(b) Recognition & measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(b) Recognition & measurement (Continued)

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other Gains – Net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of work-in-progress and finished goods comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade & other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Subsequent changes in the fair value of these derivatives are recognised immediately in the consolidated income statement.

2.18 Cash & cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.19 Share capital

Ordinary shares are classified as equity.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 Financial liabilities

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees, and the best estimate of the amount required to settle the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current & deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current & deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of services and compensation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (Continued)

Pension obligations (Continued)

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the consolidated income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow of economic resources occurs so that outflow is probable, the contingent liability will then be recognised as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from sale of carpets, yarns, underlays and interior furnishings

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

(b) Revenue from installation of carpets

Revenue from installation of carpets is recognised in the accounting period in which the installation services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Research and development costs

Research costs are expensed as incurred.

Development costs are recognised as intangible assets when the following criteria are met:

– It is technically feasible to complete the intangible asset so that it will be available for use or sale;

– Management intends to complete the intangible asset and use or sell it;

– There is an ability to use or sell the intangible asset;

– It can be demonstrated how the intangible asset will generate probable future economic benefits;

– Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

– The costs attributable to the intangible asset during its development can be reliably measured.

Development costs that do not meet these criteria are expensed as incurred.

2.30 Leases

Leases in which a significant portion of the risks and rewards of ownership of the leased asset are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Leases by which substantially all the risks and rewards incidental to the ownership of the leased asset are transferred by the lessor to the lessee are classified as finance leases. Financial leases are capitalised at fair value of the leased property or, if lower, the present value of the minimum lease payments upon the lease's inception.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (continued)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by a central finance team led by the CFO. CFO identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to United States dollars ("US$"), Chinese Renminbi ("RMB") and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

The Group's principal net foreign currency exposure arises from financial assets/liabilities denominated in US$, RMB and Euro in the Group's operations covering the United States, Hong Kong, Europe, the People's Republic of China (the "PRC") and the United Kingdom whose functional currencies are the local currency of the respective operations. The HK$ is pegged to the US$ and thus the foreign currency exposure is considered minimal for US$ denominated financial assets/liabilities in entities whose functional currency is HK$.

To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and may use foreign currency forward contracts from time to time to manage the risk arising from foreign currency transactions.

At 31 December 2017, if US$ had strengthened/weakened by 5% (2016: 5%) against Euro with all other variables held constant, pre-tax loss for the year would have been higher/lower by HK$883,000 (2016: HK$386,000), mainly as a result of foreign exchange losses/gains on translation of US$ denominated assets and liabilities in entities whose functional currency is Euro.

At 31 December 2017, if US$ had strengthened/weakened by 5% (2016: 5%) against British pounds with all other variables held constant, pre-tax loss for the year would have been lower/higher by HK$617,000 (2016: HK$357,000), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is British pounds.

At 31 December 2017, if US$ had strengthened/weakened by 5% (2016: 5%) against RMB with all other variables held constant, pre-tax loss for the year would have been higher/lower by HK$1,639,000 (2016: HK$246,000), mainly as a result of foreign exchange losses/gains on translation of US$ denominated assets and liabilities in entities whose functional currency is RMB.

At 31 December 2017, if RMB had strengthened/weakened by 5% (2016: 5%) against HK$ with all other variables held constant, pre-tax loss for the year would have been lower/higher by HK$7,717,000 (2016: HK$1,206,000), mainly as a result of foreign exchange gains/losses on translation of RMB denominated assets and liabilities in entities whose functional currency is HK$.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

At 31 December 2017, if Euro had strengthened/weakened by 5% (2016: 5%) against HK$ with all other variables held constant, pre-tax loss for the year would have been lower/higher by HK$967,000 (2016: HK$1,069,000), mainly as a result of foreign exchange gains/losses on translation of Euro denominated assets and liabilities in entities whose functional currency is HK$.

(b) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including trade receivables and other receivables. The carrying amounts of these balances in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's bank deposits are placed in major international banks and financial institutions. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

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

(c) 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 statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2017, the Group had total banking facilities of approximately HK$614,208,000 (2016: HK$840,784,000), of which approximately HK$62,000,000 (2016: HK$116,250,000) was drawn down as bank borrowings and approximately HK$20,130,000 (2016: HK$40,683,000) was utilised for trade facilities. The Group's banking facilities are granted by several banks and they are subject to annual review.

As a result of the Disposal during the year, the Group has communicated to certain banks in November 2017 regarding potential non-compliance and requested waivers from compliance of the certain covenant requirements of the associated banking facilities.

As at 31 December 2017, the Group failed to comply with one of the covenant requirements of one of the Group's banking facilities amounting to HK$192,326,000, of which HK$31,000,000 was drawn down as bank borrowings and HK$6,941,000 was utilised for trade facilities. The relevant bank has subsequently renewed the entire banking facilities in January 2018 which will expire on 31 August 2018. As of the date of this report, the relevant bank has not withdrawn the banking facilities and is in the process of issuing a formal letter of the waiver from compliance of the certain covenant requirements of the banking facilities.

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 end of the financial year, the Group held cash and cash equivalents of HK$264,338,000 (2016: HK$143,746,000) (Note 24) ready to meet liquidity needs.

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 consolidated statement of financial position 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The amounts disclosed in the table are the contractual undiscounted cash flows:

2017	Repayable on demand HK$'000	Less than 1 year HK$'000	Total HK$'000
Trade & other payables	**–**	**164,819**	**164,819**
Bank borrowings – unsecured	**62,109**	**–**	**62,109**
	62,109	**164,819**	**226,928**

2016	Repayable on demand HK$'000	Less than 1 year HK$'000	Total HK$'000
Trade & other payables	–	226,654	226,654
Bank borrowings – unsecured	116,424	2,961	119,385
	116,424	229,615	346,039

All of the Group's non-trading gross settled derivative financial instruments (Note 20) are in hedge relationships and are due to settle within 12 months of the consolidated statement of financial position date. These contracts require undiscounted contractual cash inflows of HK$63,858,000 (2016: HK$38,661,000) and undiscounted contractual cash outflows of HK$62,000,000 (2016: HK$38,761,000).

(d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings held by the Group.

At 31 December 2017, the Group's bank borrowings primarily represent short-term bank loans and outstanding trust receipt loans. If market interest rate had increased/decreased by 100 basis points (2016: 100 basis points) with all other variables held constant, pre-tax loss for the year would have been higher/lower by HK$620,000 (2016: HK$1,192,000), mainly as a result of an increase/decrease in interest expenses on bank borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk (Continued)

Apart from the above borrowings, cash at banks and bank deposits which carry interest at market rates, the Group has no significant interest-bearing assets. As the interest income and expenses derived therefrom are relatively insignificant to the Group's operations, its income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management of the Group monitors the utilisation of borrowings and ensures full compliance with loan covenants during the year and at the end of each reporting period. See Note 3.1(c) for details.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position plus net debt.

The Group was at net cash position and the net debt were HK$ Nil at 31 December 2017 and 2016 as follows:

	2017 HK$'000	2016 HK$'000
Total bank borrowings (Note 32)	62,000	119,211
Less: cash & cash equivalents (Note 24)	(264,338)	(143,746)
Net debt	–	–
Total equity	515,270	717,117
Gearing ratio	0.0%	0.0%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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 31 December 2017, within the fair value hierarchy.

2017	**Level 1**	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Assets			
Financial assets at fair value through profit or loss:			
Mutual funds	**–**	**–**	**–**
Derivative financial instruments:			
Foreign currency forward contracts	**–**	**1,248**	**1,248**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016, within the fair value hierarchy.

2016	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Assets			
Financial assets at fair value through profit or loss:			
Mutual funds	89,220	–	89,220
Liabilities			
Derivative financial instruments:			
Foreign currency forward contracts	–	(108)	(108)

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of mutual funds which are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the mutual fund held by the group is the current bid price, of which the mutual fund is classified as level 1.

(b) Financial instruments in level 2

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.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

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

4.1 Income taxes

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

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONTINUED)

4.1 Income taxes (Continued)

Dividends derived from the Company's subsidiaries around the world are subject to withholding tax at the local prevailing tax rates. On an annual basis, the Group reassess its needs to make distribution out of its subsidiaries. As a result, withholding tax has been provided on the amounts of dividends already distributed during the year and unremitted earnings to the extent they are expected to be distributed in the future. As of 31 December 2017, the Group does not have any plan to distribute unremitted earnings beyond the amounts which have already been distributed, and as a result, deferred income tax liabilities have not been recognised for withholding tax and other taxes that would be payable on unremitted earnings.

4.2 Useful lives of property, plant & equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amoritsation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

4.3 Impairment of property, plant & equipment, land use rights, construction in progress and intangible assets

Property, plant and equipment, land use rights, construction in progress and intangible assets are assessed for indication of impairment at the end of each reporting period, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, management shall estimate the recoverable amount of the assets. The recoverable amounts are determined based on higher of the assets, fair value less costs of disposal and value in use. The impairment assessment requires the use of judgements and estimates.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONTINUED)

4.3 Impairment of property, plant & equipment, leasehold land & land use rights and intangible assets (Continued)

Management judgement is required in the area of asset impairment particularly in assessing:

(i) whether an event has occurred that may indicate that the related asset values may not be recoverable;

(ii) whether the carrying value of an asset can be supported by its recoverable amount, being the higher of fair value less costs of disposal and value in use; and

(iii) appropriate key assumptions to be applied in preparing cash flow projections in determining the recoverable amount.

Changing the assumptions selected by management in assessing the recoverable amount, including discount rates or the growth rate assumptions in the cash flow projections, could impact the impairment results.

4.4 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONTINUED)

4.5 Trade & other receivables

The Group's management determines the allowance for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the allowance at the end of each reporting period.

4.6 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 29.

5. REVENUES & SEGMENT INFORMATION

(a) Revenues

Continuing operations	2017 HK$'000	2016 HK$'000
Sale of carpets	363,242	428,526
Sale of underlays	6,845	11,785
Installation of carpets	21,195	18,673
Interior furnishings	29,792	44,293
Sale of yarns	25,728	27,894
Sale of raw materials	50	–
Other	6	14
	446,858	531,185

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors which are used to assess performance and allocate resources. The Board of Directors assesses the performance in the following geographical areas: Asia, Europe, the Middle East and Africa ("EMEA") and North America.

The Board of Directors 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 effects of gain/loss and income/expenditure which are considered relevant in assessing the segment's performance.

The segment information provided to management for the reportable segments for the years ended 31 December 2017 and 2016 are as follows:

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

For the year ended 31 December 2017

	Asia HK$'000	EMEA HK$'000	North America HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	96,076	156,461	194,321	–	446,858
Cost of production[1]	(63,862)	(88,160)	(93,509)	–	(245,531)
Segment gross margin	32,214	68,301	100,812	–	201,327
Segment results	(9,973)	(63,366)	(51,749)	–	(125,088)
Unallocated expenses[2]					(33,547)
Operating loss					(158,635)
Finance income					1,106
Finance costs					(790)
Loss before income tax					(158,319)
Income tax expense					(2,760)
Loss for the year from continuing operations					(161,079)
Profit for the year from discontinued operation					350,823
Profit for the year					189,744
Non-current assets	373,728	20,641	23,455	125	417,949
Current assets	349,489	68,013	45,394	19,175	482,071
Non-current asset held for sale	–	–	–	17,192	17,192
Total assets					917,212
Segment liabilities	155,571	91,169	63,816	91,386	401,942
Capital expenditure	(112,805)	(1,926)	(8,554)	–	(123,285)
Depreciation of property, plant & equipment	(14,555)	(2,910)	(6,141)	(79)	(23,685)
Amortisation of land use rights (Note 13)	(620)	–	–	–	(620)
Amortisation of intangible assets (Note 15)	(10,332)	–	(129)	–	(10,461)
Allowance for impairment of inventories	(342)	(1,189)	(2,224)	–	(3,755)
Inventories written off	(189)	(1,079)	–	–	(1,268)
Recovery of/(allowance for) impairment of trade receivables – net	76	(2,644)	777	–	(1,791)
Property, plant & equipment written off (Note 14)	(285)	–	(449)	–	(734)

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

For the year ended 31 December 2016

	Asia HK$'000	EMEA HK$'000	North America HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	110,802	177,944	242,439	–	531,185
Cost of production[1]	(59,040)	(81,876)	(105,504)	–	(246,420)
Segment gross margin	51,762	96,068	136,935	–	284,765
Segment results	6,070	(22,525)	(34,411)	–	(50,866)
Unallocated expenses[2]					(44,800)
Operating loss					(95,666)
Finance income					634
Finance costs					(16)
Loss before income tax					(95,048)
Income tax expense					(21,328)
Loss for the year from continuing operations					(116,376)
Profit for the year from discontinued operation					78,668
Loss for the year					(37,708)
Non-current assets	417,096	18,859	24,202	655	460,812
Current assets	574,069	61,228	115,984	16,199	767,480
Non-current asset held for sale	–	–	–	17,192	17,192
Total assets					1,245,484
Segment liabilities	248,025	61,992	66,695	151,655	528,367
Capital expenditure	(92,286)	(1,179)	(4,007)	(60)	(97,532)
Depreciation of property, plant & equipment	(11,046)	(3,283)	(6,975)	(116)	(21,420)
Amortisation of land use rights (Note 13)	(632)	–	–	–	(632)
Amortisation of intangible assets (Note 15)	(10,243)	–	(129)	–	(10,372)
Allowance for impairment of inventories	(94)	(769)	(647)	–	(1,510)
Recovery of/(allowance for) impairment of trade receivables – net	438	(624)	(884)	–	(1,070)
Gain on disposal of investment properties (Note 33b)	–	–	–	13,328	13,328
(Loss)/gain on disposal of property, plant & equipment	(56)	155	–	–	99
Property, plant & equipment written off	(77)	–	(150)	–	(227)

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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 consolidated income statement.

2 Unallocated expenses include corporate expenses of the Group.

No single external customer accounted for more than 10% of the Group's revenue for the years ended 31 December 2017 and 2016.

6. EXPENSES BY NATURE

Continuing operations	2017 HK$'000	2016 HK$'000
Raw materials & consumables used	**79,610**	81,943
Amortisation of intangible assets (Note 15)	**10,461**	10,372
Amortisation of land use rights (Note 13)	**620**	632
Depreciation of property, plant & equipment	**23,685**	21,420
Employee benefit expenses (Note 7)	**225,733**	292,801
Operating lease charges in respect of		
Land & buildings	**36,836**	43,345
Other assets	**12**	682
Allowance for impairment of inventories	**3,755**	1,510
Inventories directly written off	**1,268**	–
Allowance for impairment of trade receivables – net	**1,791**	1,070
Bad debts directly written off	**1,194**	393
Auditor's remuneration		
Audit services	**3,501**	4,043
Non-audit services	**1,186**	1,127
Legal and professional fees	**5,429**	17,319

7. EMPLOYEE BENEFIT EXPENSES

Continuing operations	2017 HK$'000	2016 HK$'000
Wages & salaries (including Directors' emoluments)	222,125	286,903
Pension costs – defined benefit plans (Note 29)	(38)	989
Retirement benefit costs – defined contribution schemes	3,646	4,909
	225,733	292,801

(a) Retirement benefit costs – defined contribution schemes

Unvested benefits totalling HK$410,000 (2016: HK$324,000) were used during the year to reduce future contributions and refund to the Group. As at 31 December 2017, no unvested benefits (2016: Nil) were available for use by the Group to reduce future contributions.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2016: one) director whose emoluments were reflected in the analysis presented in Note 39. The emoluments payable to the remaining four (2016: four) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, bonus, housing and other allowances	14,937	12,816
Retirement benefit costs	786	352
	15,723	13,168

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	No. of individuals	
	2017	2016
Emolument bands		
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	4
HK$3,500,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	–
HK$5,000,001 – HK$5,500,000	**–**	–
HK$5,500,001 – HK$6,000,000	**1**	–

8. OTHER GAINS – NET

Continuing operations	**2017 HK$'000**	2016 HK$'000
Gain on disposal of property, plant & equipment	**–**	99
Gain on disposal of investment properties	**–**	13,328
Property, plant & equipment written off	**(734)**	(227)
Gain on change in fair value of derivative financial instruments (Note 20)	**1,248**	–
Net foreign exchange gain/(loss)	**6,685**	(2,724)
Refund of unvested benefits of defined contribution plan	**68**	440
Others	**404**	1,507
	7,671	12,423

9. FINANCE INCOME – NET

Continuing operations	**2017 HK$'000**	2016 HK$'000
Finance income – interests income from bank	**1,106**	634
Finance costs – Interests on bank loans & overdrafts wholly repayable within five years	**(790)**	(16)
Finance income – net	**316**	618

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

Continuing operations	2017 HK$'000	2016 HK$'000
Current income tax		
Hong Kong	6,227	1,114
Overseas	3,615	3,483
(Over)/under-provision in prior years	(5,665)	7,562
Withholding tax	–	10,353
Deferred income tax credit	(1,417)	(1,184)
Income tax expense	2,760	21,328

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% during the year (2016: 16.5%).

(b) PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law was effective from 1 January 2008. Pursuant to detailed measures of the new CIT Law, the enterprise income tax rate of both domestic enterprise and foreign investment enterprise is 25% from 1 January 2008 onwards.

(c) United States corporate tax

Subsidiaries established in the United States are subject to United States corporate tax at a rate of 34% during the year (2016: 34%).

10. INCOME TAX EXPENSE (CONTINUED)

The tax on the continuing operations loss before income tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits or losses of the consolidated continuing operations entities due to the following:

Continuing operations	2017 HK$'000	2016 HK$'000
Loss before income tax	(158,319)	(95,048)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(56,696)	(21,597)
Income not subject to tax	(10,135)	(10,223)
Expenses not deductible for tax purposes	20,529	14,935
Withholding tax	–	10,353
Utilisation of previously unrecognised tax losses	–	(33)
Tax losses for which no deferred income tax asset was recognised	54,050	20,365
(Over)/under provision in prior years	(5,665)	7,562
Others	677	(34)
Income tax expense	2,760	21,328

The weighted average applicable tax rate was 35.8% (2016: 22.7%).

11. (LOSSES)/EARNINGS PER SHARE

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

	2017	2016
(Loss)/profit attributable to owners of the Company (HK$'000)		
arising from continuing operations	(156,393)	(111,778)
arising from discontinued operation	350,644	78,406
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic (losses)/earnings per share (HK cents)		
from continuing operations	(73.71)	(52.68)
from discontinued operation	165.26	36.95
Total – Included discontinued operation	91.55	(15.73)

The Group had no dilutive potential shares outstanding during the years ended 31 December 2017 and 2016.

12. DIVIDEND

	2017 HK$'000	2016 HK$'000
Special dividend paid of HK$1.70 per share (2016: Nil)	360,719	–
Proposed final dividend of HK Nil cents per share (2016: HK3 cents)	–	6,366

No interim dividend was paid during the year.

Pursuant to the Special General Meeting of the shareholders of the Company held on 13 September 2017 to approve a special dividend of HK$1.70 per share to be distributed after the sale of the Commercial business had taken place and the record date for determining the entitlement of the special dividend to be fixed by the Board of Directors ("the Board").

On 9 October 2017, the Board declared the special dividend of HK$1.70 per share, amounting to a total of HK$360,719,000 and was paid on 7 November 2017.

At the Board meeting held on 23 March 2018, the Board has further resolved not to declare any dividend for the year ended 31 December 2017.

13. LAND USE RIGHTS

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

	2017 HK$'000	2016 HK$'000
At 1 January	**27,785**	30,309
Amortisation of land use rights (Note 6)	**(620)**	(632)
Exchange differences	**1,925**	(1,892)
At 31 December	**29,090**	27,785

14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Property, plant & equipment						
	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures & equipment HK$'000	Motor vehicles HK$'000	Property, plant & equipment total HK$'000	Construction in progress HK$'000
At 1 January 2016							
Cost or valuation	155,233	99,032	564,711	114,625	11,315	944,916	115,786
Accumulated depreciation	(106,474)	(64,657)	(443,241)	(83,802)	(8,495)	(706,669)	–
Net book amount	48,759	34,375	121,470	30,823	2,820	238,247	115,786
Year ended 31 December 2016							
Opening net book amount	48,759	34,375	121,470	30,823	2,820	238,247	115,786
Additions	–	874	5,639	7,106	163	13,782	78,585
Transfer from construction in progress	–	–	4,864	1,315	–	6,179	(6,179)
Disposals	(5)	(2)	(129)	(31)	–	(167)	–
Assets written off	–	–	(33)	(212)	–	(245)	–
Depreciation	(3,179)	(9,734)	(25,446)	(9,903)	(828)	(49,090)	–
Exchange differences	200	(1,097)	(2,381)	(420)	(16)	(3,714)	(10,241)
Closing net book amount	45,775	24,416	103,984	28,678	2,139	204,992	177,951
At 31 December 2016							
Cost or valuation	152,528	97,578	556,282	119,283	10,683	936,354	177,951
Accumulated depreciation	(106,753)	(73,162)	(452,298)	(90,605)	(8,544)	(731,362)	–
Net book amount	45,775	24,416	103,984	28,678	2,139	204,992	177,951

14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS (CONTINUED)

	Property, plant & equipment						
	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures & equipment HK$'000	Motor vehicles HK$'000	Property, plant & equipment total HK$'000	Construction in progress HK$'000
Balance at 1 January 2017							
Opening net book amount	45,775	24,416	103,984	28,678	2,139	204,992	177,951
Additions	5,171	6,330	1,893	6,168	170	19,732	99,375
Transfer from construction in progress	170,323	–	7,780	480	–	178,583	(178,583)
Disposals	–	–	(3,811)	(15)	–	(3,826)	–
Disposals of discontinued operation	(34,727)	(75)	(55,338)	(10,057)	(782)	(100,979)	(8,492)
Assets written off	–	(470)	(124)	(140)	–	(734)	(895)
Assets written off from discontinued operation	–	(2,866)	(5,642)	(2,966)	(224)	(11,698)	(1,500)
Impairment	–	–	(7,396)	(86)	–	(7,482)	–
Depreciation	(4,402)	(8,513)	(21,033)	(7,857)	(696)	(42,501)	–
Exchange differences	10,426	2,016	6,208	1,442	118	20,210	8,872
Closing net book amount	192,566	20,838	26,521	15,647	725	256,297	96,728
At 31 December 2017							
Cost or valuation	227,803	78,145	152,742	54,051	2,153	514,894	96,728
Accumulated depreciation	(35,237)	(57,307)	(126,221)	(38,404)	(1,428)	(258,597)	–
Net book amount	192,566	20,838	26,521	15,647	725	256,297	96,728

14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS (CONTINUED)

In continuing operations, depreciation expenses of HK$12,065,000 (2016: HK$8,491,000) and HK$11,620,000 (2016: HK$12,929,000) have been charged to cost of sales and administrative expenses, respectively.

In discontinued operation, depreciation expenses of HK$13,921,000 (2016: HK$20,528,000) and HK$4,895,000 (2016: HK$7,141,000) have been charged to cost of sales and administrative expenses, respectively.

Construction in progress as at 31 December 2017 comprised mainly the construction costs of manufacturing plant in Xiamen and approximately HK$88,832,000 (2016: HK$70,336,000) of the additions for the year were attributable to the construction in Xiamen. Costs capitalised include costs of construction materials, costs of machinery and equipment acquired pending installation, salary and employee benefits of the project teams and borrowing costs.

During the year, the Group has capitalised borrowing costs amounting to HK$3,246,000 (2016: HK$3,001,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.5% per annum ("p.a") (2016: 2.6% p.a.).

Certain of the Group's buildings were revalued on an open market basis at 31 December 1989 by independent professional valuers, Jones Lang Wootton (now Jones Lang LaSalle) and W. Lamar Pinson, Inc. The revaluation was carried out prior to 30 September 1995. Under transitional provisions in paragraph 80AA of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16. The Group did not revalue the buildings at 31 December 2017, and the buildings had it been stated at cost less accumulated depreciation.

The analysis of the cost or valuation of property, plant and equipment is as follows:

	Buildings	Other property, plant and equipment	Total
	HK$'000	HK$'000	HK$'000
At cost	**215,003**	**287,091**	**502,094**
At valuation – 1989	**12,800**	**–**	**12,800**
At 31 December 2017	**227,803**	**287,091**	**514,894**
At cost	142,296	783,826	926,122
At valuation – 1989	10,232	–	10,232
At 31 December 2016	152,528	783,826	936,354

15. INTANGIBLE ASSETS

	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 2016						
Cost	7,215	64,005	2,021	1,937	2,841	78,019
Accumulated amortisation & impairment	(7,215)	(34,270)	–	(1,033)	(1,486)	(44,004)
Net book amount	–	29,735	2,021	904	1,355	34,015
Year ended 31 December 2016						
Opening net book amount	–	29,735	2,021	904	1,355	34,015
Additions	–	5,165	–	–	–	5,165
Amortisation (Note 6)	–	(9,895)	–	(130)	(347)	(10,372)
Exchange differences	–	(2)	(71)	–	(28)	(101)
Closing net book amount	–	25,003	1,950	774	980	28,707
At 31 December 2016						
Cost	7,169	69,037	1,950	1,937	2,768	82,861
Accumulated amortisation & impairment	(7,169)	(44,034)	–	(1,163)	(1,788)	(54,154)
Net book amount	–	25,003	1,950	774	980	28,707
At 1 January 2017						
Opening net book amount	–	**25,003**	**1,950**	**774**	**980**	**28,707**
Additions	–	**4,178**	–	–	–	**4,178**
Amortisation (Note 6)	–	**(10,183)**	–	**(129)**	**(149)**	**(10,461)**
Impairment	–	**(3,284)**	–	–	–	**(3,284)**
Exchange differences	–	**2**	**300**	–	**118**	**420**
Closing net book amount	–	**15,716**	**2,250**	**645**	**949**	**19,560**
At 31 December 2017						
Cost	**7,169**	**69,946**	**2,250**	**1,937**	**3,013**	**84,315**
Accumulated amortisation & impairment	**(7,169)**	**(54,230)**	–	**(1,292)**	**(2,064)**	**(64,755)**
Net book amount	–	**15,716**	**2,250**	**645**	**949**	**19,560**

Other intangible assets include web-based applications.

Amortisation expenses of HK$10,461,000 (2016: HK$10,372,000) have been charged to administrative expenses.

16. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2017:

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of Issued share capital	Percentage of interest held
Shares held indirectly:				
Foshan Nanhai Tai Ping Carpets Company Limited[1]	PRC, limited liability company	Carpet manufacturing in PRC	US$5,000,000	80%
Premier Yarn Dyers, Inc.	United States of America, limited liability company	Yarn dyeing in United States of America	1,100 shares of US$100 each	100%
Tai Ping Carpets Americas, Inc.	United States of America, limited liability company	Carpet trading in United States of America	220,000 shares of US$1 each	100%
Tai Ping Carpets Europe	France, limited liability company	Carpet trading in France	EUR4,500,000	100%
Tai Ping Carpets Interieur GmbH	Germany, limited liability company	Carpet trading in Germany	EUR511,292	100%
Tai Ping Carpets UK Limited	United Kingdom, limited liability company	Carpet trading in United Kingdom	GBP5,400,464	100%
Tai Ping Carpets Limited	Hong Kong, limited liability company	Carpet trading in Hong Kong	2,000,000 shares of HK$10 each	100%
Tai Ping Carpets International Trading (Shanghai) Company Limited	PRC, limited liability company	Carpet trading in PRC	US$200,000	100%
Tai Ping Middle East JLT	United Arab Emirates, limited liability company	Carpet trading in United Arab Emirates	300 shares of AED1,000 each	100%
Manufacture des Tapis de Cogolin SAS	France, limited liability company	Carpet trading in France	EUR200,000	100%
Tai Ping Carpets (Xiamen) Company Limited	PRC, limited liability company	Carpet manufacturing in PRC	US$15,000,000	100%

Notes:

1 Registered as foreign equity joint ventures under PRC Law

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

17. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying amount would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable. The Group was in the process of engaging a third party adviser to handle the disposal as at 31 December 2017.

18. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	59,473	102,889
Work in progress	7,862	32,755
Finished goods	35,502	96,424
Consumable stores	5,752	7,497
	108,589	239,565
Less: allowance for impairment of inventories	(15,701)	(22,493)
	92,888	217,072

The cost of inventories recognised as expense and included in cost of sales amounted to HK$79,610,000 (2016: HK$81,943,000).

Movements on the Group's allowance for impairment of inventories are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	22,493	20,307
Allowance for impairment of inventories	12,356	7,258
Recovery of impairment previously recognised	(1,144)	(1,024)
Inventories written off	(2,111)	(3,529)
Less: Discontinued operation	(17,271)	–
Exchange differences	1,378	(519)
At 31 December	15,701	22,493

19. TRADE & OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**62,824**	228,365
Less: allowance for impairment of trade receivables	**(8,214)**	(7,242)
Trade receivables – net	**54,610**	221,123
Prepayments	**17,354**	27,133
Value added tax receivables	**29,720**	22,764
Rental deposits	**7,712**	7,150
Other receivables	**28,345**	35,935
	137,741	314,105
Less: Non-current portion prepayments	**(16,274)**	(13,570)
Current portion	**121,467**	300,535

Prepayments included in non-current assets amounted to HK$16,274,000 (2016: HK$13,570,000).

The carrying amounts of trade receivables approximate their fair values as at 31 December 2017 and 2016. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial year, the ageing analysis of the trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**19,478**	163,280
31 to 60 days	**8,565**	28,136
61 to 90 days	**3,595**	14,642
91 to 365 days	**20,249**	16,012
More than 365 days	**10,937**	6,295
	62,824	228,365

19. TRADE & OTHER RECEIVABLES (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Amounts past due but not impaired:		
Less than 30 days past due	10,193	78,872
31 to 60 days past due	17,326	13,399
61 to 90 days past due	2,875	6,170
91 to 365 days past due	3,934	10,259
More than 365 days past due	6,719	957
	41,047	109,657

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

As at 31 December 2017, trade receivables of approximately HK$41,047,000 (2016: HK$109,657,000) 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 past experience, management estimates that the carrying amounts should be fully recovered.

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

	2017 HK$'000	2016 HK$'000
At 1 January	7,242	6,499
Allowance for impairment of trade receivables	6,866	2,723
Recovery of impairment previously recognised	(4,276)	(1,139)
Receivables written off as uncollectible	(86)	(161)
Currency translation difference	468	(680)
Less: Discontinued operation	(2,000)	–
At 31 December	8,214	7,242

Any impairment of trade receivables is included in administrative expenses in the consolidated income statement. When there is no expectation of recovery, the receivable balance is written off against the allowance for impairment.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

19. TRADE & OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
US$	55,110	146,003
Chinese Renminbi	44,667	49,738
Thai baht	189	41,776
Euro	24,912	31,580
HK$	5,284	18,249
British pounds	2,352	7,017
Macau patacas	–	1,649
Others	5,227	18,093
	137,741	314,105

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Financial assets		
Foreign currency forward contracts	1,248	–
Financial liabilities		
Foreign currency forward contracts	–	(108)
	1,248	(108)

The notional principal amount of outstanding forward foreign exchange contracts of financial liabilities at 31 December 2017 was US$8,000,000 (approximately HK$62,000,000) (2016: US$1,289,000 and Thai baht 133,005,000 (approximately HK$38,761,000)).

Management purchased these forward contracts in 2017 to manage the foreign currency exposure of RMB to US$ (2016: to manage the foreign currency exposure of Thai baht to US$). Changes in fair value of these forward contracts are recongised in the consolidated income statement. These contracts generally mature within 12 months from the date of purchase.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Mutual funds	–	89,220

The mutual funds are denominated in Thai baht and the fair value is based on their current bid prices in an active liquid market at the end of the financial year.

During the year ended 31 December 2017, the mutual funds are disposed of as part of the disposal of discontinued operation.

22. PLEDGED BANK DEPOSITS

	2017 HK$'000	2016 HK$'000
Pledged bank deposits	687	2,335
Less: non-current pledged bank deposits	–	(277)
Current portion	687	2,058

Pledged bank deposits represented deposits made to a bank for the performance guarantees issued by the bank to the Group's customers, and to pledge for utilities of factory in the PRC.

As at 31 December 2017, the effective interest rate on the Group's pledged bank deposits was 0.81% p.a. (2016: 0.36% p.a.) and these deposits on average will mature 295 days (2016: 120 days) after the balance sheet date.

The carrying amounts of the Group's pledged bank deposits are denominated in RMB and US$.

23. FIXED DEPOSITS

	2017 HK$'000	2016 HK$'000
Fixed deposits with maturities over three months and less than one year	–	389

The Group has no fixed deposits as at 31 December 2017.

The carrying amounts in 2016 approximate to their respective fair values as at 31 December 2016.

The carrying amounts of the Group's fixed deposits were denominated in US$.

24. CASH & CASH EQUIVALENTS

The carrying amounts of the Group's cash and cash equivalents approximate to their respective fair values and are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Chinese Renminbi	31,828	59,798
US$	173,277	33,435
Euro	25,577	25,986
HK$	19,409	15,421
British pounds	12,995	527
Argentine pesos	278	363
Singapore dollars	23	2,672
Thai baht	–	2,475
Macau patacas	–	928
Others	951	2,141
	264,338	143,746

As at 31 December 2017, the Group's cash and bank balances included HK$36,845,000 (2016: HK$63,491,000) placed with certain banks in the PRC by certain subsidiaries of the Group. These balances are subject to exchange controls.

25. DISCONTINUED OPERATION

During the year, the Group completed the Disposal. Accordingly, the financial results of the Disposal are presented in the consolidated income statement and consolidated statement of cash flows as "Discontinued Operation" in accordance with HKFRS 5 "Non-current Assets Held for Sales and Discontinued Operation" issued by the HKICPA. Comparative figures have been restated.

Details of the profit for the year from discontinued operation are as follows:

	For the period from 1 January 2017 to 30 September 2017	For the year ended 31 December 2016
	HK$'000	HK$'000
Profit after tax from discontinued operation (Note (a))	7,927	78,668
Gain on disposal (Note (b))	342,896	–
Profit for the year from discontinued operation	350,823	78,668

(a) An analysis of profit after tax from discontinued operation is set out below:

	For the period from 1 January 2017 to 30 September 2017	For the year ended 31 December 2016
	HK$'000	HK$'000
Revenues	434,700	789,103
Cost of sales	(266,582)	(489,157)
Gross profit	168,118	299,946
Other gains – net	4,403	1,430
Distribution and administrative expenses	(157,653)	(204,839)
Operating profit from discontinued operation	14,868	96,537
Finance costs – net	(1)	(5)
Profit before income tax from discontinued operation	14,867	96,532
Income tax expense	(6,940)	(17,864)
Profit after tax from discontinued operation	7,927	78,668
Share of non-controlling interests	(179)	(262)
Profit after tax from discontinued operation attributable to the owners of the Company	7,748	78,406

25. DISCONTINUED OPERATION (CONTINUED)

(a) An analysis of profit after tax from discontinued operation is set out below: (Continued)

	For the period from 1 January 2017 to 30 September 2017 HK$'000	For the year ended 31 December 2016 HK$'000
Profit after tax from discontinued operation	**7,927**	78,668
Gain on disposal	**342,896**	–
Other comprehensive (loss)/income from discontinued operation:		
Items that will not be reclassified subsequent to profit or loss		
Remeasurement of retirement benefit obligations	–	1,432
Deferred income tax on remeasurement of retirement benefit obligations	–	(286)
Items that may be reclassified to profit or loss		
Remeasurement of retirement benefit obligations, net of tax, in relation to discontinued operation	**649**	–
Non-controlling interests in relation to discontinued operation	**(812)**	–
Exchange reserve released upon disposal of business	**(71,778)**	–
Currency translation differences	–	2,273
Other comprehensive (loss)/income for the year, net of tax	**(71,941)**	3,419
Total comprehensive income for the year	**278,882**	82,087
Attributable to:		
Owners of the Company	**279,515**	81,778
Non-controlling interests	**(633)**	309
	278,882	82,087

25. DISCONTINUED OPERATION (CONTINUED)

(b) An analysis of gain on the disposal is as follows:

	2017
	HK$'000
Cash consideration	728,500
Less: direct expenses	(195,428)
	533,072
Less: net assets disposed of:	
Property, plant and equipment	(100,979)
Construction in progress	(8,492)
Deferred income tax assets	(9,466)
Inventories	(155,878)
Trade receivables and other receivables	(112,566)
Financial assets at fair value through profit or loss	(31,991)
Current income tax assets	(38)
Cash and cash equivalents	(13,722)
Retirement benefit obligations	29,603
Trade payables & other payables	127,959
Current income tax liabilities	5,165
Bank borrowings – unsecured	1,806
Derivative financial instruments	256
Amount due to continuing operations	5,372
Exchange reserve released upon disposal of business	71,778
Non-controlling interests	1,017
Gain on disposal	342,896

(c) An analysis of the cash inflows/(outflows) of the discontinued operation is as follows:

	For the period from 1 January 2017 to 30 September 2017	For the year ended 31 December 2016
	HK$'000	HK$'000
Net cash generated from operation activities	90,582	119,127
Net cash generated from investing activities, including proceeds from the Disposal	765,062	41,298
Net cash used in financing activities	(288,145)	(154,930)
Total cash inflows	567,499	5,495

26. SHARE CAPITAL

	No. of shares	HK$'000
Authorised – Ordinary shares of HK$0.10 each:		
At 31 December 2016 & 2017	**400,000,000**	40,000
Issued and fully paid – Ordinary shares of HK$0.10 each:		
At 31 December 2016 & 2017	**212,187,488**	21,219

27. SHARE PREMIUM & OTHER RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Properties revaluation reserve HK$'000	General reserve HK$'000	Currency translation reserve HK$'000	Total HK$'000
Balance at 1 January 2016	189,699	55,928	4,161	8,000	71,048	328,836
Currency translation differences	–	–	–	–	(15,854)	(15,854)
Balance at 31 December 2016	189,699	55,928	4,161	8,000	55,194	312,982
Balance at 1 January 2017	**189,699**	**55,928**	**4,161**	**8,000**	**55,194**	**312,982**
Exchange reserve released upon disposal of business	–	–	–	–	**(71,778)**	**(71,778)**
Currency translation differences	–	–	–	–	**45,759**	**45,759**
Balance at 31 December 2017	**189,699**	**55,928**	**4,161**	**8,000**	**29,175**	**286,963**

Note:
The capital reserve includes statutory reserve funds set up by subsidiaries in the PRC. According to the relevant laws and financial regulations, upon approval by the Board, the statutory reserve funds may be used to make up prior years losses, if any, and to increase the capital of such subsidiaries. In addition, as stipulated by the relevant laws and financial regulations, the subsidiaries are required to appropriate an amount of not less than 10% of profit after income tax to its statutory reserve fund. A subsidiary will not be required to make any further appropriation, when its accumulated statutory reserve fund reaches 50% of its registered capital.

28. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2017 HK$'000	2016 HK$'000
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	–	708
Deferred tax assets to be recovered after 12 months	–	6,822
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after 12 months	(3,399)	(4,816)
Deferred tax (liabilities)/assets – net	(3,399)	2,714

The gross movements on the Group's deferred income tax account are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	2,714	4,339
Credited/(charged) to the consolidated income statement	3,213	(1,214)
Less: Discontinued operation	(9,466)	–
Exchange differences	140	(411)
At 31 December	(3,399)	2,714

28. DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same taxation jurisdiction, are as follows:

Deferred tax assets

	Impairment of assets		Tax losses		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**274**	357	**434**	1,339	**6,822**	8,643	**7,530**	10,339
(Charged)/credited to the consolidated income statement	**(1)**	(14)	**–**	(774)	**1,797**	(1,610)	**1,796**	(2,398)
Less: Discontinued operation	**(250)**	–	**(365)**	–	**(8,851)**	–	**(9,466)**	–
Exchange differences	**(23)**	(69)	**(69)**	(131)	**232**	(211)	**140**	(411)
At 31 December	**–**	274	**–**	434	**–**	6,822	**–**	7,530

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$216,510,000 (2016: HK$158,319,000) in respect of tax losses of approximately HK$692,181,000 (2016: HK$494,791,000) that can be carried forward against future taxable income, of which tax losses of approximately HK$201,081,000 (2016: HK$177,027,000) are not subject to expiry. The expiry dates of the remaining tax losses of approximately HK$491,100,000 (2016: HK$317,764,000) range from 2018 to 2037 (2016: 2018 to 2036).

Deferred tax liabilities

	Accelerated tax depreciation allowance		Unremitted service fees		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**3,619**	4,803	**1,197**	1,197	**4,816**	6,000
Credited to the consolidated income statement	**(1,417)**	(1,184)	**–**	–	**(1,417)**	(1,184)
At 31 December	**2,202**	3,619	**1,197**	1,197	**3,399**	4,816

Deferred income tax liabilities of HK$17,572,000 (2016: HK$29,417,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries totalling approximately HK$175,724,000 (2016: HK$294,170,000). Such amounts are not currently intended to be distributed to the shareholders outside the PRC.

29. RETIREMENT BENEFIT OBLIGATIONS

	2017 HK$'000	2016 HK$'000
Consolidated financial position obligations for:		
Pension benefits plans	**2,925**	28,857

As at 31 December 2017, subsequent to the Disposal, the Group operates defined benefit pension plans in France. The defined benefit plans are final salary defined plans in France, which are valued by qualified actuary using the project unit credit method. The defined benefit plans were valued at 31 December 2016 by SPAC Actuaries in France.

Pension benefits

The Group operates defined benefit pension plans in France based on employee pensionable remuneration and length of service. These plans are unfunded. These amounts recognised in the consolidated statement of financial position are determined as follows:

	2017 HK$'000	2016 HK$'000
Present value of unfunded obligations	**2,925**	28,857
Liabilities on the consolidated statement of financial position	**2,925**	28,857

29. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension benefits (Continued)

The movements in defined benefit obligations are as follows:

	2017 HK$'000	2016 HK$'000
As 1 January	28,857	26,301
Actuarial gain on remeasurement	–	(1,432)
Current service costs	2,259	4,058
Interest costs	576	627
Exchange differences	2,273	17
Benefit paid	(788)	(714)
Less: Discontinued operation	(30,252)	–
At 31 December	2,925	28,857

	2017 HK$'000	2016 HK$'000
The amounts recognised in the consolidated statement of financial position were determined as follows:		
Present value of defined benefit obligations	2,925	28,857
Liabilities on the consolidated statement of financial position	2,925	28,857

Continuing operations	2017 HK$'000	2016 HK$'000
The amounts recognised in the consolidated income statements are as follows:		
Current service costs	(38)	989
Interest costs	–	–
Total, included in employee benefit expenses (Note 7)	(38)	989

29. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension benefits (Continued)

The principal actuarial assumptions were as follows:

	2017	2016
Discount rate	1.50% – 2.75%	1.50% – 2.75%
Inflation rate	2%	2%
Expected return on plan assets	N/A	N/A
Salary growth	2% – 4%	2% – 4%
Turnover rate	0% – 20%	0% – 20%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in France. Mortality assumptions for France is based on post-retirement mortality tables and INSEE TD/TV 2012-2014 respectively.

30. OTHER LONG-TERM LIABILITIES

	2017 HK$'000	2016 HK$'000
Provision	–	1,200

The long-term liabilities as at 31 December 2016 mainly represent provision for reinstatement costs for the Group's head office in Hong Kong.

31. TRADE & OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	33,361	82,570
Deposits received in advance	86,930	98,636
Accrual for expenses	64,819	105,450
Other payables	143,677	72,204
	328,787	358,860

At the end of the financial year, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 to 30 days	10,621	69,661
31 days to 60 days	7,292	10,191
61 days to 90 days	1,230	1,747
More than 90 days	14,218	971
	33,361	82,570

The carrying amounts of the Group's and Company's trade and other payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Chinese Renminbi	61,297	118,597
US$	109,438	83,795
HK$	93,748	53,281
Euro	42,209	44,469
Thai baht	–	34,894
British pounds	5,421	9,366
Others	16,674	14,458
	328,787	358,860

32. BANK BORROWINGS – UNSECURED

	2017 HK$'000	2016 HK$'000
Current		
Bills payables repayable within 60 days	–	2,961
Short-term bank borrowings	62,000	116,250
	62,000	119,211

The bank borrowings outstanding as at 31 December 2017 amounted to approximately HK$62,000,000. The bank borrowings are unsecured and interest bearing at 2.57% – 3.02% p.a. (2016: 2.21% – 2.26% p.a.). The carrying amounts approximated their respective fair values as at 31 December 2017 and 2016.

As at 31 December 2017, the Group had total banking facilities of approximately HK$614,208,000 (2016: HK$840,784,000), of which approximately HK$62,000,000 (2016: HK$116,250,000) was drawn down as bank borrowings and approximately HK$20,130,000 (2016: HK$40,683,000) was utilised for trade facilities. The Group's banking facilities are granted by several banks and they are subject to annual review.

As a result of the Disposal during the year, the Group has communicated to certain banks in November 2017 regarding potential non-compliance and requested waivers from compliance of certain covenant requirements of the associated banking facilities.

As at 31 December 2017, the Group failed to comply with one of the covenant requirements of one of the Group's banking facilities amounting to HK$192,326,000, of which HK$31,000,000 was drawn down as bank borrowings and HK$6,941,000 was utilised for trade facilities. The relevant bank has subsequently renewed the entire banking facilities in January 2018 which will expire on 31 August 2018. As of the date of this report, the relevant bank has not withdrawn the banking facilities and is in the process of issuing a formal letter of the waiver from compliance of the certain covenant requirements of the banking facilities.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
US$	31,000	116,250
HK$	31,000	–
Thai baht	–	2,961
	62,000	119,211

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Continuing operations	2017 HK$'000	2016 HK$'000
Loss before income tax	(158,319)	(95,048)
Adjustments for:		
Amortisation of intangible assets	10,461	10,372
Amortisation of land use rights	620	632
Allowance for impairment of trade receivables	1,791	1,070
Bad debts directly written off	1,194	393
Inventory directly written off	1,268	–
Retirement benefit obligations	(38)	989
Depreciation of property, plant & equipment	23,685	21,420
Gain on disposal of property, plant & equipment	–	(99)
Property, plant & equipment written off	734	227
Construction in progress written off	895	–
Allowance for impairment of inventories	3,755	1,510
Gain on disposal of investment properties	–	(13,328)
Gain on change in fair value of derivative financial instruments	(1,248)	–
Finance costs	790	16
Finance income	(1,106)	(634)
Operating loss before changes in working capital	(115,518)	(72,480)
Inventories	(28,432)	(4,801)
Trade & other receivables	(10,541)	(18,018)
Trade & other payables	(58,824)	52,935
Prepayments – non-current	(2,704)	(6,582)
Cash used in operations	(216,019)	(48,946)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment and investment properties comprise:

(i) Property, plant and equipment

	2017 HK$'000	2016 HK$'000
Net book amount	2,897	59
Gain on disposal	–	99
Proceeds from disposal	2,897	158

(ii) Investment properties

	2017 HK$'000	2016 HK$'000
Net book amount	–	–
Gain on disposal	–	13,328
Proceeds from disposal	–	13,328

(c) Changes in liabilities arising from financing activities

This section sets out an analysis of changes in liabilities arising from financing activities for the year ended 31 December 2017.

Net cash	2017 HK$'000
Cash and cash equivalents	264,338
Bank borrowings	(62,000)
Net cash	202,338

	Cash HK$'000	Bank borrowings HK$'000	Total HK$'000
As at 31 December 2016	143,746	(119,211)	24,535
Cash flows	112,901	55,583	168,484
Foreign exchange adjustments	7,691	(178)	7,513
Less: Discontinued operation	–	1,806	1,806
As at 31 December 2017	264,338	(62,000)	202,338

34. 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:

	2017		2016	
	Property HK$'000	Other assets HK$'000	Property HK$'000	Other assets HK$'000
Not later than one year	37,754	741	44,138	2,372
Later than one year and not later than five years	91,129	742	89,878	2,981
Later than five years	87,237	–	97,391	–
	216,120	1,483	231,407	5,353

35. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Authorised but not contracted for in respect of property, plant & equipment	35,914	67,452
Contracted but not provided for in respect of property, plant & equipment	35,406	18,520
	71,320	85,972

36. CONTINGENCIES

Contingent liabilities

	2017 HK$'000	2016 HK$'000
Performance bonds issued by banks	15,220	20,975

37. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in note 16.

(b) Transactions with other related parties

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.

Sale of goods and services

	2017 HK$'000	2016 HK$'000
Sale of carpets and services:		
The Hongkong and Shanghai Hotels, Limited ("HSH")[1]	7,013	8,547

Note:

[1] By virtue of the fact that the Company and HSH are under common control, the transactions of the Company's subsidiaries with HSH and its subsidiaries are related party transactions.

(c) Year-end balances arising from sale of goods and services

	2017 HK$'000	2016 HK$'000
Trade receivables from related party:		
HSH	57	4,093

(d) Key management compensation

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

	2017 HK$'000	2016 HK$'000
Salaries & other short-term employee benefits	40,583	24,770

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 31 December

	Note	2017 HK$'000	2016 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	16	**367,787**	242,800
Current assets			
Other receivables		**6**	18
Amounts due from subsidiaries		**317,143**	255,142
Cash & cash equivalents		**2,846**	1,905
		319,995	257,065
Total assets		**687,782**	499,865
Equity			
Equity attributable to owners of the Company			
Share capital	26	**21,219**	21,219
Reserves		**277,467**	277,467
Retained earnings:			
Proposed final dividend		**–**	6,366
Others		**308,464**	144,308
Total equity		**607,150**	449,360
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**77,500**	47,589
Other payables		**3,132**	2,916
Total liabilities		**80,632**	50,505
Total equity & liabilities		**687,782**	499,865
Net current assets		**239,363**	206,560
Total assets less current liabilities		**607,150**	449,360

The statement of financial position was approved by the Board of Directors on 23 March 2018 and were signed on its behalf:

Nicholas T. J. Colfer
Chairman

Mark S. Worgan
Executive Director

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Share premium HK$'000	Contributed Surplus HK$'000	Retained earnings HK$'000
At 1 January 2016	189,699	87,768	83,328
Loss for the year	–	–	73,712
Dividends for 2015	–	–	(6,366)
At 31 December 2016	189,699	87,768	150,674
At 1 January 2017	**189,699**	**87,768**	**150,674**
Profit for the year	**–**	**–**	**524,875**
Dividends for 2016	**–**	**–**	**(6,366)**
Special dividend for 2017	**–**	**–**	**(360,719)**
At 31 December 2017	**189,699**	**87,768**	**308,464**

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director of the Company was set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
	Fees	Salaries	Discretionary bonuses	Housing allowance	Employer's contribution to a retirement benefit scheme	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2017							
Nicholas T. J. Colfer	120	–	–	–	–	–	120
Nelson K. F. Leong	110	–	–	–	–	–	110
David C. L. Tong	150	–	–	–	–	–	150
John J. Ying	170	–	–	–	–	–	170
Andrew C. W. Brandler	100	–	–	–	–	–	100
Yvette Y. H. Fung	150	–	–	–	–	–	150
Roderic N. A. Sage	200	–	–	–	–	–	200
Lincoln C. K. Yung	110	–	–	–	–	–	110
Aubrey K. S. Li	160	–	–	–	–	–	160
James H. Kaplan[1]	–	5,862	11,625	–	124	390	18,001
	1,270	5,862	11,625	–	124	390	19,271

Note:

1 Mr. James H. Kaplan retired as Executive Director of the Company with effect from 1 January 2018.

39. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2016							
Nicholas T. J. Colfer	120	–	–	–	–	–	120
Nelson K. F. Leong	110	–	–	–	–	–	110
David C. L. Tong	150	–	–	–	–	–	150
John J. Ying	170	–	–	–	–	–	170
Andrew C. W. Brandler	100	–	–	–	–	–	100
Yvette Y. H. Fung	150	–	–	–	–	–	150
Roderic N. A. Sage	200	–	–	–	–	–	200
Lincoln C. K. Yung	110	–	–	–	–	–	110
Aubrey K. S. Li	160	–	–	–	–	–	160
James H. Kaplan	–	5,862	775	–	62	162	6,861
	1,270	5,862	775	–	62	162	8,131

(b) Directors' retirement benefits and termination benefits

The directors did not receive or will receive any retirement or termination benefits for the year ended 31 December 2017 (2016: Nil).

(c) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 December 2017 (2016: Nil).

39. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of the directors controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of the director, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year 31 December 2017 (2016: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year 31 December 2017 (2016: Nil).

Senior Management

Name	Position held	Age[1]	Joined Group	Business experience
Mr. Mark S. Worgan[4]	Global Chief Operating Officer	54	2008	Carpet manufacturing & logistics
Ms. Catherine Vergez	Global Strategic Director	55	2000	Sales & business development
Mr. Lung Chi Sing Alex	Chief Finance Officer and Company Secretary	46	2016	Financial management
Ms. Mersine P. Defterios	Global Managing Director, Aviation, Yacht & Boutique Stores	49	2011	Sales & business development
Ms. Yeung Yuk Sim Celia[3]	Managing Director – Asia	49	2008	Sales & business development
Mr. Mason W. Morjikian[3]	Managing Director – Americas	52	2012	Sales & business development
Mr. William J. Palmer[2]	Global Managing Director, Commercial, Contract & Residential Sales	56	1999	Sales & business development
Mr. Jean Pierre Tortil[2]	Global Creative Director	53	2011	Design

Note:

1 Age as of 23 March 2018

2 Senior management left during the year.

3 Senior management since 2017

4 Promoted to Chief Executive Officer and appointed as Executive Director on 1 January 2018 and 17 January 2018, respectively.

Remuneration to senior management

The remuneration to senior management fell within the following band

	No. of Individuals	
	2017	2016
Remuneration bands		
HK$500,001 – HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	–	2
HK$2,000,001 – HK$2,500,000	3	–
HK$2,500,001 – HK$3,000,000	1	2
HK$3,000,001 – HK$3,500,000	1	2
HK$3,500,001 – HK$4,000,000	–	–
HK$4,000,001 – HK$4,500,000	1	–
HK$4,500,001 – HK$5,000,000	–	–
HK$5,000,001 – HK$5,500,000	–	–
HK$5,500,001 – HK$6,000,000	1	–

Corporate Information

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

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

Company Secretary
Lung Chi Sing Alex

Principal Share Registrar and Transfer Agent
Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Branch Share Registrar
Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Registered Office
Canon's Court
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Hamilton HM EX
Bermuda

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