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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 2016

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 2016, together with the comparative figures for 2015, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	**2016** **HK$'000**	2015 HK$'000
Revenues	3	**1,320,288**	1,313,007
Cost of sales	4	**(727,974)**	(701,041)
Gross profit		**592,314**	611,966
Distribution costs	4	**(327,519)**	(321,112)
Administrative expenses	4	**(277,777)**	(251,416)
Other gains/(losses) – net	5	**13,853**	(3,263)
Operating profit		**871**	36,175
Finance income		**640**	3,137
Finance costs		**(27)**	(24)
Finance income – net		**613**	3,113
Profit before income tax		**1,484**	39,288
Income tax expense	6	**(39,192)**	(19,327)
(Loss)/profit for the year		**(37,708)**	19,961
(Loss)/profit attributable to:			
Owners of the Company		**(33,372)**	18,958
Non-controlling interests		**(4,336)**	1,003
		(37,708)	19,961
(Losses)/earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted	7	**(15.73)**	8.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(37,708)**	19,961
Other comprehensive income:		
Items that will not be reclassified subsequent to profit or loss		
Remeasurement of retirement benefit obligations	**1,432**	–
Deferred income tax on remeasurement of retirement benefit obligations	**(286)**	–
Items that may be reclassified to profit or loss		
Currency translation differences	**(18,231)**	(50,993)
Other comprehensive loss for the year, net of tax	**(17,085)**	(50,993)
Total comprehensive loss for the year	**(54,793)**	(31,032)
Attributable to:		
Owners of the Company	**(48,088)**	(29,435)
Non-controlling interests	**(6,705)**	(1,597)
	(54,793)	(31,032)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Land use rights		**27,785**	30,309
Property, plant & equipment		**204,992**	238,247
Construction in progress		**177,951**	115,786
Intangible assets		**28,707**	34,015
Deferred income tax assets		**7,530**	10,339
Prepayments	*8*	**13,570**	8,494
Pledged bank deposits		**277**	296
		460,812	437,486
Current assets			
Inventories		**217,072**	218,305
Trade & other receivables	*8*	**300,535**	268,803
Derivative financial instruments		**–**	4
Financial assets at fair value through profit or loss		**89,220**	139,033
Current income tax assets		**14,460**	10,238
Pledged bank deposits		**2,058**	3,036
Fixed deposits		**389**	16,549
Cash & cash equivalents		**143,746**	153,800
		767,480	809,768
Non-current asset held for sale	*10*	**17,192**	17,192
		784,672	826,960
Total assets		**1,245,484**	1,264,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		2016	2015
	Note	***HK$'000***	*HK$'000*
Equity			
Equity attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**312,982**	328,836
Retained earnings:			
Proposed final dividend		**6,366**	6,366
Others		**341,894**	380,494
		682,461	736,915
Non-controlling interests		**34,656**	42,070
Total equity		**717,117**	778,985
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**4,816**	6,000
Retirement benefit obligations		**28,857**	26,301
Other long-term liabilities		**1,200**	1,200
		34,873	33,501
Current liabilities			
Trade & other payables	*9*	**358,860**	293,351
Derivative financial instruments		**108**	–
Bank borrowings – unsecured		**119,211**	147,298
Current income tax liabilities		**15,315**	11,311
		493,494	451,960
Total liabilities		**528,367**	485,461
Total equity & liabilities		**1,245,484**	1,264,446
Net current assets		**291,178**	375,000
Total assets less current liabilities		**751,990**	812,486

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 2016 but which have no material impact to the Group

Annual Improvements Project HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	Annual Improvements 2012-2015 Cycle (amendments)
HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception (amendments)
HKFRS 14	Regulatory Deferral Accounts (new standard)
HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations (amendments)
HKAS 1	Disclosure Initiative (amendments)
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (amendments)
HKAS 16 and HKAS 41	Agriculture: Bearer Plants (amendments)
HKAS 27	Equity Method in Separate Financial Statements (amendments)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2016 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:

HKAS 7	Disclosure Initiative (amendments)[1]
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)[1]
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments)[2]
HKFRS 4	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15	Clarification to HKFRS 15[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)[4]

Notes:

1 Effective for the Group for annual period beginning on 1 January 2017
2 Effective for the Group for annual period beginning on 1 January 2018
3 Effective for the Group for annual period beginning on 1 January 2019
4 Effective date is to be determined

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 2016 and 2015 are as follows:

For the year ended 31 December 2016

	Asia	EMEA	North America	South America	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	557,809	223,142	522,379	16,958	–	1,320,288
Cost of production[1]	(380,081)	(106,711)	(272,191)	(13,377)	–	(772,360)
Segment gross margin	177,728	116,431	250,188	3,581	–	547,928
Segment results	34,617	(2,787)	(5,421)	(6,153)	–	20,256
Unallocated expenses[2]						(19,385)
Operating profit						871
Finance income						640
Finance costs						(27)
Profit before income tax						1,484
Income tax expense						(39,192)
Loss for the year						(37,708)
Non-current assets	417,096	18,859	24,202	455	200	460,812
Current assets	574,069	61,228	115,984	5,171	11,028	767,480
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,245,484
Segment liabilities	248,025	61,992	66,695	4,720	146,935	528,367
Capital expenditure	(92,286)	(1,179)	(4,007)	(22)	(38)	(97,532)
Depreciation of property, plant & equipment	(37,921)	(3,283)	(7,770)	(27)	(89)	(49,090)
Amortisation of land use rights	(632)	–	–	–	–	(632)
Amortisation of intangible assets	(10,243)	–	(129)	–	–	(10,372)
Allowance for impairment of inventories	(4,818)	(769)	(648)	–	–	(6,235)
Recovery of/(allowance for) impairment of trade receivables, net	155	(624)	(1,093)	(22)	–	(1,584)
Gain on disposal of investment properties	–	–	–	–	13,328	13,328
(Loss)/gain on disposal of property, plant & equipment	(13)	155	–	–	–	142
Property, plant & equipment written off	(95)	–	(150)	–	–	(245)

For the year ended 31 December 2015

	Asia *HK$'000*	EMEA *HK$'000*	North America *HK$'000*	South America *HK$'000*	Unallocated *HK$'000*	Group *HK$'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	(10,484)	(348)	69	–	–	(10,763)
Inventories directly written off	(22)	–	–	–	–	(22)
(Allowance for)/recovery of impairment of trade receivables, net	(333)	358	(166)	(98)	–	(239)
Gain/(loss) on disposal of property, plant & equipment	155	(800)	130	–	–	(515)
Property, plant & equipment written off	(7,755)	(137)	(29)	–	–	(7,921)

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.

4. EXPENSES BY NATURE

	2016	2015
	HK$'000	*HK$'000*
Raw materials & consumables used	**271,621**	322,412
Amortisation of intangible assets	**10,372**	9,099
Amortisation of land use rights	**632**	673
Depreciation of property, plant & equipment	**49,090**	54,469
Employee benefit expenses	**415,140**	392,284
Operating lease charges in respect of		
– Land & buildings	**47,217**	46,722
– Other assets	**701**	1,105
Allowance for impairment of inventories	**6,235**	10,763
Inventories directly written off	**–**	22
Allowance for impairment of trade receivables, net	**1,584**	239
Bad debts directly written off	**393**	824
Auditor's remuneration		
– Audit services	**4,420**	4,320
– Non-audit services	**1,199**	988
Legal and professional fees	**17,726**	12,492
Reinstatement costs not previously provided for	**–**	857
Research & development costs	**1,877**	2,015

5. OTHER GAINS/(LOSSES) – NET

	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of financial assets at fair value through profit or loss	**1,242**	2,410
Gain/(loss) on disposal of property, plant & equipment	**142**	(515)
Gain on disposal of investment properties	**13,328**	–
Property, plant & equipment written off	**(245)**	(7,921)
(Loss)/gain on change in fair value of derivative financial instruments	**(113)**	50
Net foreign exchange loss	**(4,342)**	(1,975)
Refund of unvested benefits of defined contribution plan	**440**	1,743
Others	**3,401**	2,945
	13,853	(3,263)

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**3,104**	5,984
Overseas	**16,894**	13,849
Under/(over)-provision in prior years	**7,627**	(79)
Withholding tax	**10,353**	–
Deferred income tax expense/(credit)	**1,214**	(427)
Income tax expense	**39,192**	19,327

7. (LOSSES)/EARNINGS PER SHARE

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

	2016	2015
(Loss)/profit attributable to owners of the Company (HK$'000)	**(33,372)**	18,958
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic (losses)/earnings per share (HK cents)	**(15.73)**	8.93

The Group had no dilutive potential shares outstanding during the years ended 31 December 2016 and 2015.

8. TRADE & OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**228,365**	221,679
Less: allowance for impairment of trade receivables	**(7,242)**	(6,499)
Trade receivables – net	**221,123**	215,180
Prepayments	**27,133**	23,786
Value added tax receivables	**22,764**	11,445
Rental deposits	**7,150**	9,085
Other receivables	**35,935**	17,801
	314,105	277,297
Less: Non-current portion prepayments	**(13,570)**	(8,494)
Current portion	**300,535**	268,803

Prepayments included in non-current assets amounted to HK$13,570,000 (2015: HK$8,494,000).

The carrying amounts of trade receivables approximate their fair values as at 31 December 2016 and 2015. 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:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**163,280**	158,345
31 to 60 days	**28,136**	29,785
61 to 90 days	**14,642**	12,155
91 to 365 days	**16,012**	15,074
More than 365 days	**6,295**	6,320
	228,365	221,679

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

	2016	2015
	HK$'000	*HK$'000*
Amounts past due but not impaired:		
Less than 30 days past due	**78,872**	56,957
31 to 60 days past due	**13,399**	10,152
61 to 90 days past due	**6,170**	5,370
91 to 365 days past due	**10,259**	11,588
More than 365 days past due	**957**	599
	109,657	84,666

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

As at 31 December 2016, trade receivables of approximately HK$109,657,000 (2015: HK$84,666,000) 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:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**6,499**	6,441
Allowance for impairment of trade receivables	**2,723**	2,260
Recovery of impairment previously recognised	**(1,139)**	(2,021)
(Receivables written off as uncollectible)/recovery of receivables previously written off	**(161)**	132
Currency translation difference	**(680)**	(313)
At 31 December	**7,242**	6,499

9. TRADE & OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**82,570**	45,583
Deposits received in advance	**98,636**	95,138
Accrual for expenses	**105,450**	91,780
Other payables	**72,204**	60,850
	358,860	293,351

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

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**69,661**	35,787
31 days to 60 days	**10,191**	7,715
61 days to 90 days	**1,747**	1,053
More than 90 days	**971**	1,028
	82,570	45,583

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 2016.

CHAIRMAN'S STATEMENT

The first half of 2016 was again characterised by lower turnover, but with much stronger performance in the second half, full-year sales were slightly ahead of prior year. The operating profit of Tai Ping's core business was HK$57 million, up 10% on prior year, but HK$56 million in one-off expenses and HK$10 million one-off withholding tax payment resulted in a net loss attributable to owners of the Company of HK$33 million compared to net profit of HK$19 million in 2015.

One-off costs included business streamlining in our South American distribution business, but the most significant item was HK$51 million incurred in closing down hand-made operations in Nanhai and transferring employees, plant and equipment to our new Artisan workshop in Xiamen. This expense was flagged in last year's Annual Report, and the opening of the new workshop constitutes a major milestone for the Company. The transition has not been without its challenges, but the cost incurred is consistent with plan, the project has been well managed, and the projected benefits are now in place.

Our high-end Artisan business delivered sales that were slightly up over prior year. The Board views the Asian Artisan market as a key growth opportunity, so it is pleasing to see the increased investment in this region is starting to deliver results. Equally encouraging is the on-going strengthening of our luxury Yacht business which continues to drive growth in Europe.

Our Commercial business delivered turnover that was also in line with 2015 overall, with a slow-down in the American hospitality sector offset by a resurgent Asia, where hotel and casino demand in Hong Kong, China and Macao was particularly encouraging.

Our dedicated Aviation team experienced a challenging year linked to a slow-down in orders from key customers. However, we still see this market segment providing growth longer term and continue to invest in sales, marketing and new product offerings aimed at increasing our share of the new build and refit business.

In 2017, work will continue to drive Xiamen to capacity, turning our attention to the Artisan business's top-line, and filling the new workshop to maximise its potential. In parallel, as announced in November, an evaluation is underway of strategic options for the Commercial business, focused upon optimising shareholder value.

Although the net result for 2016 was a loss, and while there is continuing focus on cost and cash flow as we proceed with Xiamen Phase 2, the Board is recommending payment of a final dividend of HK3 cents per share.

On behalf of all the members of the Board, I would like to thank Tai Ping management and staff who, in a challenging year, have executed considerable change in the business with minimal disruption. 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 2016 was HK$1,320 million, compared to HK$1,313 million in 2015, a slight increase of 1%.

Gross margin for the year was 45%, a reduction from 47% in 2015. Distribution costs increased by 2% to HK$328 million and administrative expenses increased by 11% to HK$278 million. Group operating profit was HK$1 million as compared to HK$36 million in 2015.

Net loss attributable to owners of the Company for the year was HK$33 million, compared to net profit of HK$19 million in 2015.

The Group's 2016 result was heavily influenced by non-recurring expenditure of HK$56 million incurred in executing the relocation of its China Artisan supply-chain to the new manufacturing facility in Xiamen, and also streamlining its overseas operations (2015: HK$16 million).

Excepting this one-off impact, the operating profit in Tai Ping's core business was HK$57 million or 10% up compared to the previous year.

In 2016, the Group incurred HK$10 million withholding tax payment in relation to a fund transfer from its Thailand operations to finance the construction of the new manufacturing facility in Xiamen.

CARPET OPERATIONS

Turnover in the year was HK$1,289 million, which was flat compared with the previous year of HK$1,285 million. The Artisan business increased by 0.4% from the previous year and the Commercial business increased by 0.3%.

The overall gross profit margin was 45%, compared with 47% in the previous year. The reduction in gross margin was partially linked to higher fixed manufacturing overheads that could not be effectively utilised during the transition of manufacturing operations in China.

The Americas

Turnover in the Americas was down by 13% to HK$508 million, principally due to softening of the US hospitality sector as well as a number of projects being put on hold by a major Aviation client undergoing restructuring.

The Artisan business was also slightly down, impacted by temporary supply disruption during the transfer of manufacturing operations to the new Xiamen factory through the middle of the year.

Asia

Turnover in Asia was HK$558 million, increasing by 13% from the previous year.

Overall business out of Thailand was down by 8% to HK$281 million, primarily due to weakness in Carpet Tile sales into Australasia. Some of this is linked to changes within the distribution network while market research has also been conducted leading to the refreshment of certain product lines that have not been performing. These shortfalls were partially off-set by an encouraging increase in automotive sales.

Business in the rest of Asia increased sharply, by 48%, to HK$277 million helped by a strong order book carried over from 2015, and largely linked to the strength of the Asia hospitality and gaming sectors.

The Artisan business also showed encouraging growth of 56% to HK$50 million following organisational changes, greater strategic focus, and additional investment in Sales and Marketing.

Europe, the Middle East and Africa

Turnover in Europe and the Middle East was HK$223 million, increased by 6% from the previous year.

Fewer large projects in the year, combined with weakening of the British Pound and the Euro contributed to a reduction in Residential business, but continued strength in the Yacht sector and encouraging growth in Aviation combined to deliver the overall improvement.

Manufacturing Operations

2016 witnessed a transformational change in Tai Ping's Artisan, hand-made operations with its entire supply-chain transferring from its Nanhai facility in Guangdong Province to a new state-of-the-art workshop in Xiamen, Fujian Province.

Xiamen Phase One construction is almost complete and, following fit-out, machine commissioning and trial production began in September. Just under 300 skilled workers agreed to transfer from the old to the new facility with the balance recruited locally. Skills and outputs in Xiamen have since grown rapidly and the transfer and ramp-up of new operations will be completed over the course of 2017.

Phase Two, which will ultimately enable a 50% capacity increase over the old plant, is underway, with construction expected to complete by the end of 2017.

The transfer of Artisan employees, plant and equipment from Nanhai began in the second quarter of 2016 and is on-going. Around 130 employees left the old factory through natural attrition when the transfer was announced, while a further 600 have been or will be offered severance and the opportunity to transfer. As expected, the process led to considerable one-off, non-recurring costs during the year. The transfer will be completed in 2017.

Nanhai continues to operate as part of our Commercial supply-chain although it too is being re-engineered to establish a leaner and more efficient business with around 200 employees. The resulting Axminster output will supplement production from our biggest plant in Pathumthani, Thailand.

The Thai facility had another strong year with a continued focus on driving efficiency in all its forms. Material costs and utilisation showed particular improvement in the year, while indirect and overhead costs continued to reduce. Enhanced responsiveness and flexibility, driven by employee cross-training and new outsourcing arrangements, supported record levels of Commercial production and shipment through the seasonal peak in quarter four.

Overall headcount across the three factories reduced by 96, ending the year at 2,210 employees.

Human Resources

The overall number of employees across the business decreased by 98 to 2,773.

Internal communication continued to be key area of focus during the year and good progress has been made using a new company intranet to share successes and company news, establishing greater cohesiveness across so many time-zones.

Following the restructuring of Marketing and Design at the end of the previous year, 2016 saw changes in Finance where we welcomed a new Chief Financial Officer, Lung Chi Sing Alex, who joined in August. In both areas much emphasis has been placed on improving understanding and integration across the regional teams, as well as getting closer to, and better supporting, key customers in Sales and Operations.

Communication, training and streamlining initiatives will continue in 2017.

Information Technology

The roll-out of the Oracle ERP Sales & Distribution module across the US was completed in 2016, resulting in significantly enhanced reporting, and improved controls.

The last deployment – in Europe – is also largely completed, with only the UK and Germany still currently in progress.

The Datatex factory ERP implementation at the new facility in Xiamen is part completed with support from third-party consultants. The project is scheduled for completion in 2017.

Design and Marketing

Building on the launch of the "House of Tai Ping" brand strategy in 2015, a major focus has been on conducting refresher training in relation to the five core brands for the global sales force and for customers at events hosted in our Hong Kong, Paris and New York flagship showrooms.

The new, better integrated Product Development, Collection Design & Marketing departments have worked closely with the Sales organisation to establish a "global calendar" of product launches, exhibitions and other customer events to promote the Tai Ping brands globally.

In 2016 Tai Ping launched seven new Collections and three innovative new yarn systems, supported by better integrated PR campaigns, resulting in significant global media coverage.

Over the course of the spring, Tai Ping launched its "Bloom" Collection curated by the celebrated American florist Jeff Leatham. This was followed in the autumn by "Edition Two", the second fast-track delivery, semi-stock offering, containing patterns designed by six established or rising stars of the international design community. Both of these new collections were launched in Asia (Hong Kong and Shanghai), Europe (Paris) and the United States (New York and Los Angeles).

Edward Fields launched "Magnetic", a collection of ten archive designs from the 1970's, while Manufacture Cogolin launched "Variamen", a collection of handwoven rugs by architect Charles Zana.

1956 by Tai Ping collaborated with Californian design studio WrappedLA to launch "Synthesia", a collection of Hand Tufted and Axminster designs geared for international hospitality markets.

Lastly, three new proprietary Tai Ping yarn systems, "Steele", "Field" and "Glosilk", were launched across the brands, providing different aesthetics and textures to our customers. One of them, "Field", is available in a 100% water-proof product providing luxury for the outdoor lifestyle.

NON CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's US-based yarn-dyeing facilities, began processing wool yarns in 2016 in response to a shift in US demand away from synthetics.

While this has put the business in a stronger position moving forwards, the benefit from 2016's 10% revenue growth was offset by one-off costs incurred to address changes in regulatory and environmental requirements.

ASSET HELD FOR SALE

Our minority shareholding in PCMC continues to be classified as an asset held for sale. The underlying factory site in Manila is currently being marketed for sale by PCMC, after which our intention is to sell or otherwise unwind our shareholding, which we fully expect to happen in the next 12 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 2016, the Group had total cash and bank balances amounting to HK$144 million (2015: HK$154 million).

As at 31 December 2016, the Group had unsecured bank borrowings of HK$119 million (2015: HK$147 million).

As at 31 December 2016, the Group also held financial assets at fair value through profit or loss of HK$89 million (2015: HK$139 million).

EMPLOYEE & REMUNERATION POLICIES

As at 31 December 2016, the Group employed 2,773 employees (as at 31 December 2015: 2,871 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.

DIVIDEND

No interim dividend was paid during the year. The Directors recommend a final dividend of HK3 cents per share (2015: HK3 cents), totalling HK$6,366,000 (2015: HK$6,366,000) for the year ended 31 December 2016. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 19 May 2017, the final dividend will be paid to shareholders on or about 16 June 2017 whose names appear on the register of members of the Company at the close of business on 29 May 2017.

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 Tuesday, 16 May 2017 to Friday, 19 May 2017 (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 deposited at 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 Monday, 15 May 2017.

For determining the entitlements to the proposed final dividend for the year ended 31 December 2016, the transfer books and the register of members of the Company will be closed from Thursday, 25 May 2017 to Monday, 29 May 2017 (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 deposited at 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, 24 May 2017.

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 2016, 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.

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 2016.

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, risk management and internal control systems. Detailed terms of reference of Audit Committee are accessible on the Company's website.

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 financial report, risk management and internal control.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2016 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.

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 2016 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, 17 March 2017

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.