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 2009

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 2009, together with the comparative figures for 2008, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Note	**2009** *HK$'000*	2008 *HK$'000*
Turnover	*3*	**1,117,673**	1,320,044
Cost of sales		**(620,462)**	(745,081)
Gross profit		**497,211**	574,963
Distribution costs		**(83,700)**	(99,744)
Administrative expenses		**(392,277)**	(417,873)
Other operating income		**3,523**	1,874
Other operating expenses		**(1,848)**	(18,776)
Operating profit	*4*	**22,909**	40,444
Finance costs		**(670)**	(772)
Interest income from banks		**147**	553
Impairment loss for assets held for sale		**–**	(480)
Gain on disposal of investment properties		**–**	1,497
Deficit on revaluation of investment properties		**–**	(1,310)
Share of (losses)/profits of			
an associate		**(1,670)**	(1,140)
jointly controlled entities		**41,075**	65,088
add: reversal of impairment of jointly controlled entities		**–**	10,309
Profit before income tax expenses		**61,791**	114,189
Income tax expenses	*5*	**(21,604)**	(30,036)
Profit for the year		**40,187**	84,153
Attributable to:			
Owners of the Company		**39,968**	83,465
Minority interests		**219**	688
		40,187	84,153
Earnings per share of profit attributable to owners of the Company (expressed in HK cents)			
Basic	*6*	**18.84**	39.34
Diluted	*6*	**18.84**	39.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2009	2008
	HK$'000	*HK$'000*
Profit for the year	**40,187**	84,153
Other comprehensive income for the year:		
Exchange differences on translating foreign operations	**9,880**	6,390
Total comprehensive income for the year	**50,067**	90,543
Total comprehensive income for the year attributable to:		
Owners of the Company	**49,699**	88,167
Minority interests	**368**	2,376
	50,067	90,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	**2009**	2008
		HK$'000	*HK$'000*
Assets			
Non-current assets			
Intangible assets		**22,172**	23,843
Leasehold land & land use rights		**17,991**	20,223
Property, plant & equipment		**309,086**	332,040
Investment properties		**6,800**	6,800
Construction in progress		**10,063**	12,386
Interest in an associate		**18,824**	22,302
Interests in jointly controlled entities		**316,947**	273,709
Deferred tax assets		**9,184**	7,583
		711,067	698,886
Current assets			
Inventories		**163,922**	196,489
Trade & other receivables	*7*	**197,907**	215,241
Derivative financial instruments		**92**	169
Financial assets at fair value through profit or loss		**87,328**	59,170
Tax recoverable		**1,177**	–
Pledged bank deposits		**5,106**	–
Cash & cash equivalents		**105,305**	114,900
		560,837	585,969
Assets held for sale		**–**	5,695
		560,837	591,664
Total assets		**1,271,904**	1,290,550

	Note	2009 HK$'000	2008 HK$'000
Equity			
Capital & reserves attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**956,669**	926,067
Proposed final dividend		**19,097**	19,097
		996,985	966,383
Minority interests		**39,563**	39,020
Total equity		**1,036,548**	1,005,403
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**6,194**	4,823
Other long-term liabilities		**1,865**	3,655
		8,059	8,478
Current liabilities			
Trade & other payables	*8*	**215,337**	253,824
Other long-term liabilities – current portion		**1,028**	4,199
Taxation		**10,932**	18,646
		227,297	276,669
Total liabilities		**235,356**	285,147
Total equity & liabilities		**1,271,904**	1,290,550
Net current assets		**333,540**	314,995
Total assets less current liabilities		**1,044,607**	1,013,881

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") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

b. Basis of measurement

The 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; and (ii) investment properties which are carried at fair value; and (iii) financial instruments which are measured at fair values; and (iv) assets held for sale which are carried at fair values less costs to sell.

2. ADOPTION OF AMENDMENTS & NEW OR REVISED HKFRSs

2.1 The Group has adopted the following new and revised standards issued by the HKICPA that change the presentation of the financial statements of the Group in the current accounting period:

a. HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The Group selected a two-statement approach to separately present (i) items of income and expense recognised as profit and loss in the Income Statement and (ii) profit and items of income and expense not recognised as profit and loss in the Statement of Comprehensive Income. The transactions with owners are presented in the Statement of Changes in Equity. The Group also adopted the revised title "Statement of Financial Position" for "Balance Sheet".

b. HKFRS 8 has resulted in certain changes in the presentation of the Group's segment information. Comparative figures have been restated in order to achieve a consistent presentation.

c. The amendments to HKFRS 7, "Improving Disclosures about Financial Instruments" expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

2.2 The following new and revised HKFRSs are effective for the current accounting period, but there is no material impact on the results and the financial position of the Group. Accordingly, no prior period adjustment has been recognised.

Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKFRS 2	Share-based Payment – Vesting Condition and Cancellations
Amendments to HK(IFRIC) – Interpretation 9 and HKAS 39	Embedded Derivatives
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendment to paragraph 80 of HKAS 39
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

2.3 Potential impact arising on HKFRSs not yet effective

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the Directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group, except for the adoption of (i) HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010, (ii) HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions, and (iii) the amendment to HKAS 17 made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgment to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met. If the information necessary to apply the amendment retrospectively is not available, the Group will recognise the related asset and liability at their fair values on the date of adoption and recognise the difference in retained earnings.

3. TURNOVER & SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to assess performance and allocate resources. The Board of Directors considers the businesses primarily based on the nature of operations and customers. The Group currently organised into four major business segments: Commercial, Residential Boutique Contract ("RBC"), Wholesale and Others (including manufacturing and trading of yarn and property holding).

The following table presents turnover, profit and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 December 2009 and 2008.

For the year ended 31 December 2009

	Commercial *HK$'000*	RBC *HK$'000*	Wholesale *HK$'000*	Total Carpet *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue from external customers	741,744	313,045	31,177	1,085,966	31,707	–	1,117,673
Segment results	58,432	31,184	(7,270)	82,346	1,357	–	83,703
Unallocated expenses[1]				(59,040)	–	–	(59,040)
Operating profit[2]				23,306	1,357	–	24,663
Finance costs							(670)
Interest income from banks							147
Share of (losses)/profits of							
an associate							(1,670)
jointly controlled entities[2]							39,321
Profit before income tax expenses							61,791
Income tax expenses							(21,604)
Profit for the year							40,187
Segment assets	652,083	61,656	33,241	746,980	38,976	150,177	936,133
Interest in an associate							18,824
Interests in jointly controlled entities							316,947
Total assets							1,271,904
Segment liabilities	144,077	50,472	13,510	208,059	2,250	25,047	235,356
Capital expenditure	23,856	4,984	32	28,872	–	3,156	32,028
Depreciation	39,029	8,426	86	47,541	145	9,593	57,279
Amortisation of leasehold land & land use rights	–	–	–	–	–	2,232	2,232
Amortisation of intangible assets	–	–	2,247	2,247	–	–	2,247
Impairment of inventories	1,097	(291)	485	1,291	–	–	1,291
(Recovery of impairment)/impairment of trade & other receivables	(480)	1,847	(2,610)	(1,243)	–	–	(1,243)
Gain/(loss) on disposal of property, plant & equipment	1,424	(696)	–	728	870	(70)	1,528

For the year ended 31 December 2008

	Commercial *HK$'000*	RBC *HK$'000*	Wholesale *HK$'000*	Total Carpet *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue from external customers	876,728	308,654	53,992	1,239,374	80,670	–	1,320,044
Segment results	82,160	22,870	5,101	110,131	10,195	–	120,326
Unallocated expenses[1]				(77,992)	–	–	(77,992)
Operating profit[2, 3]				32,139	10,195	–	42,334
Finance costs							(772)
Interest income from banks							553
Share of (losses)/profits of							
an associate							(1,140)
jointly controlled entities[2]							73,214
Profit before income tax expenses							114,189
Income tax expenses							(30,036)
Profit for the year							84,153
Segment assets	674,151	69,193	38,138	781,482	44,108	168,949	994,539
Interest in an associate							22,302
Interests in jointly controlled entities							273,709
Total assets							1,290,550
Segment liabilities	190,592	45,148	14,364	250,104	4,680	30,363	285,147
Capital expenditure	51,697	3,712	12,010	67,419	–	5,160	72,579
Depreciation	40,813	2,052	10	42,875	391	10,595	53,861
Amortisation of leasehold land & land use rights	–	–	–	–	–	2,090	2,090
Amortisation of intangible assets	–	–	2,080	2,080	–	–	2,080
Impairment of property, plant & equipment	3,678	–	–	3,678	111	–	3,789
Impairment of inventories	2,165	26	435	2,626	–	–	2,626
Impairment/(recovery of impairment) of trade & other receivables	2,220	3,041	3,083	8,344	–	(640)	7,704
Gain/(loss) on disposal of property, plant & equipment	350	–	–	350	(65)	(9)	276

Notes:

1 Included shared expenses for global operation, information technology, marketing, internal audit, etc.

2 Excluded the share of profit of one jointly controlled entity which is included in the Wholesale segment and forms part of the operating profit

3 Included impairment loss for assets held for sale, gain on disposal of investment properties and deficit on revaluation of investment properties

4. OPERATING PROFIT

	2009	2008
	HK$'000	*HK$'000*
Operating profit is stated after crediting & charging the following:		
Crediting:		
Gain on disposal of financial assets at fair value through profit or loss	**752**	241
Gain on disposal of property, plant & equipment	**1,528**	276
Recovery of impairment of trade & other receivables	**1,243**	–
Net exchange gains	**1,235**	–
Charging:		
Amortisation of intangible assets (included in administrative expense)	**2,247**	2,080
Amortisation of leasehold land & land use rights	**2,232**	2,090
Depreciation of property, plant & equipment	**57,279**	53,861
Loss on change in fair value of derivative financial instruments	**77**	380
Impairment of property, plant & equipment	**–**	3,789
Impairment of inventories	**1,291**	2,626
Impairment of trade & other receivables	**–**	7,704
Employee benefit expenses	**372,542**	372,122
Operating lease charges		
Land & buildings	**25,069**	20,491
Plant & machinery	**1,569**	2,221
Auditor's remuneration	**2,777**	3,343
Direct operating expenses arising from investment properties that generated rental income	**12**	108
Research & development costs	**2,265**	1,975
Net exchange losses	**–**	7,958

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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:

	2009	2008
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**3,258**	5,523
PRC & overseas	**17,000**	23,956
Under/(over) provision in prior years	**1,395**	(2,548)
Deferred income tax (credit)/charge	**(49)**	3,105
Income tax expenses	**21,604**	30,036

Share of income tax expenses of an associate of HK$36,000 (2008: HK$1,890,000) and share of income tax expenses of jointly controlled entities of HK$12,678,000 (2008: HK$9,255,000) respectively 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 owners of the Company by the weighted average number of shares in issue during the year.

	2009	2008
Profit attributable to owners of the Company (HK$'000)	**39,968**	83,465
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**18.84**	39.34

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.

	2009	2008
Profit attributable to owners of the Company (HK$'000)	**39,968**	83,465
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Adjustments for share options (thousand)	**–**	14
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**212,187**	212,201
Diluted earnings per share (HK cents)	**18.84**	39.33

7. TRADE & OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**176,730**	206,320
Less: Impairment loss of trade receivables	**(19,670)**	(26,360)
Trade receivables, net	**157,060**	179,960
Other receivables	**40,847**	35,281
	197,907	215,241

The amounts approximated to the respective fair values as at 31 December 2009 and 2008. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the reporting date, the ageing analysis of the trade receivables net of impairment loss, based on invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**86,723**	99,367
31 to 60 days	**34,023**	38,984
61 to 90 days	**14,702**	16,846
More than 90 days	**21,612**	24,763
	157,060	179,960

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

	2009	2008
	HK$'000	*HK$'000*
Current	**78,648**	96,121
Amount past due at reporting date but not impaired:		
Less than 30 days past due	**42,809**	33,154
31 to 60 days past due	**11,425**	17,975
61 to 90 days past due	**4,612**	8,502
More than 90 days past due	**19,566**	24,208
	78,412	83,839
	157,060	179,960

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.

8. TRADE & OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**48,464**	43,449
Other payables	**166,873**	210,375
	215,337	253,824

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

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**43,579**	36,997
31 days to 60 days	**3,489**	3,378
61 days to 90 days	**60**	573
More than 90 days	**1,336**	2,501
	48,464	43,449

9. EVENT AFTER THE REPORTING DATE

On 21 December 2009 and 24 December 2009, the Group entered into sale and purchase agreements with independent third parties to dispose all of its investment properties situated in Hong Kong for cash consideration of HK$7,210,000. The transactions were completed on 1 February 2010.

DIVIDEND

No interim dividend was paid during the year (2008: Nil). The Directors recommend a final dividend of HK9 cents per share (2008: HK9 cents) for the year ended 31 December 2009. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 June 2010.

CHAIRMAN'S STATEMENT

Tai Ping's brand identity as a leader in the international luxury category has served it well during an enormously challenging economic period. While our business has certainly been hit by the global economic downturn, we have fared considerably better than our competitors, and stand poised for recovery and growth in 2010.

In November 2009, we made the decision to dispose the assets of White Oak Carpet Mills, Inc, a non-core strategic business located in North Carolina, United States to an independent third party for a very favourable price.

The Commercial division announced a major milestone in both business and sustainability in 2009. Our Axminster product was approved for the sustainability rating NSF-140, an accreditation awarded by American National Standards Institute to the companies being social, economic and environmental responsible. This award gave Tai Ping the distinction of being the only Axminster producer in the world to have achieved it. The Contract division, the Company's newest business, launched three wool carpet tile collections in 2009. With a design-driven approach which will distinguish us in this category.

The Yacht and Aviation businesses were high performers for the Residential & Boutique Contract division, achieving a combined 18% growth in 2009; the Yacht business alone expanded significantly with 10% growth. The robustness of these sectors in 2009 points to even greater gains in the future as the economy recovers.

Maintaining an aggressive and strategic global marketing campaign despite challenging economic circumstances allowed Tai Ping to develop its brand awareness and enhance its image in 2009. Tai Ping's participation in high-profile, prestigious design events, such as the co-branded Tai Ping and Swarovski Crystal Palace exposition at the Milan International Furniture Fair, built awareness and editorial presence for the Company. Tai Ping continued to publish and distribute elegant sales material, catalogues and collateral, which have become ambassadors for the brand in countless design studios worldwide. Tai Ping's public relations program continued to yield a constant stream of editorial placements throughout the United States, Europe and Asia.

While the global outlook for 2010 presents continuing economic and environmental challenges, Tai Ping will continue to rely on its greatest attributes: premium quality and design, outstanding customer service and targeted sales and marketing strategies.

On behalf of the Board, I would like to thank all Tai Ping staff for their hard work and dedication in 2009. I am also grateful to the Directors for their invaluable support and advice during this past year.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's consolidated turnover for the year ended 31 December 2009 was HK$1,118 million, a year-on-year decrease of 15% or HK$202 million. This was due mainly to adverse global economic circumstances, which led to the delay or cancellation of projects in key sectors. The gross margin, however, increased slightly to 44% in 2009, which was mainly attributable to a favourable product mix and improved production efficiencies.

The Group recorded an operating profit of HK$23 million in 2009, a drop of 43% compared to HK$40 million in 2008. The relatively significant decrease in operating profit was mainly due to lower turnover and higher operating costs incurred for business/product development, which lays a foundation for future growth.

Share of profits of the jointly controlled entities was also significantly lower in 2009. The decline in profit share from the jointly controlled entities amounted to HK$41 million in 2009, a year-on-year decrease of 37% from HK$65 million in 2008. The drop was attributable to several factors: the unfavourable global economy; reduced local market demand after the Beijing Olympic Games; and the gain arising from the sale of the old factory and facilities in 2008.

As a result, profit attributable to owners amounted to HK$40 million, a decrease of HK$43 million, or 52%, as compared with HK$83 million in 2008.

Carpet Operations

Turnover of the carpet operations decreased by 12%, or HK$153 million, to HK$1,086 million in 2009, which was attributable to the global economic downturn and decline in the hospitality sector.

The Americas accounted for 44% of total carpet turnover in 2009, while Asia and Europe/Others accounted for 33% and 23% respectively. In 2008, the corresponding shares of total carpet turnover by the Americas, Asia and Europe/Others were 48%, 32% and 20% respectively.

The gross profit margin in 2009 was maintained at 43%, despite a very challenging economic climate. This was mainly due to a favourable product mix.

The operating profit of the carpet operations decreased by HK$9 million, or 27%, to HK$23 million year on year.

The Americas

The U.S. remained the Group's largest market in 2009, accounting for 44% of total carpet turnover. Carpet turnover in the U.S. was HK$441 million, a 22% decrease year-on-year. This is attributable to the decrease in business in the hospitality and casino sectors, which were especially affected by changes in the global economy.

Turnover of the U.S. Commercial business dropped by 27% to HK$238 million. Operating results reduced by 38% in 2009, mainly due to a lower gross profit margin in certain market sectors.

The U.S. Residential business posted only a slight decline in sales due to strong performance in the Aviation business, which doubled its sales in 2009. Turnover in 2009 was HK$172 million, 10% lower than 2008, with improved profit margins. The operating profit of the U.S. Residential business was lower by 14%. This is attributable to the investment made to relocate the Dallas showroom and attendant marketing expenses incurred to strengthen brand awareness.

J.S.L. Carpet Corporation ("JSL"), a U.S.-based wholesale distributor of high-end custom carpets and rugs, was acquired in 2008. JSL recorded a decline in turnover of HK$23 million, or 43%, to HK$31 million in 2009. The decrease was attributable to the unfavourable market environment and established ineffective selling techniques. Therefore an experienced sales team was recruited in 2009 and marketing strategies were adjusted to strengthen sales capabilities.

The Group established an office in Argentina in 2008 to actively pursue Commercial business opportunities in Latin America. Total sales recorded during the year amounted to HK$29 million, a slight fall of HK$2 million, or 6%.

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 2009 showed a reasonable decline of 8%. The net decrease is attributable to the weak demand in Thailand's domestic market; sales in Thailand reduced by 17%. However, 2009 turnover in Singapore posted a remarkable increase of HK$30 million, from HK$1 million to HK$31 million, as Tai Ping was awarded Marina Bay Sands, the largest hospitality project in the South East Asia region.

Turnover of Commercial and RBC sales in Hong Kong, Macau and China showed a slight increase of 3% from HK$85 million to HK$87 million. Most notably, sales in the China market nearly doubled due to the awards of several large hotel projects in Southern China.

Europe/Others

In 2009 turnover in Europe and the Middle East amounted HK$191 million, a year on year increase of 1%.

Turnover of the Residential business in Europe showed a significant growth of 17% because of strong demand in the boutique hotel and luxury retail markets. The Yacht and Aviation business achieved strong growth of 18%. Turnover in the Middle East showed a sharp increase of 63% after several years of active marketing and investment. In 2009, Tai Ping was awarded prestigious projects in the region including the Burj Tower in Dubai and a private air terminal in Doha, Qatar.

While the Commercial business in Europe remained highly competitive and price-sensitive in general, turnover decreased by 29%.

The gross profit margins of both the Residential and Commercial businesses in 2009 were similar to 2008 levels because of enhancement of product quality and service support.

Jointly Controlled Entities

Combined turnover of the three jointly controlled entities in China was lower by 22% to HK$860 million in 2009. This drop can be explained by the joint forces of difficult economic circumstances and intense competition in the China market. While the domestic market remained highly price-sensitive and competitive, the gross profit margin of the jointly controlled entities remained stable when the production was centralised in the new factory premises in 2008.

When the old factory site and premises were sold in 2008, the Group recorded a share of gain of HK$17 million. As a result, in 2009 the Group's share of the profit after income tax expenses of the jointly controlled entities amounted to HK$41 million, which was 37% lower than the 2008 amount (HK$65 million).

Marketing & Branding

2009 was a successful year for global marketing and branding efforts.

Key growth drivers included a successful strategy of increasing international brand awareness through large-scale, co-branded design events. A key example of this program was Tai Ping's collaboration with world-renounced industrial designer Arik Levy and Swarovski Crystal Palace at the Salone Internazionale del Mobile in Milan.

An ongoing aggressive worldwide public relations campaign resulted in continuous editorial placements in top-tier design and lifestyle magazines throughout Asia, Europe and the United States. The media relations campaign was complemented by an experimental web marketing campaign that helped drive new visitors to the newly-launched website through a network of electronic newswires and .net websites.

New RBC collections for Tai Ping and Edward Fields launched with elegant, distinctive brochures and catalogues. For the Commercial division, an innovative Commercial Collection Catalogue was developed. The Contract division introduced the first three wool collections of carpet tiles, each packaged in a sophisticated folder with accompanying brochure. All of these initiatives helped to further expand brand awareness in the global marketplace.

On the "green" front, Tai Ping's strategy is to focus on key environmental initiatives and improvements, such as achieving NSF Silver certification. The significance and impact of this accomplishment will be communicated with a sustainability newly created blog to be updated monthly.

Plans in 2010 include the ongoing development of innovative and exciting sales tools to support sales on a global level.

Yarn Operation

Premier Yarn Dyers, Inc. ("PYD"), which operates the Group's U.S.-based yarn-dyeing facilities, recorded a decrease in sales and operating profit of 50% and 77%, respectively. Turnover and operating profit in 2009 amounted to HK$31 million (2008: HK$62 million) and HK$2 million (2008: HK$9 million). The decline 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 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 other such businesses in 2009 decreased significantly by 97% year on year because the Group had terminated the mattress operation in China and sold the business to certain independent third parties in 2008.

In December 2009, the Group entered into two sales and purchase agreements with independent third parties to dispose of all investment properties. The disposal was completed in February 2010.

Capital Expenditure

Capital expenditure in the form of property, plant & equipment, construction in progress and intangible assets (other than goodwill) incurred by the Group totalled HK$32 million in 2009 (2008: HK$73 million). As at 31 December 2009, the aggregate net book value of the Group's property, plant & equipment, investment properties, leasehold land & land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK$352 million (2008: HK$381 million).

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 2009, the Group had total cash and bank balances amounting to HK$105 million (2008: HK$115 million).

As at 31 December 2009, the Group also held financial assets at fair value through profit or loss of HK$87 million (2008: HK$59 million).

Details of Charges on the Group's Assets

The Group had charges on bank deposits of HK$5 million made to a bank to secure banking facilities granted to the Group.

Exposure to Foreign Exchange Risks

The Group has overseas operations in the U.S., Europe, Thailand, the PRC, Singapore, India 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 Group recorded net exchange gain of HK$1 million, arising from overseas operations in 2009, which related mostly to Europe.

It is expected that the exchange market may continue to be highly volatile in 2010, and the Group will closely monitor the exchange rate movements and take appropriate action to manage any material exposure that may arise.

Employee & Remuneration Policies

As at 31 December 2009, the Group employed 3,200 employees (2008: 3,400 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 2009 totalled HK$361 million (2008: HK$364 million) and HK$11 million (2008: HK$8 million) respectively.

Contingent Liabilities

As at 31 December 2009, the Group's total contingent liabilities amounted to HK$40 million (2008: HK$24 million).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

The Board and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company codified its corporate governance practices by reference to the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The 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 2009.

Financial Reporting and Internal Controls

The consolidated financial statements of the Company for the year ended 31 December 2009 have been reviewed by the Audit Committee and audited by the external auditor, BDO 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 Limited, to the amounts set out in the consolidated financial statements of the Company for the year. The work performed by BDO 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 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 businesses of the associate and jointly controlled entities, and an audit or certain review procedures are performed on their annual financial results. Major business decisions and challenges, including key policies, capital expenditure, regulatory and financing issues, would be presented and considered through regular board meetings. Such practices provide reasonable, but not absolute, assurance against material mis-statement or loss and manage rather than eliminate risks associated with the business activities.

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

Audit Committee

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

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

During the year under review, the Audit Committee held 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, 16 June 2010 to Friday, 18 June 2010, 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, 15 June 2010.

By order of the Board

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Chief Executive Officer

Hong Kong, 16 April 2010

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 2009 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).