TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 146)

TAI PING

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008, together with the comparative figures for 2007, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*3*	**1,320,044**	1,121,884
Cost of sales		**(745,081)**	(618,799)
Gross profit		**574,963**	503,085
Distribution costs		**(99,744)**	(77,251)
Administrative expenses		**(417,873)**	(352,349)
Other operating income		**1,874**	620
Other operating expenses		**(18,776)**	(11,328)
Operating profit	*3, 4*	**40,444**	62,777
Finance costs		**(772)**	(523)
Interest income from banks		**553**	1,367
Impairment loss for assets held for sale		**(480)**	–
Gain on disposal of investment properties		**1,497**	8,176
(Deficit)/surplus on revaluation of investment properties		**(1,310)**	2,310
Share of (losses)/profits of			
an associate		**(1,140)**	(25)
jointly controlled entities		**65,088**	41,906
add: reversal of impairment of jointly controlled entities		**10,309**	2,359
Profit before income tax expenses		**114,189**	118,347
Income tax expenses	*5*	**(30,036)**	(24,376)
Profit after income tax expenses		**84,153**	93,971
Attributable to:			
Equity holders of the Company		**83,465**	89,169
Minority interests		**688**	4,802
		84,153	93,971
Dividend			
Final, proposed		**19,097**	19,097
Earnings per share of profit attributable to equity holders of the Company (expressed in HK cents)			
Basic	*6*	**39.34**	42.02
Diluted	*6*	**39.33**	42.00

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2008 HK$'000	2007 HK$'000
Assets			
Non-current assets			
Intangible assets		**23,843**	–
Leasehold land & land use rights		**20,223**	21,726
Property, plant & equipment		**332,040**	337,896
Investment properties		**6,800**	27,510
Construction in progress		**12,386**	10,723
Interest in an associate		**22,302**	25,431
Interests in jointly controlled entities		**273,709**	213,548
Deferred tax assets		**7,583**	7,046
		698,886	643,880
Current assets			
Inventories		**196,489**	194,230
Trade & other receivables	*8*	**215,241**	227,993
Derivative financial instruments		**169**	554
Financial assets at fair value through profit or loss		**59,170**	31,004
Cash & cash equivalents		**114,900**	107,644
		585,969	561,425
Assets held for sale		**5,695**	–
		591,664	561,425
Total assets		**1,290,550**	1,205,305

	Note	2008 HK$'000	2007 HK$'000
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**21,219**	21,219
Reserves		**926,067**	856,997
Proposed final dividend		**19,097**	19,097
		966,383	897,313
Minority interests		**39,020**	36,846
Total equity		**1,005,403**	934,159
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**4,823**	757
Other long-term liabilities		**3,655**	1,211
		8,478	1,968
Current liabilities			
Bank borrowings – unsecured		**–**	1,062
Trade & other payables	9	**253,824**	255,644
Other long-term liabilities – current portion		**4,199**	390
Taxation		**18,646**	12,082
		276,669	269,178
Total liabilities		**285,147**	271,146
Total equity and liabilities		**1,290,550**	1,205,305
Net current assets		**314,995**	292,247
Total assets less current liabilities		**1,013,881**	936,127

1. BASIS OF PREPARATION

a. Statement of compliance

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

b. Basis of measurement

The financial statements have been prepared under the historical cost basis except for (i) certain buildings which are stated at revalued amounts less subsequent accumulated depreciation and accumulated impairment losses; (ii) investment properties which are carried at fair value; (iii) financial instruments which are measured at fair values; and (iv) assets held for sale which are carried at fair value less cost to sell.

2. ADOPTION OF AMENDMENTS & NEW HONG KONG OR REVISED FINANCIAL REPORTING STANDARDS

a. In the current year, the Group has applied, for the first time, the following amendments and new interpretations issued by the HKICPA, that are relevant to its operation and effective for the current accounting period of the Group and the Company.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Interpretation 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Interpretation 12	Service Concession Arrangements
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendments and new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

b. Potential impact arising on HKFRSs not yet effective

The Group is in the process of making an assessment of the potential impact of the new standards and amendments to existing standards mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods. The Directors of the Group so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER & SEGMENTAL INFORMATION

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

The following table presents turnover, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

For the year ended 31 December 2008

	Carpet *HK$'000*	Yarn *HK$'000*	Others[1] *HK$'000*	Elimination *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue						
External revenue	**1,239,374**	**61,714**	**18,956**	**–**	**–**	**1,320,044**
Inter-segment revenue[2]	**–**	**–**	**2,595**	**(2,595)**	**–**	**–**
	1,239,374	**61,714**	**21,551**	**(2,595)**	**–**	**1,320,044**
Segment results	**31,860**	**8,989**	**148**	**–**	**(553)**	**40,444**
Finance costs						**(772)**
Interest income from banks						**553**
Impairment loss for assets held for sale	**–**	**–**	**(480)**	**–**	**–**	**(480)**
Gain on disposal of investment properties	**–**	**–**	**1,497**	**–**	**–**	**1,497**
Deficit on revaluation of investment properties	**–**	**–**	**(1,310)**	**–**	**–**	**(1,310)**
Share of (losses)/profits of						
an associate	**(1,140)**	**–**	**–**	**–**	**–**	**(1,140)**
jointly controlled entities[3]	**75,397**	**–**	**–**	**–**	**–**	**75,397**
Profit before income tax expenses						**114,189**
Income tax expenses						**(30,036)**
Profit for the year						**84,153**
Segment assets	**924,626**	**40,221**	**12,585**	**–**	**17,107**	**994,539**
Interest in an associate	**22,302**	**–**	**–**	**–**	**–**	**22,302**
Interests in jointly controlled entities	**273,709**	**–**	**–**	**–**	**–**	**273,709**
Total assets						**1,290,550**
Segment liabilities	**256,771**	**2,350**	**99**	**–**	**25,927**	**285,147**
Capital expenditure	**70,266**	**2,313**	**–**	**–**	**–**	**72,579**
Depreciation	**51,128**	**2,342**	**391**	**–**	**–**	**53,861**
Amortisation of leasehold land & land use rights	**2,090**	**–**	**–**	**–**	**–**	**2,090**
Amortisation of intangible assets	**2,080**	**–**	**–**	**–**	**–**	**2,080**
Impairment of property, plant & equipment	**3,678**	**–**	**111**	**–**	**–**	**3,789**

For the year ended 31 December 2007

	Carpet *HK$'000*	Yarn *HK$'000*	Others[1] *HK$'000*	Elimination *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue						
External revenue	1,032,843	69,633	19,408	–	–	1,121,884
Inter-segment revenue[2]	–	–	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[3]	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 & land use rights	546	–	–	–	–	546
Impairment of property, plant & equipment	–	–	897	–	–	897

Notes:

1 Others include interior furnishings and property holding.

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

3 Included a reversal of impairment of HK$10,309,000 (2007: HK$2,359,000).

4. OPERATING PROFIT

	2008	2007
	HK$'000	*HK$'000*
Operating profit is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of financial assets at fair value through profit or loss	**241**	–
Gain on disposal of property, plant & equipment	**276**	–
Net exchange gains	**–**	5,979
Recovery of impairment loss previously recognised	**6,461**	1,554
Charging:		
Amortisation of intangible assets (included in administrative expenses)	**2,080**	–
Amortisation of leasehold land & land use rights	**2,090**	546
Depreciation of property, plant & equipment	**53,861**	46,539
Loss on disposal of property, plant & equipment	**–**	527
Loss on disposal of financial assets at fair value through profit or loss	**–**	91
Loss on change in fair value of derivative financial instruments	**380**	162
Impairment of property, plant & equipment	**3,789**	897
Construction in progress written off	**–**	64
Impairment of inventories	**2,626**	9,601
Impairment of trade & other receivables	**14,165**	4,139
Employee benefit expenses	**372,122**	330,361
Operating lease charges		
Land & buildings	**20,491**	18,171
Plant & machinery	**2,221**	1,401
Auditors' remuneration	**3,343**	2,748
Direct operating expenses arising from investment properties that generated rental income	**108**	184
Research & development costs	**1,975**	1,731
Net exchange losses	**7,958**	–

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year. Income tax expenses on the People's Republic of China (the "PRC") and overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective countries.

The amount of income tax expenses charged to the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**5,523**	7,747
PRC and overseas	**23,956**	18,492
(Over)/under provision in prior years	**(2,548)**	86
Deferred income tax charge/(credit)	**3,105**	(1,949)
Income tax expenses	**30,036**	24,376

Share of income tax expenses of an associate of HK$1,890,000 (2007: income tax benefit of HK$343,000) and share of income tax expenses of jointly controlled entities of HK$9,255,000 (2007: HK$5,968,000) are included in the share of (losses)/profits of an associate and jointly controlled entities.

6. EARNINGS PER SHARE

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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**83,465**	89,169
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**39.34**	42.02

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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**83,465**	89,169
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Adjustments for share options (thousands)	**14**	96
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**212,201**	212,283
Diluted earnings per share (HK cents)	**39.33**	42.00

7. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired 100% interest in J.S.L. Carpet Corporation ("JSL"), incorporated in the U.S., under a stock purchase agreement dated as at 1 January 2008.

JSL has 50% interest in Weavers Guild LLC ("WG"), which was also established in the U.S. WG is classified by the Group as a jointly controlled entity.

The aggregate consideration for the acquisition of JSL amounted to HK$25,517,000 of which HK$19,089,000 had been paid in cash. The remaining amount of HK$6,428,000 will be payable in cash not later than four years from 31 December 2008.

The Group is required to make additional payments to the sellers of JSL based on the net profits of JSL (as defined in the Company's circular dated 20 February 2008) for the period from 1 January 2008 to 31 December 2011. The amounts of such additional payments are set out below provided that the aggregate additional amounts payable to the sellers shall not exceed US$6,000,000 (equivalent to HK$46,800,000):

	Additional amounts payable to the sellers
1 January 2008 to 31 December 2008	35% of the net profits
1 January 2009 to 31 December 2009	20% of the net profits
1 January 2010 to 31 December 2010	13% of the net profits
1 January 2011 to 31 December 2011	6% of the net profits

The contingent consideration payable for 2008 amounting to HK$1,287,000 has been reflected in the financial statements. But the cost of acquisition for 2009 to 2011 has not reflected the above additional payments as the current market situation in the U.S. is unpredictable.

8. TRADE & OTHER RECEIVABLES

Group

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**206,320**	212,167
Less: Impairment loss of trade receivables	**(26,360)**	(19,087)
Trade receivables, net	**179,960**	193,080
Other receivables	**35,281**	34,913
	215,241	227,993

The amounts approximated to the respective fair values as at 31 December 2008 and 2007. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. As at the balance sheet date, the ageing analysis of the trade receivables was as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**96,121**	53,387
Amount past due at balance sheet date but not impaired:		
Less than 30 days past due	**33,154**	66,197
31 to 60 days past due	**17,975**	26,433
61 to 90 days past due	**8,502**	20,915
More than 90 days past due	**24,208**	26,148
	83,839	139,693
	179,960	193,080

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.

9. TRADE & OTHER PAYABLES

Group

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**43,449**	51,356
Other payables	**210,375**	204,288
	253,824	255,644

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

	2008	2007
	HK$'000	*HK$'000*
Current – 30 days	**36,997**	40,174
31 days – 60 days	**3,378**	7,844
61 days – 90 days	**573**	1,154
Over 90 days	**2,501**	2,184
	43,449	51,356

10. EVENT AFTER BALANCE SHEET DATE

On 27 February 2009, the Group entered into a Share Transfer Agreement to sell the entire capital of Suzhou Shuilian Mattress Co. Ltd. at a consideration of RMB5,500,000. The transaction will be closed upon the issuance of the new business license to the buyers. The Group has recorded an impairment loss of HK$480,000 in 2008.

DIVIDEND

No interim dividend had been declared and the Directors recommend a final dividend of HK9 cents per share (2007: HK9 cents) for the year ended 31 December 2008. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be distributed on or about 6 July 2009 to shareholders who appear on the Register of Members of the Company at the close of business on 12 June 2009.

CHAIRMAN'S STATEMENT

Our strategy to solidify Tai Ping's status as an internationally recognised luxury brand continued to bear fruit despite a challenging economic climate. We are pleased to report healthy growth in turnover to a new record of HK$1.3 billion in 2008, up 18%.

To position Tai Ping for expansion, we continued to enhance our presence in the United States, Europe and Asia, while developing our sales operations in the more recently opened markets of South America, India, and the Middle East.

The Commercial division's business experienced strong gains in 2008, largely attributable to the hospitality sector in North America and the nature of planning and construction cycles of major U.S. hotel chains. Hospitality business in South and Central America was also favourable as Tai Ping's Commercial division leveraged its strong global customer base. A new Contract division was started mid-year to take advantage of our carpet tile capabilities at Carpets Inter in Thailand and to inject a high level of design and innovation into a commodity-driven business. In 2009, we will introduce our first all wool carpet tile to be sold as a unique product with real environmental attributes.

With the Residential & Boutique Contract division, Edward Fields, the iconic American brand, was relaunched in 2008 with new product development and a programme of creating Edward Fields studios within Tai Ping showrooms to give the U.S. new touchpoints.

In 2009, the launch of Tai Ping and Edward Fields websites along with newly printed catalogues will provide timely opportunity to our talented sales teams to re-introduce global Design Collections for Tai Ping and newly curated Edward Fields to our design communities.

In January 2008, we completed the acquisition of J.S.L. Carpet Corporation ("JSL"), a U.S.-based wholesale distributor of high-end custom carpets and rugs. Therefore, it was pleasing to see JSL showing growth and profitability over prior year, and there is an exciting opportunity to utilize JSL for additional product sourcing, development and distribution worldwide.

"Tai Ping Towards Sustainability", the company-wide programme of environmental initiatives, has been a key focus at factory level. In addition to ISO 14001 and the CRI's Green Label Plus, in 2009, Tai Ping will continue to work toward NSF 140 Silver certification. Reuse, Reduce, and Recycling initiatives are ongoing for all resources and materials used in the production and distribution of Tai Ping products.

While the global outlook for 2009 presents ever-increasing economic and environmental challenges, premium quality and customer service will continue to be Tai Ping's strongest attributes. 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.

On behalf of the Board, I should like to thank all staff for their fruitful efforts in 2008, and I am also grateful to the Directors for their valuable support and advice during this past year.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's consolidated turnover for the year ended 31 December 2008 was HK$1,320 million, a year-on-year increase of 18% or HK$198 million. This was mainly driven by the sustained business growth of the core carpet operations, which accounted for 94% of total turnover. The gross margin decreased slightly to 44% from 45% in 2007, which was mainly attributable to significant increases in commodity prices during the first half year of 2008 and volatile exchange markets.

The Group recorded an operating profit of HK$40 million, which was 63% of the operating profit of HK$63 million earned in 2007. The relatively significant decrease in operating profit was mainly due to lower gross profit margin and higher operating costs. Part of the higher operating costs was attributable to exchange losses of HK$8 million arising from trade activities in 2008, compared with a net exchange gain of HK$6 million in 2007, due to a strong and fast appreciation of the U.S. Dollar against most other currencies in the fourth quarter in 2008.

Total gain arising from revaluation and disposal of investment properties also decreased from HK$10 million in 2007 to HK$187,000 only in 2008. In addition, the Group recorded an impairment loss of HK$480,000 in respect of the mattress business in China, which was discontinued and sold after year-end.

Share of profits of the jointly controlled entities, however, recorded significant increases in 2008. The increase in profit share from the jointly controlled entities amounted to HK$65 million, up 55% year on year, which was attributable to various causes: strong local business growth due to the Beijing Olympics Game, much bigger capacity and economy of scale from operating the new factory site and closing down the old one, and the gain arising from the sale of the old factory site and facilities during the year.

As a result, profit attributable to equity holders amounted to HK$83 million, a decrease of HK$6 million or 6%, as compared with HK$89 million in 2007.

Carpet Operations

Turnover of the carpet operations in 2008 increased by 20%, or HK$206 million, to HK$1,239 million. This achievement was mainly the direct result of the Group's dedicated investments and efforts made in the U.S., Europe and certain emerging markets during the past few years, and its acquisition of JSL in the U.S. in January 2008.

The Group's strategy is to compete with premium quality, strong service commitment and design support, and to actively explore opportunities in new markets and products for sustained growth. New offices were established in Argentina and India.

The Americas accounted for 48% of total carpet turnover in 2008, while Asia and Europe/Others accounted for 32% and 20% respectively. In 2007, the corresponding shares of total carpet turnover by the Americas, Asia and Europe/Others were 41%, 39% and 20% respectively.

The gross profit margin in 2008 decreased only slightly to 45%, from 46% in 2007, despite very challenging operational conditions during the year. This was mainly achieved by further improved factory efficiencies and continuing increase in sales mix of higher margin carpets.

The operating profit of the carpet operations decreased by HK$24 million, or 43%, to HK$32 million year on year. This was mainly attributable to the decline in gross profit margin and to relatively high operating expenses incurred for business/product development and building the foundation for future growth.

The Americas

The U.S. remained the Group's largest market in 2008 and accounted for 46% of total carpet turnover. Carpet turnover in the U.S. was HK$569 million, a 34% increase year-on-year. Although the significant increase was partly attributable to the acquisition of the JSL, which sales (HK$54 million) accounted for 37% of the year-on-year increase in turnover, both the commercial and residential businesses also recorded strong sales during the year.

Turnover of the U.S. commercial business grew by 19% to HK$325 million in 2008. The increase was mainly attributable to the continuing increase of the business from the hospitality sector. In addition, Tai Ping's increased presence in the U.S. has stimulated the growth of the commercial business worldwide as more projects from U.S. customers are referred to other offices as these customers have expanded their businesses overseas.

Despite higher sales, the operating results of the U.S. commercial business decreased in 2008 due to lower gross profit margins and investments in new business development. The gross profit margin was tight in certain market sectors and the significant increases in production costs could not be fully passed on.

The U.S. residential business posted strong growth in sales due to fewer disruptions caused by showroom re-location and/or renovation works in 2008. Turnover in 2008 was HK$190 million, 25% higher than 2007, with healthy profit margins. The operating profit of the U.S. residential business also showed significant improvement as the increases in selling and administrative expenses incurred to support the sales growth in 2008 were relatively insignificant.

The Group has also established an office in Argentina to actively pursue business opportunities in the Latin America region. Total sales recorded during the year amounted to HK$31 million.

Asia

In Thailand, the Group is a dominant player in the domestic market selling under the Carpets Inter brand. Turnover in the South East Asia region in 2008 showed a reasonable increase as it benefited from the growth in certain domestic market segments even though general demand was fairly weak. Its operating results also improved due to higher profit margin and production efficiencies.

After two years of significant growth, combined turnover in Hong Kong, Macau and China decreased by 22% to HK$85 million in 2008. In particular, sales in the Macau market were badly hit by the significant slow-down of the gaming sector business. While the gross profit margin was maintained, the operating profit earned was much lower compared with 2007.

Europe/Others

In 2008 turnover in Europe and the Middle East showed significant growth both in the commercial and residential businesses, partly helped by a strong Euro and Pound Sterling against the U.S. Dollar in the first three quarters in 2008. Total turnover amounted to HK$189 million, a year-on-year increase of 17%.

The gross profit margin in 2008 was similar to the 2007 level as the impact of the stronger Euro and Pound Sterling against the U.S. Dollar was offset by the higher production costs resulting from a weak U.S. Dollar. The European operations incurred a loss in 2008, partly attributable to relatively higher initial costs incurred in developing new markets, including the new Hamburg showroom, and exchange losses arising from trade activities resulting from the sharp reversal of the exchange rates of Euro/Pound Sterling against the U.S. Dollar in the fourth quarter in 2008.

Jointly Controlled Entities

Combined turnover of the three jointly controlled entities in China amounted to HK$1,098 million, which was similar to the 2007 level. While the domestic market remained highly price sensitive and competition was intense, the gross profit margin and operating profit of the jointly controlled entities grew strongly as their production was centralised in the new factory premises, thus yielding better production efficiencies and lower average unit costs.

After the re-location, the old factory site and the premises were sold during the year, and the Group's share of the gain was HK$17 million.

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.

As a result, the Group's share of profit after income tax expenses of the jointly controlled entities amounted to HK$65 million, which was 55% higher than the 2007 amount (HK$42 million).

Marketing & Branding

Key growth drivers in 2008 included a strategy of creating branded showrooms to improve Tai Ping's product and brand exposure in cities with a concentration of design communities and high net worth populations. The completion of the expansion of the Hong Kong showroom and renovation of a Tai Ping showroom in Dallas along with the creation of four new Edward Fields Studios in Chicago, San Francisco, Dallas and Los Angeles within existing Tai Ping showrooms, concluded a program of renovation of the majority of existing locations.

Monthly appearances of print editorials featuring Tai Ping and Edward Fields products in design and business publications around the world further expanded brand awareness in 2008; as will newly completed websites and catalogues for both Tai Ping and Edward Fields.

Participation in tradeshows worldwide afforded Tai Ping a platform for exposure, growth and expansion in new territories particularly throughout South and Central America with the debut of Hotelga in Buenos Aires, an important Hospitality event. In addition, Tai Ping Contract's first all wool premium carpet tile line will provide a unique opportunity to further distinguish the Tai Ping brand.

Plans in 2009 include maximising the investment of our new websites through a strategic web marketing plan and the ongoing development of innovative and exciting sales tools to support global collection sales, and to communicate Tai Ping's exciting environmental initiatives.

Yarn Operation

Premier Yarn Dyers, Inc., which operates the Group's U.S.-based yarn-dyeing facilities, recorded a decrease in sales and operating profit of 11% and 25% respectively. Turnover and operating profit in 2008 amounted to HK$62 million (2007: HK$70 million) and HK$9 million (2007: HK$12 million) respectively. The decrease in sales of PYD was a direct consequence of the decrease in demand in the mass carpet market in the U.S., with fewer dyeing orders contracted out by other carpet companies.

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 maintains its focus on growing the core carpet operations and disposing of non-core businesses and assets. Turnover of such other businesses in 2008 decreased by 2% year-on-year, to HK$19 million. In 2008, such other businesses recorded an operating gain of HK$148,000 before accounting for the loss on disposal of the mattress business mentioned below.

The Group decided to terminate the mattress operation in China in late 2008, and entered into an agreement in February 2009 to sell the business to certain independent third parties. As a result, it was estimated that a loss of HK$480,000 would result from the disposal of this business which has been provided for in 2008.

Capital Expenditure

Capital expenditure in the form of property, plant and equipment, construction in progress and intangible assets (other than goodwill) incurred by the Group totalled HK$73 million in 2008 (2007: HK$57 million). As at 31 December 2008, the aggregate net book value of the Group's property, plant and equipment, investment properties, leasehold land and land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK$381 million (2007: HK$398 million).

It is expected that capital expenditure will decrease in 2009 as major initiatives to expand factory capacities and renovate RBC showrooms have been substantially completed.

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 2008, the Group had total cash and bank balances amounting to HK$115 million (2007: HK$108 million) and did not have any bank borrowings (2007: HK$1 million). As at 31 December 2007, the loans of the Group were denominated in U.S. Dollars and matured within 1 year. The net cash balance was HK$115 million as at 31 December 2008 (2007: HK$107 million). The gearing ratio, calculated as net bank borrowings (total bank borrowings net of cash and bank balances) divided by total equity, was 0% (2007: 0%).

As at 31 December 2008, the Group also held financial assets at fair value through profit or loss of HK$59 million (2007: HK$31 million).

Exposure to Foreign Exchange Risks

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

The Group's sales are denominated primarily in U.S. Dollars, and to a lesser extent in Thai Baht, Euro and Pound Sterling. The operations in Singapore, India and Argentina are not significant in terms of the Group's results.

The major exchange differences arising from overseas operations in 2008 related mostly to Thailand and Europe. The effect of the exchange differences in Thailand, however, has been partly reduced by hedging against some of its foreign currency exposure (including accounts receivable from export sales). While the exchange rates of Euro/Pound Sterling against the U.S. Dollar were strong in 2007 and in the first three quarters in 2008, there was a sharp and significant reversal of this trend in the fourth quarter in 2008. As a result, the European operations recorded net exchange losses of HK$6 million in 2008 compared with net exchange gain of HK$6 million in 2007.

It is considered that the exchange market will continue to be highly volatile in 2009, and the Group will closely monitor the exchange rate movements and take appropriate action to manage any material exposure that may arise.

Employee & Remuneration Policies

As at 31 December 2008, the Group employed 3,400 employees (2007: 3,300 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 2008 totalled HK$364 million (2007: HK$324 million) and HK$8 million (2007: HK$6 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 ended 31 December 2008 after certain adjustments.

Contingent Liabilities

As at 31 December 2008, the Group's total contingent liabilities amounted to HK$24 million (2007: HK$22 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 Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company codified its corporate governance practices by reference to the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The 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 2008.

Financial Reporting and Internal Controls

The consolidated financial statements of the Company for the year ended 31 December 2008 have been reviewed by the Audit Committee and audited by the external auditor, BDO McCabe Lo Limited. 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 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 financial statements 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. However, associate and jointly controlled entities might not fully follow the Group's internal control system. The Group is not involved in routine operational decisions or plays an active role in running the business of the associate and jointly controlled entities, and an audit or certain review procedures are performed on their annual financial results. Major business decisions and challenges, including key policies, capital expenditure, regulatory and financing issues, would be presented and considered through regular board meetings. Such practices provide reasonable, but not absolute, assurance against material mis-statement or loss and manage rather than eliminate risks associated with the business activities.

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

Audit Committee

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

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

During the year under review, the Audit Committee held 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 internal controls and financial reporting.

CLOSING OF REGISTER

The Register of Members of the Company will be closed from Wednesday, 10 June 2009 to Friday, 12 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, 46/F Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 9 June 2009.

By order of the Board

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

Hong Kong, 17 April 2009

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 2008 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).