TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 0146)

TAI PING

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors of Tai Ping Carpets International Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for 2006, as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

	Note	**2007** *HK$'000*	2006 *HK$'000*
Continuing Operations			
Turnover	2	**1,121,884**	900,026
Cost of sales		**(618,799)**	(514,937)
Gross profit		**503,085**	385,089
Distribution costs		**(77,251)**	(74,648)
Administrative expenses		**(352,349)**	(286,389)
Other operating income		**620**	3,557
Other operating expenses		**(11,328)**	(5,024)
Operating profit	2, 3	**62,777**	22,585
Finance costs		**(523)**	(3,912)
Interest income from banks		**1,367**	1,643
Gain on disposal of investment properties		**8,176**	1,294
Surplus on revaluation of investment properties		**2,310**	6,486
Share of (losses)/profits of			
an associate		**(25)**	220
jointly controlled entities		**41,906**	27,959
Add: Reversal of impairment of jointly controlled entities		**2,359**	2,900
Profit before income tax expenses		**118,347**	59,175
Income tax expenses	4	**(24,376)**	(18,191)
Profit after income tax expenses from continuing operations		**93,971**	40,984

	Note	**2007** *HK$'000*	2006 *HK$'000*
Discontinued Operation			
Loss after income tax expenses from discontinued operation		**–**	(3,964)
Profit after income tax expenses		**93,971**	37,020
Attributable to:			
Equity holders of the Company		**89,169**	32,694
Minority interests		**4,802**	4,326
		93,971	37,020
Dividend			
Final, proposed		**19,097**	6,366
Earnings/(loss) per share of profit/(loss) attributable to equity holders of the Company (expressed in HK cents)			
From continuing and discontinued operations			
Basic	*5*	**42.02**	15.41
Diluted	*5*	**42.00**	15.41
From continuing operations			
Basic	*5*	**42.02**	17.28
Diluted	*5*	**42.00**	17.28
From discontinued operation			
Basic	*5*	**–**	(1.87)
Diluted	*5*	**–**	(1.87)

CONSOLIDATED BALANCE SHEET
As at 31 December

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**21,726**	21,588
Property, plant and equipment		**337,896**	317,092
Investment properties		**27,510**	36,800
Construction in progress		**10,723**	7,993
Interest in an associate		**25,431**	21,682
Interests in jointly controlled entities		**213,548**	157,705
Deferred tax assets		**7,046**	6,631
		643,880	569,491
Current assets			
Inventories		**194,230**	211,858
Trade and other receivables	6	**227,993**	178,404
Derivative financial instruments		**554**	681
Properties held for sale		**–**	4,436
Financial assets at fair value through profit or loss		**31,004**	23,809
Cash and cash equivalents		**107,644**	58,976
		561,425	478,164
Total assets		**1,205,305**	1,047,655
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**21,219**	21,219
Reserves		**856,997**	746,276
Proposed final dividend		**19,097**	6,366
		897,313	773,861
Minority interests		**36,846**	33,204
Total equity		**934,159**	807,065
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**757**	2,602
Other long-term liabilities		**1,211**	1,601
		1,968	4,203
Current liabilities			
Bank borrowings – unsecured		**1,062**	11,000
Trade and other payables	7	**255,644**	201,520
Other long-term liabilities – current portion		**390**	390
Taxation		**12,082**	23,477
		269,178	236,387
Total liabilities		**271,146**	240,590
Total equity and liabilities		**1,205,305**	1,047,655
Net current assets		**292,247**	241,777
Total assets less current liabilities		**936,127**	811,268

Notes:

1. BASIS OF PREPARATION

a. Statement of compliance

The consolidated accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (collectively known as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated accounts include the appropriate disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

b. Basis of measurement

The consolidated accounts have been prepared under the historical cost convention except for (i) certain buildings which are stated at revalued amounts less subsequent accumulated depreciation and accumulated impairment losses; and (ii) available-for-sale financial assets, financial assets at fair value through profit or loss, and investment properties, which are carried at fair value.

c. Adoption of new or revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, that are relevant to its operation and effective for the current accounting period of the Group and the Company. The adoption of these new HKFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting periods. As a result, no prior period adjustment has been required.

However, the adoption of "HKFRS 7 Financial instruments: Disclosure" and "Amendment to HKAS 1, Presentation of financial statements: Capital disclosures" resulted an extensive disclosure in respect of financial instruments and an additional disclosure on capital management policy respectively. Comparative information has been restated to achieve a consistent presentation.

d. Potential impact arising on the new accounting standards not yet effective

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

	Effective for accounting periods beginning on or after
HKAS 1 (Revised) Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised) Borrowing Costs	1 January 2009
HKAS 27 (Revised) Consolidated and Separate Financial Statements	1 July 2009
HKFRS 2 Amendment Share-based Payments – Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised) Business Combinations	1 July 2009
HKFRS 8 Operating segments	1 January 2009
HK(IFRIC) – Interpretation 11 Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Interpretation 12 Service Concession Arrangements	1 January 2008
HK(IFRIC) – Interpretation 13 Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Interpretation 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Fund Requirements and Their Interaction	1 January 2008

2. TURNOVER AND SEGMENTAL INFORMATION

The principal activities of the Group consist of manufacture, import, export and sales of carpets, and manufacture and sales of yarns.

The discontinued operation in 2006 comprises sales and leasing of interior furnishings in Hong Kong.

The following table presents turnover, profit and certain assets, liabilities and expenditure information of the Group's business segments for the years ended 31 December 2007 and 2006.

For the year ended 31 December 2007

	Carpet	Yarn	Others[1]	Elimination	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External revenue	1,032,843	69,633	19,408	–	–	1,121,884
Inter-segment revenue[3]	–	–	1,958	(1,958)	–	–
	1,032,843	69,633	21,366	(1,958)	–	1,121,884
Segment results	55,821	12,305	(2,029)	–	(3,320)	62,777
Finance costs						(523)
Interest income from banks						1,367
Gain on disposal of investment properties	–	–	8,176	–	–	8,176
Surplus on revaluation of investment properties	–	–	2,310	–	–	2,310
Share of (losses)/profits of						
an associate	(25)	–	–	–	–	(25)
jointly controlled entities[2]	44,265	–	–	–	–	44,265
Profit before income tax expenses						118,347
Income tax expenses						(24,376)
Profit for the year						93,971
Segment assets	862,408	50,173	42,660	–	11,085	966,326
Interest in an associate	25,431	–	–	–	–	25,431
Interests in jointly controlled entities	213,548	–	–	–	–	213,548
Total assets						1,205,305
Segment liabilities	244,366	5,843	3,091	–	17,846	271,146
Capital expenditure	54,914	2,303	19	–	–	57,236
Depreciation	44,184	1,934	421	–	–	46,539
Amortisation of leasehold land and land use rights	546	–	–	–	–	546

For the year ended 31 December 2006

	Carpet	Yarn	Interior furnishings	Property holding	Elimination	Unallocated	Continuing operations Total	Discontinued operation (Interior furnishings)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue									
External revenue	816,867	48,548	29,937	4,674	–	–	900,026	23,738	923,764
Inter-segment revenue[3]	255	–	–	2,069	(2,324)	–	–	–	–
	817,122	48,548	29,937	6,743	(2,324)	–	900,026	23,738	923,764
Segment results	14,182	5,459	2,164	6,714	–	(5,934)	22,585	(3,665)	18,920
Finance costs							(3,912)	–	(3,912)
Interest income from banks							1,643	43	1,686
Gain on disposal of investment properties	–	–	–	1,294	–	–	1,294	–	1,294
Surplus on revaluation of investment properties	–	–	–	6,486	–	–	6,486	–	6,486
Share of profits of									
an associate	220	–	–	–	–	–	220	–	220
jointly controlled entities[2]	30,859	–	–	–	–	–	30,859	–	30,859
Profit/(loss) before income tax expenses							59,175	(3,622)	55,553
Income tax expenses							(18,191)	(342)	(18,533)
Profit/(loss) for the year							40,984	(3,964)	37,020
Segment assets	746,359	48,220	15,694	46,335	–	11,660			868,268
Interest in an associate	21,682	–	–	–	–	–			21,682
Interests in jointly controlled entities	157,705	–	–	–	–	–			157,705
Total assets									1,047,655
Segment liabilities	194,506	1,727	2,836	417	–	41,104			240,590
Capital expenditure	29,494	158	3,009	–	–	–			32,661
Depreciation	38,977	4,130	468	–	–	–	43,575	2,251	45,826
Amortisation of leasehold land and land use rights	532	–	–	–	–	–	532	–	532

1 Others include interior furnishings and property holding.

2 Included a reversal of impairment of HK$2,359,000 (2006: HK$2,900,000).

3 Inter-segment transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2007	2006
	HK$'000	*HK$'000*
Crediting:		
Gain on disposal of property, plant and equipment	**–**	137
Gain on change in fair value of derivative financial instruments	**–**	649
Net exchange gains	**5,979**	–
Charging:		
Depreciation of property, plant and equipment	**46,539**	45,826
Amortisation of leasehold land and land use rights	**546**	532
Loss on disposal of property, plant and equipment	**527**	–
Loss on disposal of financial assets at fair value through profit or loss	**91**	–
Loss on disposal of available-for-sale financial asset	**–**	56
Loss on change in fair value of derivative financial instruments	**162**	–
Impairment of property, plant and equipment	**897**	312
Construction in progress written off	**64**	–
Impairment of inventories	**9,601**	1,277
Impairment of trade and other receivables	**4,139**	2,874
Employee benefit expenses	**330,361**	276,486
Research and development costs	**1,731**	2,297
Net exchange losses	**–**	2,896

4. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit 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 respective countries.

The amount of income tax expenses charged/(credited) to the consolidated profit and loss account represents:

	2007	2006
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**7,747**	3,538
PRC and Overseas	**18,492**	26,269
Under/(over) provision in prior years	**86**	(2,194)
Deferred income tax credit	**(1,949)**	(9,422)
Income tax expenses	**24,376**	18,191

Share of income tax expenses of an associate and jointly controlled entities of HK$343,000 (2006: HK$324,000) and HK$5,968,000 (2006: HK$10,228,000) respectively are included in the share of (losses)/profits of an associate and jointly controlled entities.

5. EARNINGS PER SHARE

a. Continuing and discontinued operations

Basic

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

	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**89,169**	32,694
	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**42.02**	15.41

Diluted

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

	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**89,169**	32,694
	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Adjustments for share options (thousands)	**96**	–
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**212,283**	212,187
Diluted earnings per share (HK cents)	**42.00**	15.41

b. Continuing operations

Basic

The calculation of the basic earnings per share from continuing operations attributable to the equity holders of the Company is based on the following information:

	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**89,169**	32,694
Add: Loss attributable to equity holders from discontinued operation	**–**	3,964
Profit attributable to equity holders of the Company from continuing operations	**89,169**	36,658

	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**42.02**	17.28

Diluted

The calculation of the diluted earnings per share from continuing operations attributable to the equity holders of the Company is based on the profit attributable to equity holders from continuing operations of HK$89,169,000 (2006: HK$36,658,000). The denominators used are the same as those detailed above for diluted earnings per share from continuing and discontinued operations.

c. Discontinued operation

Basic

The calculation of the basic loss per share from discontinued operation attributable to the equity holders of the Company is based on the following information:

	2007	2006
	HK$'000	*HK$'000*
Loss attributable to equity holders from discontinued operations	**–**	(3,964)

	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic loss per share (HK cents)	**–**	(1.87)

Diluted

The calculation of the diluted loss per share from discontinued operation attributable to the equity holders of the Company is based on the loss attributable to equity holders from discontinued operation of HK$Nil (2006: HK$3,964,000). The denominators used are the same as those detailed above for diluted earnings per share from continuing and discontinued operations.

6. TRADE AND OTHER RECEIVABLES

Group

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**212,167**	176,182
Less: Impairment loss of receivables	**(19,087)**	(20,337)
Trade receivables, net	**193,080**	155,845
Other receivables	**34,913**	22,559
	227,993	178,404

The amounts approximated to the respective fair values as at 31 December 2007 and 2006. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers.

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

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

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

As at the balance sheet date, the ageing analysis of the trade receivables was as follows:

	2007	2006
	HK$'000	*HK$'000*
Current	**53,387**	41,593
Amount past due at balance sheet date but not impaired:		
Less than 30 days past due	**66,197**	45,311
31 to 60 days past due	**26,433**	23,374
61 to 90 days past due	**20,915**	12,356
More than 90 days past due	**26,148**	33,211
	139,693	114,252
	193,080	155,845

7. TRADE AND OTHER PAYABLES

Group

	2007	2006
	HK$'000	*HK$'000*
Trade payables	**51,356**	42,391
Other payables	**204,288**	159,129
	255,644	201,520

At the balance sheet date, the ageing analysis of the trade payables was as follows:

	2007	2006
	HK$'000	*HK$'000*
Current – 30 days	**40,174**	33,380
31 days – 60 days	**7,844**	4,806
61 days – 90 days	**1,154**	2,183
Over 90 days	**2,184**	2,022
	51,356	42,391

8. COMPARATIVES

The Group has previously included the surplus on revaluation of investment properties in operating profit. Management decided to exclude such revaluation surplus from the operating profit since property investment is not part of the Group's core business and the inclusion of such surplus on revaluation of investment properties may distort the operating results of the Group.

The Group has also excluded interest income from operating profit. Management believes that such reclassification provides a better presentation of the Group's results.

The comparative figures have been reclassified to conform to the current year's presentation.

DIVIDEND

No interim dividend had been declared and the Directors recommend a final dividend of HK9 cents per share (2006: HK3 cents) for the year ended 31 December 2007. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be distributed on or about 4 July 2008 to shareholders who appear on the Register of Members of the Company at the close of business on 13 June 2008.

CHAIRMAN'S STATEMENT

In 2007 we continued our programme to establish Tai Ping as an international luxury brand with worldwide recognition, so it is therefore very pleasing to report strong growth in both turnover and profit in 2007, up 25% and 173% respectively.

To position Tai Ping for further global expansion, we are increasing our presence within the United States and sustaining our development in Europe and Asia, while simultaneously new sales teams are being established in the emerging markets of South America, India and the Middle East.

The addition and renovation of showrooms and offices in San Francisco, Chicago, Atlanta, London, Hamburg and Buenos Aires gives Tai Ping 23 locations worldwide.

The completed integration of Edward Fields, the iconic American brand, culminated in the October opening of a flagship Edward Fields showroom in New York, an event that immediately garnered extensive international media coverage, including the cover article in Interior Design magazine.

With the support of strategically located showrooms both in the U.S. and around the globe, we are confident that the complementary Tai Ping and Edward Fields brands will continue to enhance significantly the overall performance of the Residential Boutique Contract business.

The Commercial business also experienced strong gains, largely attributable to the hospitality sector both in North America and due to the expansion of major U.S. hotel chains internationally in markets such as Macau.

The establishment of "Tai Ping: Towards Sustainability", a company-wide programme of environmental initiatives, is intended to guide Tai Ping toward sustainability at all levels of operation. Streamlining of manufacturing processes is ongoing to increase Reuse, Reduce, and Recycling efforts of all resources and materials used in the production and distribution of Tai Ping products.

The Weihai joint ventures continued to perform well, generating a record profit in 2007, and the substantial completion of the new factory premises during the year has provided the Group with additional production capacity.

The disposal programme of non-core assets continued with the sale of various properties in Hong Kong, making additional financial resources available for investment into the carpet operation.

While the global outlook for 2008 is generally more challenging, the Tai Ping brand has become synonymous with quality and service. The focus remains on preserving these hallmarks, which are vital to Tai Ping's overall goal of maintaining sales, escalating brand recognition, and developing new markets as appropriate, such as in India and South America.

On behalf of the Board, I should like to thank all staff for their fruitful efforts in 2007. I am also grateful to the Directors for their valuable support and advice during this past year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's consolidated turnover for the year ended 31 December 2007 was HK$1,121.9 million, a year-on-year increase of 25% or HK$221.9 million. The gross margin also improved, to 45% in 2007 from 43% in 2006. The increase in turnover and gross margin percentage was mainly driven by the sustained business growth and improved profitability of the carpet operations which accounted for 92% of total turnover.

The Group recorded an operating profit of HK$62.8 million, which was HK$40.2 million or 178% higher than that in 2006. The Group mainly benefited from the economies of scale resulting from higher sales and better gross profit margin.

Profit attributable to equity holders amounted to HK$89.2 million, a gain of HK$56.5 million or 173%, as compared with HK$32.7 million in 2006. The significant improvement in profitability was mainly attributable to increases in the operating profit of the Group and the share of profits from the jointly controlled entities.

Carpet Operations

Turnover of the carpet operations in 2007 increased by 26%, or HK$215.9 million, to HK$1,032.8 million. This achievement was mainly the direct result of the Group's dedicated investments and efforts made in the U.S. and the European markets during the past few years.

The U.S. accounted for 41% of total carpet turnover in 2007, while Asia and Europe/Others accounted for 39% and 20% respectively. In 2006, the corresponding shares of total carpet turnover by the U.S., Asia and Europe/Others were 44%, 42% and 14% respectively.

The gross profit margin also rose from 44% to 46% in 2007, despite increases in fuel and material costs and a weak U.S. dollar. The gain mainly resulted from value pricing, improved factory efficiencies and cost controls.

The Group's strategy is to compete with premium quality, strong service commitment and design support, rather than price.

As a result, operating profit of the carpet operations in 2007 amounted to HK$55.8 million, which was almost four times the 2006 profit (HK$14.2 million).

United States

Both the Commercial and RBC businesses in the U.S. continued to grow in 2007, and the U.S. market remained the biggest market for the Group. Total carpet turnover in the U.S. increased 18% year-on-year to HK$424.0 million in 2007, mainly attributable to the substantial growth in the Commercial business.

Turnover of the U.S. Commercial business grew by 26% to HK$272.2 million in 2007. The increase was mainly attributable to the continuing expansion in the hospitality sector. With Tai Ping's increased presence in the U.S., the Commercial business worldwide grew as major U.S. hotel chains, including Ritz Carlton and JW Marriott, expanded their businesses in Europe and Asia.

Benefiting from increased sales and improved profit margins, the operating results of the U.S. Commercial business continued to show significant improvement in 2007.

The U.S. RBC business grew in 2007 despite disruptions caused by the re-location and/or major renovation of some showrooms during the year, including the flagship Edward Fields showroom in New York. Turnover in 2007 was HK$151.8 million, 5% higher than 2006, with healthy profit margins. Experienced sales managers were also recruited during the year to strengthen the sales teams.

Asia

Turnover in Commercial sales in the Hong Kong, Macau and China region increased by 18% to HK$95.3 million. The increase was mainly attributable to the buoyant hospitality and gaming sectors in the region, Macau in particular. Overall gross profit margin percentage also recorded a slight improvement.

In Thailand, the Group is a dominant market player in the domestic market selling under the Carpets Inter brand. Turnover in the South East Asia region in 2007 showed a steady growth, a 7% increase year-on-year. Its operating results also improved due to higher profit margin and production efficiencies.

The Group also generated stronger sales in other Asian countries due to better management of agents and distributors in such countries.

Europe/Others

Turnover in Europe and the Middle East showed significant growth during the year, both in Commercial and RBC businesses. Performance should be enhanced further by the various strategic initiatives which are being implemented in the region, including establishing offices in key new markets and the strengthening of management resources and service support.

While the Commercial business in Europe and the Middle East remained highly competitive and price-sensitive in general, the Group's sales increased by almost 50% to HK$80.4 million in 2007, with profit margin comparable with 2006.

The RBC business also grew significantly during the year, with better margins. The increase was mainly driven by new distribution channels in certain European countries, solid presence in the yacht and aircraft sectors, and the opening of a new office in London. Turnover amounted to HK$80.6 million, a year-on-year increase of 78%.

The Group also targets to expand its global market coverage by entering into certain promising emerging markets. A new office was opened in Argentina during the year to capture the Latin America markets, and the set-up of an office in India is in progress.

Jointly Controlled Entities

Taking into account the new joint venture, Weihai Shanhua Weavers Carpets Co. Ltd. in which the Group holds 49% interest, established in 2007, the Weihai group encompasses four jointly controlled entities.

The new factory premises of the Weihai group were substantially completed in 2007, and most of the manufacturing operations were re-located to the new premises, increasing its production capacity significantly. While competition in the domestic market was intense and production costs were affected by rising material and fuel expenses, the Weihai group recorded significant increases in both sales and net profit due to the dominant market position of its products and strong demand within China. The Weihai group's combined turnover amounted to HK$1,107.2 million, an year-on-year increase of 54%.

The Group also has an agreement with the Weihai group to sell its products through the Group's global distribution channels. This complementary arrangement expands the Group's range of product offerings and price points.

In 2007, the Group's share of profit after income tax expenses of the jointly controlled entities amounted to HK$41.9 million, a 50% increase over the 2006 results (HK$28.0 million).

Marketing & Branding

Tai Ping's programme for worldwide brand expansion in 2007 featured the opening of newly renovated showrooms in San Francisco, Chicago, Hamburg and a sales office in London. The launch of each of these locations coincided with newly designed global RBC Collections.

For Edward Fields, the brand strategy outlined in 2006 culminated in the opening of the first newly branded flagship showroom in New York in October 2007, where the updated Edward Fields graphic identity was introduced along with the Archive Edition, a revival of the best-known classic rug designs from the Edward Fields archives. The showroom and the first edition designs were well received by the design community and the Edward Fields showroom was honored with a cover feature in Interior Design magazine.

At the close of 2007, the prototype Edward Fields Studio was complete, and the first installation was built within the newly Tai Ping branded San Francisco showroom.

Yarn Operation

Premier Yarn Dyers, Inc. which operates the Group's U.S. based yarn-dyeing facilities, achieved year-on-year increases in sales and operating profit of 44% and 124% respectively. Turnover and operating profit in 2007 amounted to HK$69.6 million (2006: HK$48.5 million) and HK$12.3 million (2006: HK$5.5 million) respectively. The significant improvement in operating results of the yarn operation was mainly attributable to the strong demand for the new yarns developed and launched during 2007.

Other Operations

The relative importance of other businesses, including the mattress operation in China and the holding of certain investment properties for rental income, to overall Group results continues to decline as the Group's main focus is to grow the core carpet operations. Turnover of such other businesses in 2007 decreased by 44% year-on-year to HK$19.4 million. Similarly, such other businesses recorded an operating loss of HK$2.0 million in 2007, compared with an operating profit of HK$8.9 million in 2006.

Group Capital Expenditure

Capital expenditure in the form of property, plant and equipment and construction in progress incurred by the Group totalled HK$57.2 million in 2007 (2006: HK$32.7 million). As at 31 December 2007, the aggregate net book value of the Group's property, plant and equipment, investment properties, leasehold land and land use rights, and construction in progress amounted to HK$397.9 million (2006: HK$383.5 million).

It is expected that capital expenditure will increase in 2008 to further expand factory capacities, broaden product range and continue the renovation programme for RBC showrooms to support the sales growth.

Liquidity and Financial Resources

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

As at 31 December 2007, the Group had total bank borrowings of HK$1.1 million (2006: HK$11.0 million). Total cash and bank balances amounted to HK$107.6 million (2006: HK$59.0 million). The net cash balance was HK$106.5 million as at 31 December 2007 (2006: HK$48.0 million). The gearing ratio, calculated as net bank borrowings (total bank borrowings net of cash and bank balances) divided by total equity, was 0% (2006: 0%).

As at 31 December 2007, the Group also held financial assets at fair value through profit or loss of HK$31.0 million (2006: HK$23.8 million).

The bank loans outstanding on 31 December 2007 were trust receipts, which were unsecured and interest free throughout their terms. The currency denomination of the loans and their maturity dates as at 31 December 2007 were as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 1 year		
Thai Baht	**–**	11,000
United States Dollar	**1,062**	–
	1,062	11,000

Exposure to Foreign Exchange Risks and Related Hedges

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

The Group's sales are denominated primarily in US dollar, and to a lesser extent in Euro and Thai Baht.

The operations in Europe, Singapore, India and Argentina are not significant in terms of the Group's results. The Chinese Renminbi gradually appreciated against Hong Kong dollar during 2007. The major exchange differences arising from overseas operations relate mostly to Thailand. The effect of these exchange differences, however, has been partly reduced because borrowings are in local currency and by hedging against some of its foreign currency exposure (including accounts receivable from export sales).

The Group, therefore, considers its exposure to exchange rate movements in 2007 manageable, and will continue to monitor exchange rate movements closely to ascertain if any material exposure may arise.

Employee and Remuneration Policies

As at 31 December 2007, the Group employed 3,300 employees (2006: 3,200 employees). Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as an annual incentive to reward and motivate individual performance. Staff costs and retirement benefit costs for 2007 totalled HK$323.8 million (2006: HK$270.6 million) and HK$6.5 million (2006: HK$5.9 million) respectively.

The Company implemented a profit-sharing scheme for certain key management personnel (including the Chief Executive Officer). Pursuant to the scheme, based on the recommendation of the Remuneration Committee, the eligible participants would be entitled to a profit share in respect of the Company's consolidated results for the three years ending 31 December 2008 after certain adjustments.

Contingent Liabilities

As at 31 December 2007, the Group's total contingent liabilities amounted to HK$21.5 million (2006: HK$12.9 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

The Board and the Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company codified its corporate governance practices by reference to the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code throughout the year ended 31 December 2007 save for the deviation from the code provision A.1.1.

The code provision A.1.1 of the Code stipulates that board meeting should be held at least four times a year at approximately quarterly interval. The dates of the four regular board meetings of the Company for the year under review were scheduled in its prior year (subject to amendment) so as to provide sufficient notice to the Directors enabling them to attend. The fourth meeting, previously scheduled in December 2007, was held on 8 January 2008 as the Chief Executive Officer could not attend the December meeting due to personal reasons. The re-scheduled meeting in January 2008 was attended by all directors. Another four meetings of the Board have been scheduled for 2008.

Financial Reporting and Internal Controls

The consolidated accounts of the Company for the year ended 31 December 2007 have been reviewed by the Audit Committee and audited by the external auditors, BDO McCabe Lo Limited. The Directors acknowledge their responsibilities for preparing the consolidated accounts 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 figures in respect of the preliminary announcement of the results for the year have been agreed by BDO McCabe Lo Limited, to the amounts set out in the consolidated accounts of the Company for the year. The work performed by BDO McCabe Lo Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong

Kong Standards on Review Engagements of Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by BDO McCabe Lo Limited on the preliminary announcement.

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. The internal control system of the Group is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and manages rather than eliminates risks associated with its business activities.

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

Audit Committee

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

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

During the year under review, the Audit Committee held 3 meetings with the management and the external auditors for reviewing the interim and annual reports before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of both external auditors and internal auditors, and discussing issues arising from the audits including internal controls and financial reporting.

CLOSING OF REGISTER

The Register of Members of the Company will be closed from Wednesday, 11 June 2008 to Friday, 13 June 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, 46/F Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 June 2008.

By order of the Board

Nicholas T. J. Colfer	**James H. Kaplan**
Chairman	*Chief Executive Officer*

Hong Kong, 18 April 2008

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

The 2007 Annual Report containing the information required by the Listing Rules will be published in due course in the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk).