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 2014

The Directors of Tai Ping Carpets International Limited (the "Company") announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014, together with the comparative figures for 2013, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	**2014** **HK$'000**	2013 HK$'000
Revenues	3	**1,428,259**	1,433,200
Cost of sales	4	**(761,962)**	(781,377)
Gross profit		**666,297**	651,823
Distribution costs	4	**(373,875)**	(357,885)
Administrative expenses	4	**(238,943)**	(267,276)
Gain in relation to Thailand flooding – net	5	**–**	51,491
Other gains/(losses) – net	6	**2,217**	(1,193)
Operating profit		**55,696**	76,960
Finance income		**5,464**	1,932
Finance costs		**(1,565)**	(1,847)
Finance income – net		**3,899**	85
Share of loss of an associate		**–**	(703)
Profit before income tax		**59,595**	76,342
Income tax expense	7	**(33,904)**	(25,995)
Profit for the year		**25,691**	50,347
Profit attributable to:			
owners of the Company		**23,832**	46,785
non-controlling interests		**1,859**	3,562
		25,691	50,347
Earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted	8	**11.23**	22.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**25,691**	50,347
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of post-employment benefit obligations	**–**	(2,250)
Deferred tax on remeasurement of post-employment benefit obligations	**–**	450
Items that may be reclassified to profit or loss		
Currency translation differences	**2,520**	(19,830)
Other comprehensive income for the year, net of tax[1]	**2,520**	(21,630)
Total comprehensive income for the year	**28,211**	28,717
Attributable to:		
owners of the Company	**26,500**	24,347
non-controlling interests	**1,711**	4,370
	28,211	28,717

Note:

1 Items in the statement above are disclosed net of tax. The income tax relating to each component of the other comprehensive income is disclosed in Note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Land use rights		**32,871**	33,667
Property, plant & equipment		**277,655**	291,184
Construction in progress		**63,892**	16,037
Intangible assets		**34,875**	36,339
Deferred income tax assets		**10,948**	12,108
Prepayments	*9*	**6,328**	2,393
Pledged bank deposits		**314**	474
Fixed deposits		**–**	315
		426,883	392,517
Current assets			
Inventories		**234,347**	238,806
Trade & other receivables	*9*	**244,269**	294,351
Derivative financial instruments		**4,588**	–
Financial assets at fair value through profit or loss		**78,350**	33,235
Current income tax assets		**13,773**	716
Pledged bank deposits		**5,058**	100
Fixed deposits		**165,193**	96,505
Cash & cash equivalents		**146,879**	306,760
		892,457	970,473
Non-current asset held for sale	*11*	**17,192**	17,192
		909,649	987,665
Total assets		**1,336,532**	1,380,182

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2014 HK$'000	2013 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**377,229**	382,561
Retained earnings:			
Proposed final dividend		**25,462**	25,462
Others		**367,902**	446,407
		791,812	875,649
Non-controlling interests		**43,667**	42,370
Total equity		**835,479**	918,019
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**5,634**	219
Retirement benefit obligations		**26,079**	25,477
Other long-term liabilities		**3,015**	3,015
		34,728	28,711
Current liabilities			
Trade & other payables	*10*	**330,529**	339,823
Current income tax liabilities		**14,968**	8,477
Bank borrowings – unsecured		**120,777**	82,336
Derivative financial instruments		**51**	2,816
		466,325	433,452
Total liabilities		**501,053**	462,163
Total equity & liabilities		**1,336,532**	1,380,182
Net current assets		**443,324**	554,213
Total assets less current liabilities		**870,207**	946,730

1. BASIS OF PREPARATION

The consolidated financial statements of Tai Ping Carpets International Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. CHANGES IN ACCOUNTING STANDARDS

(a) New and amended standards and interpretation mandatory for the first time for the financial year beginning 1 January 2014 but which have no material impact to the Group

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities
HK(IFRIC) – Int 21	Levies

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

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

HKAS 1 (Amendment)	Disclosure Initiative[2]
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception[2]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKFRS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants[2]
Annual Improvements Project	Annual Improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011-2013 Cycle[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[2]

Notes:

[1] Effective for the Group for annual period beginning on 1 July 2014
[2] Effective for the Group for annual period beginning on 1 January 2016
[3] Effective for the Group for annual period beginning on 1 January 2017
[4] Effective for the Group for annual period beginning on 1 January 2018

The Group is assessing the impact of these new standards and amendments, and is not yet in a position to state whether they would have any significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3. TURNOVER AND SEGMENTAL INFORMATION

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

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

The segment information provided to management for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

For the year ended 31 December 2014

	Asia	EMEA	North America	South America	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	574,618	226,949	591,480	35,212	–	1,428,259
Cost of production[1]	(382,018)	(92,376)	(309,876)	(22,481)	–	(806,751)
Segment gross margin	192,600	134,573	281,604	12,731	–	621,508
Segment results	56,133	(13,623)	31,736	(130)	–	74,116
Unallocated expenses[2]						(18,420)
Operating profit						55,696
Finance income						5,464
Finance costs						(1,565)
Profit before income tax						59,595
Income tax expense						(33,904)
Profit for the year						25,691
Non-current assets	275,912	24,850	30,830	1,725	93,566	426,883
Current assets	526,657	65,161	122,553	10,320	167,766	892,457
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,336,532
Segment liabilities	176,929	68,856	103,612	5,395	146,261	501,053
Capital expenditure	(46,865)	(6,299)	(6,674)	(7)	(45,016)	(104,861)
Depreciation of property, plant & equipment	(48,198)	(4,231)	(8,930)	(35)	(364)	(61,758)
Amortisation of land use rights	–	–	–	–	(680)	(680)
Amortisation of intangible assets	(7,708)	–	(130)	–	–	(7,838)
(Allowance for)/recovery of impairment of inventories	(585)	(1,130)	440	–	–	(1,275)
(Allowance for)/recovery of impairment of trade receivables	(204)	7,706	1,355	(48)	–	8,809
Gain/(loss) on disposal of property, plant & equipment	45	(327)	(85)	–	–	(367)

For the year ended 31 December 2013

	Asia HK$'000	EMEA HK$'000	North America HK$'000	South America HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	639,238	232,753	540,943	20,266	–	1,433,200
Cost of production[1]	(431,177)	(96,270)	(287,917)	(13,042)	–	(828,406)
Segment gross margin	208,061	136,483	253,026	7,224	–	604,794
Segment results	34,162	(26,004)	32,220	(8,002)	–	32,376
Unallocated expenses[2]						(6,907)
Gain in relation to Thailand flooding – net	51,491	–	–	–	–	51,491
Operating profit						76,960
Finance income						1,932
Finance costs						(1,847)
Share of loss of an associate	–	–	–	–	(703)	(703)
Profit before income tax						76,342
Income tax expense						(25,995)
Profit for the year						50,347
Non-current assets	260,674	26,266	33,152	3,107	69,318	392,517
Current assets	557,942	96,122	115,697	9,976	190,736	970,473
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,380,182
Segment liabilities	174,609	78,526	95,429	5,454	108,145	462,163
Capital expenditure	(39,865)	(5,386)	(2,802)	(23)	(46,926)	(95,002)
Depreciation of property, plant & equipment	(48,229)	(3,754)	(10,015)	(54)	(213)	(62,265)
Amortisation of land use rights	(1,428)	–	–	–	(564)	(1,992)
Amortisation of intangible assets	(644)	–	(130)	–	(5,304)	(6,078)
Allowance for impairment of inventories	(2,002)	(2)	(1,542)	–	–	(3,546)
Recovery of/(allowance for) impairment of trade receivables	1,236	(14,815)	4,203	46	–	(9,330)
Gain/(loss) on disposal of property, plant & equipment	313	7	(6)	–	(10)	304

Notes:

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

2 Unallocated expenses include corporate expenses of the Group.

No single external customer accounted for more than 10% of the Group's revenue for the years ended 31 December 2014 and 2013.

4. EXPENSES BY NATURE

	2014	2013
	HK$'000	*HK$'000*
Raw materials & consumables used	**353,521**	397,398
Amortisation of intangible assets	**7,838**	6,078
Amortisation of land use rights	**680**	1,992
Depreciation of property, plant & equipment	**61,758**	62,265
Employee benefit expenses	**422,719**	446,804
Operating lease charges in respect of		
– Land & buildings	**44,641**	45,080
– Other assets	**1,451**	2,219
Intangible assets written off	**–**	313
Allowance for impairment of inventories	**1,275**	2,109
(Recovery of)/allowance for impairment of trade receivables	**(8,809)**	9,330
Bad debts directly written off	**2,771**	4,896
Auditor's remuneration	**4,034**	4,448
Research & development costs	**2,094**	2,946

5. GAIN IN RELATION TO THAILAND FLOODING – NET

		2014	2013
	Note	***HK$'000***	*HK$'000*
Gain in relation to Thailand flooding			
– Insurance recoveries	*(a)*	**–**	53,532
Loss in relation to Thailand flooding			
– Expenses incurred	*(b)*	**–**	(2,041)
Gain in relation to Thailand flooding – net		**–**	51,491

(a) Insurance recoveries in relation to Thailand flooding

During the year 2013, all the Group's insurance claims in relation to the flooding were finalised with the insurance companies. Letters of settlement were received from the insurance companies, and hence an income of Thai Baht 213,000,000 (approximately HK$54,000,000) was recognised. There were no insurance recoveries in 2014.

(b) Costs in relation to Thailand flooding

The loss in relation to the Thailand flooding presented as part of the Group's operating expenses (excluded in Note 4) is as follows:

	2014	2013
	HK$'000	*HK$'000*
Allowance for impairment of inventories	**–**	1,437
Others	**–**	604
	–	2,041

The Thailand flooding costs recognised during the year 2013 represented the allowance for impairment of inventories that were subsequently found to be damaged directly by flooding, and the professional fees in connection with the insurance claims (2014: nil).

6. OTHER GAINS/(LOSSES) – NET

	2014	2013
	HK$'000	*HK$'000*
Gain on disposal of financial assets at fair value through profit or loss	**1,643**	276
(Loss)/gain on disposal of property, plant & equipment	**(367)**	304
Gain/(loss) on change in fair value of derivative financial instruments	**767**	(336)
Net foreign exchange loss	**(3,038)**	(7,901)
Write off of amounts due to non-controlling shareholders	**–**	4,358
Others	**3,212**	2,106
	2,217	(1,193)

7. INCOME TAX EXPENSE

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

	2014	2013
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**2,478**	5,222
Overseas	**14,682**	18,098
Underprovision in prior years	**508**	227
Withholding tax	**11,647**	–
Deferred income tax expense	**4,589**	2,448
Income tax expense	**33,904**	25,995

8. EARNINGS PER SHARE

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

	2014	2013
Profit attributable to owners of the Company (HK$'000)	**23,832**	46,785
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**11.23**	22.05

The Group had no dilutive potential shares outstanding during the years ended 31 December 2014 and 2013.

9. TRADE & OTHER RECEIVABLES

Group

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**202,535**	203,332
Less: allowance for impairment of trade receivables	**(6,441)**	(21,614)
Trade receivables – net	**196,094**	181,718
Prepayments	**20,257**	30,763
Value added tax receivables	**7,659**	2,200
Rental deposits	**6,835**	8,633
Insurance recoveries receivables	**–**	57,795
Other receivables	**19,752**	15,635
	250,597	296,744
Less: Non-current portion prepayments	**(6,328)**	(2,393)
Current portion	**244,269**	294,351

Prepayments included in non-current assets amounted to HK$6,328,000 (2013: HK$2,393,000).

The carrying amounts of trade receivables approximate their fair values as at 31 December 2014 and 2013. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the reporting date, the ageing analysis of the trade receivables based on invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**144,506**	113,384
31 to 60 days	**27,568**	35,505
61 to 90 days	**11,489**	14,354
91 to 365 days	**13,467**	24,676
More than 365 days	**5,505**	15,413
	202,535	203,332

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

	2014	2013
	HK$'000	*HK$'000*
Amounts past due but not impaired:		
Less than 30 days past due	**41,960**	55,677
31 to 60 days past due	**10,206**	12,092
61 to 90 days past due	**6,861**	4,669
91 to 365 days past due	**8,602**	17,372
More than 365 days past due	**411**	224
	68,040	90,034

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

As at 31 December 2014, trade receivables of approximately HK$68,040,000 (2013: HK$90,034,000) were past due but not impaired. The balances were related to a number of customers that have a good track record with the Group. Based on past experience, management estimates that the carrying amounts should be fully recovered.

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

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**21,614**	13,788
Impairment of trade receivables	**12,764**	14,891
Recovery of impairment previously recognised	**(21,573)**	(5,561)
Receivables written off as uncollectible	**(5,278)**	(2,105)
Currency translation difference	**(1,086)**	601
At 31 December	**6,441**	21,614

10. TRADE & OTHER PAYABLES

Group

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**67,431**	56,970
Deposits received in advance	**96,051**	120,583
Accrual for expenses	**83,743**	104,659
Other payables	**83,304**	57,611
	330,529	339,823

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

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**49,625**	43,818
31 days to 60 days	**14,482**	7,730
61 days to 90 days	**1,170**	664
More than 90 days	**2,154**	4,758
	67,431	56,970

11. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying value would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable. The disposal has not yet been completed as at 31 December 2014.

DIVIDEND

No interim dividend was paid during the year. The Board reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board approved the payment of a special dividend of HK40 cents per share, amounting to a total of HK$84,875,000. The special dividend was paid on 29 September 2014.

The Directors recommend a final dividend of HK12 cents per share (2013: HK12 cents), totalling HK$25,462,000 (2013: HK$25,462,000) for the year ended 31 December 2014. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 22 May 2015, 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 2 June 2015.

CHAIRMAN'S STATEMENT

The first half of the year was characterised by lower turnover, but a strong performance in the second half of the year, combined with an overall improvement in margins and an encouraging reduction in expenses, contributed to a significant increase in operating profit on a level of sales that was almost identical to prior year.

Our Industry business turnover fell back slightly compared to 2013, primarily as a result of weak demand in Thailand due to political instability. Despite this, improvement in margins and close control of expenses has helped to deliver a record profit.

Our high-end Artisan businesses demonstrated encouraging growth in the U.S. and also Asia which was boosted by the opening of our new showroom in Shanghai. Restructuring and streamlining in our European business reduced overhead costs, and began to bring the local support infrastructure back in line with the levels of turnover projected in our longer-term plans. As a whole, the Artisan business continued to move closer to break-even and, with further streamlining planned, is well placed to capitalise on growth projections.

Our dedicated Aviation business continued to strengthen and grow market share driven by specialist sales, design and customer service teams, and supported by tailored systems for processing Aviation orders at our Nanhai factory.

Over the course of the year we made significant progress developing new marketing initiatives and re-launching our showrooms as the "House of Tai Ping", the home to our six individual and distinctive brands. Of particular note has been the work in establishing the new brand, Vicara, which encompasses our line of hand-knotted rugs sourced from Nepal. Investment in the design, manufacture and distribution of initial Vicara collections has been completed and the business is well placed to drive growth from these products through 2015/6.

Having invested heavily to grow a firm business base and establish resilience over the last decade, the Board placed considerable emphasis on operating cost efficiency as we entered 2014. The resulting "global profit improvement process" has been embraced across the organisation in scrutinising the size of our infrastructure and support organisation, and analysing opportunities to reduce the global cost base. Aimed at establishing continuous and sustained improvement over the long term, it is encouraging to report the initial success of the program in 2014, with operating cost reduction contributing significantly to overall profitability improvement.

Construction of our new Artisan workshop in Xiamen, China commenced following a formal ground-breaking ceremony in October, and construction is progressing quickly. The initial Yarn, Dyeing and Carpet fabrication workshops are expected to be handed over to us before the end of the year, with fit-out and start-up planned in the first half of 2016.

Our minority shareholding in the Philippines Carpet Manufacturing Corporation ("PCMC") remains an "asset for sale" and, with a valuation completed in February 2015, we expect the disposal to be concluded over the next 12-18 months.

In 2015 we look forward to continued progress and continued change across the business as it further capitalises on growth segments and recovering markets, completes deployment of the "House of Tai Ping" brand strategy, oversees the construction of the new factory, and drives for efficiency and global profit improvement.

On behalf of all the members of the Board, I would like to thank our management and staff for their achievements and dedication to the business this year. I would also like to thank the Directors for their continued support and advice.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's consolidated turnover for the year ended 31 December 2014 was HK$1,428 million, which was flat against the previous year.

Gross margins increased to 47%, and administration expenses were reduced by 11% (HK$28 million) driving a Group operating profit of HK$53 million compared to HK$27 million in 2013 (before one-off gain in relation to Thailand flooding of HK$51 million).

Net profit attributable to the equity holders for the year ended at HK$24 million. This compares to HK$47 million in 2013 which benefitted from one-off, non-recurring insurance revenues of HK$51 million related to the flooding of our factory in Thailand in 2011.

CARPET OPERATIONS

Turnover of the carpet operations in the year was HK$1,396 million, also flat against the previous year. Modest growth in the Artisan businesses was offset by a small decline on the Industry side, where improvement in the Americas did not quite compensate for a decline in Asia which was linked to the political unrest in Thailand.

The Americas overtook Asia as our largest region, generating 43% of turnover. Asia contributed 41%, with Europe and the Middle East making up the remaining 16%.

Overall gross profit margin improved by 1% to 46%, with all regions contributing.

The Americas

Turnover in the Americas increased by 14% to HK$595 million, with improvements in both North America (up 11%) and South America (up 73%).

The U.S. hospitality business had a strong year with turnover up by 12% and also improved margins. The Marriott hotel group remained our largest customer, with growth supported by an extended stock program for Marriott CFRST properties (Courtyard, Fairfield Inn, Residence Inn, Spring Hill Suites and Town Place Suites).

The Artisan businesses demonstrated encouraging growth, with turnover increased by 18% to HK$247 million, and also improving margins. The Aviation business grew particularly strongly, delivering a 42% increase in turnover. Our focus in this sector remains on building supply relationships with key customers, supported by standards of customer service that remain unrivalled in the industry. During the year we launched a stock rug program to support the rapid refurbishment programs offered by Aircraft completion centers.

On the Artisan side we expanded market share in the luxury retail stores sector by adding clients such as Neiman Marcus, Saks Fifth Ave and London Jewelers. During the year we also completed numerous high-end bespoke projects for discerning residential clients.

Overall gross margins in the Americas increased by 0.5% due primarily to the higher percentage of Aviation sales in the mix. Segment profit for North America and South America grew by over 56% to HK$34 million compared to 2013.

Asia

Turnover in Asia reduced by 10%, due primarily to the political unrest and resulting instability in Thailand.

The Thai domestic market was sluggish but during the second half of the year – and particularly in the fourth quarter – business began to recover with an encouraging improvement in the hospitality sector. Thai exports remained on target, with some weakness in Australia linked to currency fluctuation, being offset by strong progress in India, Japan and Singapore.

Industry sector turnover in the rest of Asia decreased by 12%, linked to the exit from unprofitable segments in 2013, as well as some softness in the Singapore gaming sector.

Our Asian Artisan business demonstrated the expected progress in the year with turnover increased by 46%. The primary driver for this was the addition of a new flagship showroom in Shanghai, which opened in March. The Hong Kong showroom and market remained relatively flat with sales volumes on an upswing in the fourth quarter of the year.

Despite the reduction in regional turnover, overall gross profit margin improved by 1%, and significant progress was achieved in delivering internal cost efficiencies in Thailand and particularly Hong Kong. The overall Asian business returned regional segment profits of HK$56 million in the year compared to HK$34 million in 2013 – an improvement of 65%.

Europe, the Middle East and Africa

Our businesses in Europe and the Middle East remained sluggish with turnover down by 3% compared to prior year, finishing at HK$227 million. Behind this, a decline in hospitality sales was largely offset by progress made in our Artisan business.

Sales into the private yacht sector increased by 27%, with a doubling of this business in Germany. Meanwhile, residential sales increased by 42% in the U.K. and retail business conducted through our Paris showroom increased by 80%. Notable projects included celebrity homes in the south of France, the Qatar Foundation's private office of Her Highness Sheikh Mozah in Doha, the "mega yacht" Ocean Victoria, and the Peninsula hotel in Paris.

Our businesses in France and the Middle East underwent major restructuring during the year with a significant downsizing of our Dubai office, as well as reductions in Paris. Further streamlining in the region is planned for 2015.

European gross margins increased to almost 59% and, combined with the significant reduction in operating expenses, this meant that the region's segment losses were almost halved to HK$14 million compared with HK$26 million in 2013.

Manufacturing Operations

Our Nanhai factory in China made excellent progress with its material waste reduction program and together with labour productivity improvements was able to offset market increases in both raw materials and statutory wage increases. Trial "Robo-tufting" technology has been introduced and valuable experience is being gained working with the first production machine.

Our Pathumthani factory in Thailand had another excellent year with a strong focus on direct labour productivity and overhead cost reduction. Environmental credentials were also strengthened with introduction of high technology Waste Water Treatment equipment, and the factory is now designated a "zero discharge plant". Accreditation was gained for ISO 50001, the international standard for Energy Management systems.

Construction of our new Artisan workshop in Xiamen, China, commenced following a formal ground breaking ceremony on the 23rd October. Site preparation and piling work was completed by the end of the year and construction will be fully completed during 2016. Staff numbers at the temporary training workshop have increased to 56 people, with the skills base developing well, and several orders successfully produced.

Overall headcount across the three factory sites was reduced by a further 178, ending the year at 2,323 employees.

Human Resources

The overall number of employees across the business decreased by 215 to 2,900.

During the year, a cultural change and internal communication initiative was launched to advance teamwork, unity and cultural awareness across the Group, and support the drive for greater efficiency.

A new global payroll solution was also selected and is being deployed to improve service to employees, address local governance and compliance risk, and deliver robust management reporting and analytics.

Information Technology

The global roll-out of the Oracle ERP finance module was accelerated in 2014 with Carpets Inter now incorporated. The sales component underwent a major overhaul to take advantage of newer technologies, with regional roll-out to all divisions anticipated to conclude in 2015.

A strategic initiative to enhance manufacturing ERP systems for the factories in China and Thailand restarted in the second half of the year. Working with recognised third party textile software providers, selection, development and initial deployment of a modern, integrated system is planned for late 2015 or early 2016.

Software development and enhancement of the in-house Quantum design software and Re:source customer collaboration tools continue on schedule with major new releases scheduled in 2015.

Design & Marketing

During the year Tai Ping launched the "House of Tai Ping" global brand strategy, updating our exceptional tradition of craft and dedication to innovation, in every facet of carpet design and manufacturing. Our six brands are now organised under Artisan (Tai Ping, Edward Fields, La Manufacture Cogolin & Vicara), and Industry (1956 by Tai Ping and Carpets Inter).

We also announced the launch of our newly re-designed and optimised web experience at taipingcarpets.com. The new website brings our six venerable brands to life under the House of Tai Ping banner, creating a visually compelling online experience for our customers worldwide.

Exciting new design collaborations were mobilised during the year including a collection designed by Chinese Fashion designer Han Feng that was launched simultaneously in New York, Paris and Shanghai.

During the "Designer Days" festival in Paris, Tai Ping partnered with Venezuelan artist Atelier Elias Crespin and collaborated with Brazil's Estudio Guto Requena to create the "Tea Hug" rug. Designed through a process that combines memory, music, and traditional Chinese manufacturing with new digital technologies, this has since been featured at Art Basel in Miami, Design Days in Dubai and in the MAD Museum, New York.

La Manufacture Cogolin partnered with designer Florent Albinet and textile designer Luce Couillet who chose to interpret the intricate manufacturing process of a Cogolin rug and play with the flowing human, natural, and artificial energies that fuel it.

Edward Fields presented the Beacon Edition, a vibrant collection featuring nine reinterpretations of archival patterns plus seven new designs, and launched EF Volume II, a catalog featuring an extensive selection from the American icon's rich archives of designs inspired by modern landscapes in the American Southwest.

The completion of the Vicara brand strategy and visual identity was followed by the opening of a small studio in New York City that will become a platform to showcase the techniques and expertise of Nepalese hand-knotted techniques passed down over generations.

1956 by Tai Ping proudly announced the global launch of Revive, its latest anthology, designed expressly for the hospitality industry, in a visionary new collaboration with acclaimed British street artist Paul "Moose" Curtis.

Carpets Inter continued to launch innovative and market-specific tile collections and launched an innovative and industry-leading 3D Carpet Simulator. This interactive tool enables the client to select a room scene, design and color, and then change parameters to instantly see how alternatives look and feel in the setting.

NON-CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's U.S.-based yarn-dyeing facilities, experienced an extremely difficult year with turnover down 20% to HK$31 million. This was exclusively linked to a swing in U.S. demand away from nylon yarn systems and into polyester.

A change in leadership took place in 2014, and with a focus on rightsizing and low cost product diversification, a return to profitability is targeted after reporting operating losses in 2014 of HK$1 million.

Asset Held for Sale

Our investment in PCMC continues to be classified as an asset held for sale. An independent valuation of the business has been completed in February 2015 and we target to sell our shareholding in the next 12 to 18 months.

LIQUIDITY & FINANCIAL RESOURCES

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

As at 31 December 2014, the Group had total cash and bank balances amounting to HK$147 million (2013: HK$307 million).

As at 31 December 2014, the Group had unsecured bank borrowings of HK$121 million (2013: HK$82 million).

As at 31 December 2014, the Group also held financial assets at fair value through profit or loss of HK$78 million (2013: HK$33 million).

EMPLOYEE & REMUNERATION POLICIES

As at 31 December 2014, the Group employed 2,900 employees (as at 31 December 2013: 3,100 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.

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 has complied with the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014, except the following:

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

In respect of code provision A.6.7 of the CG Code, all Non-Executive Directors (including Independent Non-Executive Directors) attended the AGM held on 23 May 2014 except Mr. Aubrey K. S. Li (Independent Non-Executive Director) due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company (the "Tai Ping Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code throughout the year ended 31 December 2014.

FINANCIAL REPORTING & INTERNAL CONTROLS

The consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee and have been agreed by the external auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. 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 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 consolidated financial statements, and ensure compliance with relevant legislation and regulations. However, associate might not fully follow the Group's internal control system. The Group is not involved in routine operational decisions and does not play an active role in running the business of the associate, 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 associate's 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

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of Audit Committee are aligned with the CG Code. Under these terms of reference, the responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditor (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the audit fee and reviewing the audit scope), review of financial information of the Group, oversight of the Group's financial reporting system 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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to attend and vote at the forthcoming AGM, the transfer books and the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015 (both days inclusive), during such period, no transfer of shares will be effected. In order to establish the right to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 19 May 2015.

For determining the entitlements to the proposed final dividend for the year ended 31 December 2014, the transfer books and the register of members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015 (both days inclusive), during such period, no transfer of shares will be effected. To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 28 May 2015.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.taipingcarpets.com). The 2014 Annual Report of the Company containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By order of the Board

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

Hong Kong, 19 March 2015

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. Roderic N. A. Sage, Mr. Lincoln C. K. Yung, Mr. Aubrey K. S. Li; Non-executive Directors – Mr. David C. L. Tong, Mr. John J. Ying, Mr. Nelson K. F. Leong, Mr. Andrew C. W. Brandler.