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 2015

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 2015, together with the comparative figures for 2014, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	**2015**	2014
		HK$'000	*HK$'000*
Revenues	*3*	**1,313,007**	1,428,259
Cost of sales	*4*	**(701,041)**	(761,962)
Gross profit		**611,966**	666,297
Distribution costs	*4*	**(321,112)**	(373,875)
Administrative expenses	*4*	**(251,416)**	(238,943)
Other (losses)/gains – net	*5*	**(3,263)**	2,217
Operating profit		**36,175**	55,696
Finance income		**3,137**	5,464
Finance costs		**(24)**	(1,565)
Finance income – net		**3,113**	3,899
Profit before income tax		**39,288**	59,595
Income tax expense	*6*	**(19,327)**	(33,904)
Profit for the year		**19,961**	25,691
Profit attributable to:			
Owners of the Company		**18,958**	23,832
Non-controlling interests		**1,003**	1,859
		19,961	25,691
Earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted	*7*	**8.93**	11.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**19,961**	25,691
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(50,993)**	2,520
Other comprehensive (loss)/income for the year, net of tax[1]	**(50,993)**	2,520
Total comprehensive (loss)/income for the year	**(31,032)**	28,211
Attributable to:		
Owners of the Company	**(29,435)**	26,500
Non-controlling interests	**(1,597)**	1,711
	(31,032)	28,211

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 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2015 HK$'000	2014 HK$'000
Assets			
Non-current assets			
Land use rights		**30,309**	32,871
Property, plant & equipment		**238,247**	277,655
Construction in progress		**115,786**	63,892
Intangible assets		**34,015**	34,875
Deferred income tax assets		**10,339**	10,948
Prepayments	*8*	**8,494**	6,328
Pledged bank deposits		**296**	314
		437,486	426,883
Current assets			
Inventories		**218,305**	234,347
Trade & other receivables	*8*	**268,803**	244,269
Derivative financial instruments		**4**	4,588
Financial assets at fair value through profit or loss		**139,033**	78,350
Current income tax assets		**10,238**	13,773
Pledged bank deposits		**3,036**	5,058
Fixed deposits		**16,549**	165,193
Cash & cash equivalents		**153,800**	146,879
		809,768	892,457
Non-current asset held for sale	*10*	**17,192**	17,192
		826,960	909,649
Total assets		**1,264,446**	1,336,532

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2015 HK$'000	2014 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**328,836**	377,229
Retained earnings:			
Proposed final dividend		**6,366**	25,462
Others		**380,494**	367,902
		736,915	791,812
Non-controlling interests		**42,070**	43,667
Total equity		**778,985**	835,479
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**6,000**	5,634
Retirement benefit obligations		**26,301**	26,079
Other long-term liabilities		**1,200**	3,015
		33,501	34,728
Current liabilities			
Trade & other payables	9	**293,351**	330,529
Current income tax liabilities		**11,311**	14,968
Bank borrowings – unsecured		**147,298**	120,777
Derivative financial instruments		**–**	51
		451,960	466,325
Total liabilities		**485,461**	501,053
Total equity & liabilities		**1,264,446**	1,336,532
Net current assets		**375,000**	443,324
Total assets less current liabilities		**812,486**	870,207

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). 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.

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 2015 but which have no material impact to the Group

HKAS 19 (2011) Amendment	Defined benefit plans: Employee contributions
Annual Improvements Project	Annual improvements 2010-2012 cycle
Annual Improvements Project	Annual improvements 2011-2013 cycle

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted

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

HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKAS 1 (Amendment)	Disclosure initiative[1]
HKFRS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendment)	Equity method in separate financial statements[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]
HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture[3]
HKFRS 16	Leases[3]

Notes:

1 Effective for the Group for annual period beginning on 1 January 2016
2 Effective for the Group for annual period beginning on 1 January 2018
3 Effective date is to be determined

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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors which are used to assess performance and allocate resources. The Board of Directors assesses the performance in the following geographical areas: Asia, Europe, the Middle East and Africa ("EMEA"), 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 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 2015 and 2014 is as follows:

For the year ended 31 December 2015

	Asia	EMEA	North America	South America	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	492,393	210,511	580,190	29,913	–	1,313,007
Cost of production[1]	(335,524)	(92,702)	(309,643)	(21,192)	–	(759,061)
Segment gross margin	156,869	117,809	270,547	8,721	–	553,946
Segment results	14,872	(2,754)	35,959	(3,629)	–	44,448
Unallocated expenses[2]						(8,273)
Operating profit						36,175
Finance income						3,137
Finance costs						(24)
Profit before income tax						39,288
Income tax expense						(19,327)
Profit for the year						19,961
Non-current assets	223,123	21,710	26,561	1,367	164,725	437,486
Current assets	573,430	57,718	131,117	10,128	37,375	809,768
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,264,446
Segment liabilities	159,629	69,851	74,221	7,364	174,396	485,461
Capital expenditure	(35,874)	(3,853)	(4,495)	(34)	(64,684)	(108,940)
Depreciation of property, plant & equipment	(42,230)	(3,567)	(8,155)	(22)	(495)	(54,469)
Amortisation of land use rights	–	–	–	–	(673)	(673)
Amortisation of intangible assets	(8,970)	–	(129)	–	–	(9,099)
(Allowance for)/recovery of impairment of inventories	(1,533)	116	69	–	–	(1,348)
Inventories written off	(8,973)	–	–	–	–	(8,973)
(Allowance for)/recovery of impairment of trade receivables	(333)	358	(166)	(98)	–	(239)
Gain/(loss) on disposal of property, plant & equipment	(7,600)	(937)	101	–	–	(8,436)

For the year ended 31 December 2014

	Asia *HK$'000*	EMEA *HK$'000*	North America *HK$'000*	South America *HK$'000*	Unallocated *HK$'000*	Group *HK$'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)

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 2015 and 2014.

4. EXPENSES BY NATURE

	2015	2014
	HK$'000	*HK$'000*
Raw materials & consumables used	**322,412**	353,521
Amortisation of intangible assets	**9,099**	7,838
Amortisation of land use rights	**673**	680
Depreciation of property, plant & equipment	**54,469**	61,758
Employee benefit expenses	**392,284**	422,719
Operating lease charges in respect of		
– Land & buildings	**46,722**	44,641
– Other assets	**1,105**	1,451
Allowance for impairment of inventories	**1,348**	1,275
Inventories written off	**8,973**	–
Allowance for/(recovery of) impairment of trade receivables	**239**	(8,809)
Bad debts directly written off	**824**	2,771
Auditor's remuneration		
– Audit services	**4,320**	4,034
– Non-audit services	**988**	718
Legal and professional fees	**12,492**	15,011
Research & development costs	**2,015**	2,094

5. OTHER (LOSSES)/GAINS – NET

	2015	2014
	HK$'000	*HK$'000*
Gain on disposal of financial assets at fair value through profit or loss	**2,410**	1,643
Loss on disposal of property, plant & equipment	**(8,436)**	(367)
Gain on change in fair value of derivative financial instruments	**50**	767
Net foreign exchange loss	**(1,975)**	(3,038)
Refund of unvested benefits of defined contribution plan	**1,743**	–
Others	**2,945**	3,212
	(3,263)	2,217

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 corresponding tax rates prevailing in the countries where the Group operates.

	2015	2014
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**5,984**	2,478
Overseas	**13,849**	14,682
(Over)/under-provision in prior years	**(79)**	508
Withholding tax	**–**	11,647
Deferred income tax (credit)/expense	**(427)**	4,589
Income tax expense	**19,327**	33,904

7. 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.

	2015	2014
Profit attributable to owners of the Company (HK$'000)	**18,958**	23,832
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**8.93**	11.23

The Group had no dilutive potential shares outstanding during the years ended 31 December 2015 and 2014.

8. TRADE & OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**221,679**	202,535
Less: allowance for impairment of trade receivables	**(6,499)**	(6,441)
Trade receivables – net	**215,180**	196,094
Prepayments	**23,786**	20,257
Value-added tax receivables	**11,445**	7,659
Rental deposits	**9,085**	6,835
Other receivables	**17,801**	19,752
	277,297	250,597
Less: Non-current portion prepayments	**(8,494)**	(6,328)
Current portion	**268,803**	244,269

Prepayments included in non-current assets amounted to HK$8,494,000 (2014: HK$6,328,000).

The carrying amounts of trade receivables approximate their fair values as at 31 December 2015 and 2014. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial year, the ageing analysis of the trade receivables based on invoice date is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**158,345**	144,506
31 to 60 days	**29,785**	27,568
61 to 90 days	**12,155**	11,489
91 to 365 days	**15,074**	13,467
More than 365 days	**6,320**	5,505
	221,679	202,535

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

	2015	2014
	HK$'000	*HK$'000*
Amounts past due but not impaired:		
Less than 30 days past due	**56,957**	41,960
31 to 60 days past due	**10,152**	10,206
61 to 90 days past due	**5,370**	6,861
91 to 365 days past due	**11,588**	8,602
More than 365 days past due	**599**	411
	84,666	68,040

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

As at 31 December 2015, trade receivables of approximately HK$84,666,000 (2014: HK$68,040,000) 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:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**6,441**	21,614
Allowance for impairment of trade receivables	**2,260**	12,764
Recovery of impairment previously recognised	**(2,021)**	(21,573)
Receivables written off as uncollectible	**132**	(5,278)
Currency translation difference	**(313)**	(1,086)
At 31 December	**6,499**	6,441

9. TRADE & OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**45,583**	67,431
Deposits received in advance	**95,138**	96,051
Accrual for expenses	**91,780**	83,743
Other payables	**60,850**	83,304
	293,351	330,529

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

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**35,787**	49,625
31 days to 60 days	**7,715**	14,482
61 days to 90 days	**1,053**	1,170
More than 90 days	**1,028**	2,154
	45,583	67,431

10. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying amount would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable. The Group is still in the process of negotiating the disposal with the potential buyer as at 31 December 2015.

DIVIDEND

No interim dividend was paid during the year. The Directors recommend a final dividend of HK3 cents per share (2014: HK12 cents), totalling HK$6,366,000 (2014: HK$25,462,000) for the year ended 31 December 2015. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 20 May 2016, the final dividend will be paid to shareholders on or about 21 June 2016 whose names appear on the register of members of the Company at the close of business on 30 May 2016.

CHAIRMAN'S STATEMENT

The first half of the year was characterised by lower turnover, but there was a strong performance in the second half. However, despite this improvement over the course of the year, combined with considerably lower expenses, full-year sales and operating profit were significantly lower than prior year. The net profit figure of HK$20 million included about HK$29 million of one-off expenses associated with business streamlining and the Xiamen project.

Our Commercial business saw an overall decline in turnover of 8% which was the result of lower sales in Asia. Sales in Americas were at a consistent level with prior year.

Our high-end Artisan business was in line with prior year with turnover in all regions being maintained at 2014 levels. Streamlining of our business model will now see our Artisan and Commercial businesses work seamlessly together as we seek to ensure capability to cross sell our brands and market our full service offering to our customers. Further streamlining planned and to be implemented in 2016 is well placed to capitalise on market opportunities.

Our dedicated Aviation team experienced a challenging year seeing a decline in sales due to a slowdown in orders from several key customers. However, we still see this market segment providing significant opportunities longer term, and we will continue to develop our specialist sales, design and customer service capability to capitalise on this.

During the year a new organisational structure has been established to better promote the "House of Tai Ping", its five core brands and comprehensive product ranges, targeting key customers and lines of business in all parts of the world.

Investments have also been made to support efficiency improvement and right sizing, and these are driving significant reductions in operating costs across our core business. The focus on sound management of expenses supported by well-considered investments that produce future savings and enhance value in our business will continue. This will be further reinforced by investing in our people and processes with the objective of continuous development and reinforcement of our culture and values.

Construction of our new Artisan workshop in Xiamen, China is making excellent progress and commercial production is expected by mid year.

Our minority shareholding in the Philippines Carpet Manufacturing Corporation ("PCMC") remains an "asset for sale" and we expect the disposal to be concluded over the next 12 months.

In 2016, the pace of change will accelerate as we commission the first phase of the new factory, relocate workers to support Artisan product supply from Xiamen, and take further steps to right-size or rationalise non-core or under-performing parts of the business. The scale of these changes will require significant one-off business streamlining costs in the year. This notwithstanding, we expect a continuation of the improvement in our core business as we capitalise on growth segments and complete the deployment of the "House of Tai Ping" Brand Strategy, and drive further efficiencies.

However, with this focus on tight costs and cashflow management, particularly in the context of the transition of some operations to the new Xiamen facility, the Board is recommending a reduction in the final dividend for 2015.

On behalf of all the members of the Board, I would like to thank Tai Ping 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

BUSINESS REVIEW

The Group's consolidated turnover for the year ended 31 December 2015 was HK$1,313 million which was down by 8% against the previous year.

Gross margins remained at 47% and administration expenses were increased by 5.2% (HK$12 million), driving a Group operating profit of HK$36 million compared to HK$56 million in 2014. Non-recurring operating expenses relating to certain business streamlining and efficiency improvement in the year were HK$16 million compared to HK$12 million in 2014.

Net profit attributable to equity shareholders for the year was HK$19 million, compared to HK$24 million in 2014. Operating profit in our core business as a percentage of sales improved by 0.3% against previous year.

CARPET OPERATIONS

Turnover of the carpet operations in the year was HK$1,285 million, which was down against the previous year by HK$112 million. The Artisan business was flat against previous year whilst the Commercial business saw on overall decline.

The overall gross profit margin was 47% which was comparable with that of the previous year.

The Americas

Turnover in the Americas was marginally down by 2% to HK$582 million, principally due to deterioration in South America and a slow-down in US Aviation business.

The US hospitality business was consistent with prior year whilst margins were slightly up.

The Artisan business was slightly up on prior year with a turnover of HK$156 million whilst margins were marginally down.

The Aviation sector had a difficult year, albeit recovery and continued growth is expected to return in the medium term. 2015 turnover was down by 13% to HK$82 million.

Overall gross margins in the Americas were in line with prior year at 47%.

Asia

Turnover in Asia was down 14% and HK$82 million with generally difficult trading conditions across the region, and unfavourable currency fluctuations.

Business in the Thai hospitality market picked up during the fourth quarter, but the domestic automotive business remained sluggish all year, and exports – particularly into Australia were down. Overall revenue in Thailand was 13% and HK$46 million down compared to prior year.

Business in rest of Asia was down 16% due to softness in the hospitality and gaming sectors. There were however more positive signs in the Philippines market with some significant potential in the gaming and hotel sectors.

The Artisan business was also down 15% and HK$5 million primarily due to Hong Kong. An overhaul of this operation is underway. Supported by targeted investment, the business streamlining is expected to drive improvement in the future.

Europe, the Middle East and Africa

Business in Europe and the Middle East remained flat in local currency but was adversely impacted by the weakness of the Euro. Turnover (after conversion into Hong Kong dollars) was down 8% and HK$17 million compared to prior year, finishing at HK$210 million.

High points included the UK (up by 58%) where both Hospitality and Residential sales improved and Germany (up by 11%). Both locations also benefitted from record performance in the Private Yacht sector where sales were up by 25% to HK$55 million.

European gross margins decreased marginally consistent with the higher proportion of Hospitality sales in the year.

Notable projects included celebrity homes in Paris and London, two presidential palaces and some mega yachts including Ocean Victory, Golden Odyssey and Quantum Blue.

Manufacturing Operations

At our Nanhai factory in China, labour productivity improvement and material waste reduction initiatives continued to help offset wage and utility cost increases. The year also saw the significant tightening of environmental regulations, driving a strategic decision to relocate Chinese dye-house operations which have been successfully re-sited at a chemical zone in Shunde.

Our Pathumthani factory in Thailand had another strong year focused on working capital and overhead cost reduction, as well as improving material utilisation. The success of these initiatives fully offset labour and energy cost increases. Productivity improvement and cost reduction was further supported through the ergonomic re-design and semi-automation of finishing and packing operations.

Construction of our new Artisan Workshop in Xiamen is well advanced with all first phase structures completed. Interiors and production equipment fit-out is in progress and commercial production is expected to begin in May 2016.

Overall headcount across the three factories reduced by 27%, ending the year at 2,296 employees.

Environmental Policies

Tai Ping takes its role as a member of the global business community very seriously. We adhere to the highest internationally recognised standards and strive continually to improve our facilities to minimise environmental impact in all our activities. Both of our factories in Nanhai, PRC and Thailand obtained ISO14001 certification on Environmental Management System. To support the certification, they maintain Environmental Manual for staff compliance.

Risk Management

Our decisions are guided by our enterprise risk management framework, which is managed by our Finance Department. We take a precautionary approach, recognising that effective risk management is central to continued creation of shareholder value.

Business Streamlining & Human Resources

During the year, further investments were made to support efficiency improvement and right-sizing. This included management de-layering, the establishment of a simpler organisation structure, general headcount reduction and the optimisation of our real estate.

While long-term improvement is expected, some initiatives required one-off costs that distorted performance in the year. For example, office relocation in Hong Kong resulted in an adverse impact in 2015 of HK$8 million but will deliver annual cost savings of HK$6 million in future.

Despite the recruitment of "workers-in-training" for the new facility, and the establishment of new back offices in Xiamen and Bangkok, headcount reductions in Europe and the Americas drove an overall reduction of 29 to 2,871. In combination with other initiatives, the reduced number of employees (down by more than 300 over the last 3 years) is supporting sustained reduction in operating expenses. In 2015, recurring costs were down approximately HK$55 million compared to previous year.

Streamlining will continue through 2016, under-pinned by further investment in organisational culture development and staff training.

Information Technology

The year saw significant progress in the deployment of the Oracle ERP Sales & Distribution module which has been enhanced to provide more user friendly interfaces, and a new generation of analytics and reporting tools.

A similar initiative aimed at optimising the use of the Oracle ERP finance module also began, supported by an external software engineering partner.

The final ERP deployment – across manufacturing in China and Thailand – was approved and mobilised toward the end of the year. This is being undertaken in partnership with a leading third party textile-specific solution provider and will go live in the second half of 2016.

Elsewhere, resources were directed toward the enhancement of the "Resource" web application tool. This enables customers to browse and re-colour Tai Ping designs, collaborating with Tai Ping personnel over the internet, to build projects and place orders. The application currently has over 325 active customer accounts.

Design and Marketing

2015 saw the development and roll-out of a simpler organisational structure for the promotion of the "House of Tai Ping" and its five core brands across target lines of business in all parts of the world. An important part of this change was in integrating Product Development, Collection Design & Marketing into one department. Supported by increased use of external design talent, this has enabled considerable activity across all the brands over the course of the year.

In the first quarter, Tai Ping launched the Antho10gy collection, a bold reinvention of the company's most iconic designs from the past ten years. Subsequent Tai Ping initiatives included a collaboration with award-winning Danish designer Helle Damkjær, the launch of a dedicated Private Yacht Collection at the Monaco Yacht Show, and establishing and mobilising an entirely new product category named Editions.

The Edition One launch was particularly significant as it introduced Tai Ping's first fast-track delivery, semi-stock offering to the market at new price points. It also incorporated fresh new design ideas from a diverse group of truly creative third-party design talent including Kenzo Takada, Christian Ghion, Miguel Chevalier, Gilles & Boissier, Maurizio Galante & Tal Lancman, Zoe Ouvrier, Chen Chen & Kai Williams.

Edward Fields launched the Alpha Workshops II collection, and then celebrated its 80th birthday with the launch of the Nakashima Edition, a range that evoked the studio's rich history while celebrating a partnership between two titans of twentieth-century design that began in 1959.

Manufacture Cogolin launched the Cordelles & Épissures collections and then collaborated with world-renowned interior designer India Mahdavi to create "Jardin d'Intérieur". Recently named as one of Architectural Digest's "top 100 international architecture and design talents", India created a modern and innovative version of the kilim rug, with six different patterns that can be assembled in a myriad of ways into a single composition.

Lastly, 1956 by Tai Ping collaborated with Sacha Walckhoff (Creative Director for the designer fashion label Christian Lacroix) and launched the resulting hospitality-specific collection, Correspondence at Hospitality Design Expo in Las Vegas. The collection marks the famed interior and fashion designer's first foray into the arena of hospitality carpets.

NON CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's U.S.-based yarn-dyeing facilities, experienced another extremely difficult year with turnover down 17% to HK$25 million. This was again due to a swing in US demand away from nylon yarn systems and into polyester.

Asset Held for Sale

Our minority shareholding in PCMC continues to be classified as an asset held for sale, which we fully expect to sell in the next 12 months.

Currency Translation Differences

Included in the other comprehensive income are currency translation difference attributable to the translation of foreign operations of net assets denominated in Thai Baht and Chinese Renminbi during the year.

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 2015, the Group had total cash and bank balances amounting to HK$154 million (2014: HK$147 million).

As at 31 December 2015, the Group had unsecured bank borrowings of HK$147 million (2014: HK$121 million).

As at 31 December 2015, the Group also held financial assets at fair value through profit or loss of HK$139 million (2014: HK$78 million).

EMPLOYEE & REMUNERATION POLICIES

As at 31 December 2015, the Group employed 2,871 employees (as at 31 December 2014: 2,900 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 2015, 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 20 May 2015 except Mr. Andrew C. W. Brandler (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 2015.

FINANCIAL REPORTING & INTERNAL CONTROLS

The consolidated financial statements of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee and agreed by the external auditor, PricewaterhouseCoopers. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and they are not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The 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.

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, 18 May 2016 to Friday, 20 May 2016 (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, 17 May 2016.

For determining the entitlements to the proposed final dividend for the year ended 31 December 2015, the transfer books and the register of members of the Company will be closed from Thursday, 26 May 2016 to Monday, 30 May 2016 (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 Wednesday, 25 May 2016.

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 2015 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, 18 March 2016

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.