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 2018

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 2018, together with the comparative figures for 2017, that have been adjusted to reflect the results of the remaining Artisan business, with the Commercial business classified as "Discontinued operation", as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenues	*3*	**540,932**	446,858
Cost of sales	*4*	**(247,081)**	(233,988)
Gross profit		**293,851**	212,870
Distribution costs	*4*	**(186,646)**	(181,720)
Administrative expenses	*4*	**(158,484)**	(197,456)
Other gains – net	*5*	**8,351**	7,671
Operating loss		**(42,928)**	(158,635)
Finance income		**507**	1,106
Finance costs		**(43)**	(790)
Finance income – net		**464**	316
Loss before income tax		**(42,464)**	(158,319)
Income tax expense	*6*	**(947)**	(2,760)
Loss for the year from continuing operations		**(43,411)**	(161,079)
Profit for the year from discontinued operation		**–**	350,823
(Loss)/profit for the year		**(43,411)**	189,744
(Loss)/profit attributable to:			
Owners of the Company		**(34,136)**	194,251
Non-controlling interests		**(9,275)**	(4,507)
		(43,411)	189,744
(Losses)/earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted			
Continuing operations	*7*	**(16.09)**	(73.71)
Discontinued operation	*7*	**–**	165.26
Included discontinued operation	*7*	**(16.09)**	91.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(43,411)**	189,744
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations	**(329)**	–
Items that have been or may be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations, net of tax, in relation to discontinued operation	**–**	649
Non-controlling interests in relation to discontinued operation	**–**	(812)
Exchange reserve released upon disposal of business	**–**	(71,778)
Currency translation differences	**(12,734)**	48,097
Other comprehensive loss for the year, net of tax	**(13,063)**	(23,844)
Total comprehensive (loss)/income for the year	**(56,474)**	165,900
Attributable to:		
Owners of the Company	**(45,729)**	168,881
Non-controlling interests	**(10,745)**	(2,981)
	(56,474)	165,900
Total comprehensive (loss)/income for the year attributable to the owners of the Company arises from:		
Continuing operations	**(45,729)**	(110,634)
Discontinued operation	**–**	279,515
Total – Included Discontinued operation	**(45,729)**	168,881

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Land use rights		**27,138**	29,090
Property, plant & equipment		**267,574**	256,297
Construction in progress		**107,893**	96,728
Intangible assets		**15,064**	19,560
Prepayments	*8*	**5,816**	16,274
		423,485	417,949
Current assets			
Inventories		**83,646**	92,888
Trade & other receivables	*8*	**111,936**	121,467
Derivative financial instruments		**–**	1,248
Current income tax assets		**3,787**	1,443
Pledged bank deposits		**393**	687
Cash & cash equivalents		**93,008**	264,338
		292,770	482,071
Non-current asset held for sale	*10*	**17,192**	17,192
		309,962	499,263
Total assets		**733,447**	917,212

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2018 HK$'000	2017 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**275,699**	286,963
Retained earnings:			
Proposed final dividend		**–**	–
Others		**141,669**	176,075
		438,587	484,257
Non-controlling interests		**20,268**	31,013
Total equity		**458,855**	515,270
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**2,225**	3,399
Retirement benefit obligations		**3,460**	2,925
		5,685	6,324
Current liabilities			
Trade & other payables	9	**183,687**	328,787
Contract liabilities - Deposits received in advance	9	**83,164**	–
Derivative financial instruments		**251**	–
Current income tax liabilities		**1,805**	4,831
Bank borrowings - unsecured		**–**	62,000
		268,907	395,618
Total liabilities		**274,592**	401,942
Total equity & liabilities		**733,447**	917,212
Net current assets		**41,055**	103,645
Total assets less current liabilities		**464,540**	521,594

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") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. 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 mandatory for the first time for the financial year beginning 1 January 2018 which have no material impact to the Group

HKFRS 9	Financial Instruments (new standard)
HKFRS 15	Revenue from Contracts with Customers (new standard)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2018 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 9	Prepayment Features with Negative Compensation (amendments)[1]
HKFRS 16	Leases (new standard)[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)[1]
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)[1]

Note:

1 Effective for the Group for annual period beginning on 1 January 2019

3. REVENUES 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"), and North 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 2018 and 2017 are as follows:

For the year ended 31 December 2018

	Asia *HK$'000*	EMEA *HK$'000*	North America *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue from external customers	**96,181**	**202,042**	**242,709**	**–**	**540,932**
Cost of production[1]	**(47,555)**	**(96,335)**	**(114,704)**	**–**	**(258,594)**
Segment gross margin	**48,626**	**105,707**	**128,005**	**–**	**282,338**
Segment results	**13,155**	**4,394**	**(1,349)**	**–**	**16,200**
Unallocated expenses[2]					**(59,128)**
Operating loss					**(42,928)**
Finance income					**507**
Finance costs					**(43)**
Loss before income tax					**(42,464)**
Income tax expense					**(947)**
Loss for the year from continuing operations					**(43,411)**
Non-current assets	**376,096**	**18,600**	**21,725**	**7,064**	**423,485**
Current assets	**134,369**	**83,720**	**51,267**	**23,414**	**292,770**
Non-current asset held for sale	**–**	**–**	**–**	**17,192**	**17,192**
Total assets					**733,447**
Segment liabilities	**90,687**	**81,569**	**55,507**	**46,829**	**274,592**
Capital expenditure	**(54,329)**	**(1,558)**	**(2,456)**	**–**	**(58,343)**
Depreciation of property, plant & equipment	**(13,687)**	**(2,750)**	**(4,514)**	**(66)**	**(21,017)**
Amortisation of land use rights	**(640)**	**–**	**–**	**–**	**(640)**
Amortisation of intangible assets	**(4,203)**	**–**	**(130)**	**–**	**(4,333)**
Recovery of/(allowance for) impairment of inventories – net	**4,844**	**(820)**	**327**	**–**	**4,351**
Inventories written off	**(50)**	**(361)**	**–**	**–**	**(411)**
Allowance for impairment of trade receivables – net	**–**	**(880)**	**(855)**	**–**	**(1,735)**
Property, plant & equipment written off	**(1,033)**	**(9)**	**–**	**(5)**	**(1,047)**

For the year ended 31 December 2017

	Asia *HK$'000*	EMEA *HK$'000*	North America *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue from external customers	96,076	156,461	194,321	–	446,858
Cost of production[1]	(63,862)	(88,160)	(93,509)	–	(245,531)
Segment gross margin	32,214	68,301	100,812	–	201,327
Segment results	(9,973)	(63,366)	(51,749)	–	(125,088)
Unallocated expenses[2]					(33,547)
Operating loss					(158,635)
Finance income					1,106
Finance costs					(790)
Loss before income tax					(158,319)
Income tax expense					(2,760)
Loss for the year from continuing operations					(161,079)
Profit for the year from discontinued operation					350,823
Profit for the year					189,744
Non-current assets	373,728	20,641	23,455	125	417,949
Current assets	349,489	68,013	45,394	19,175	482,071
Non-current asset held for sale	–	–	–	17,192	17,192
Total assets					917,212
Segment liabilities	155,571	91,169	63,816	91,386	401,942
Capital expenditure	(112,805)	(1,926)	(8,554)	–	(123,285)
Depreciation of property, plant & equipment	(14,555)	(2,910)	(6,141)	(79)	(23,685)
Amortisation of land use rights	(620)	–	–	–	(620)
Amortisation of intangible assets	(10,332)	–	(129)	–	(10,461)
Allowance for impairment of inventories	(342)	(1,189)	(2,224)	–	(3,755)
Inventories written off	(189)	(1,079)	–	–	(1,268)
Recovery of/(allowance for) impairment of trade receivables – net	76	(2,644)	777	–	(1,791)
Property, plant & equipment written off	(285)	–	(449)	–	(734)

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

Continuing operations	**2018** ***HK$'000***	2017 *HK$'000*
Raw materials & consumables used	**61,496**	79,610
Amortisation of intangible assets	**4,333**	10,461
Amortisation of land use rights	**640**	620
Depreciation of property, plant & equipment	**21,017**	23,685
Employee benefit expenses	**202,420**	225,733
Operating lease charges in respect of		
– Land & buildings	**35,532**	36,836
– Other assets	**15**	12
(Recovery of)/allowance for impairment of inventories – net	**(4,351)**	3,755
Inventories directly written off	**411**	1,268
Allowance for impairment of trade receivables – net	**1,735**	1,791
Bad debts directly written off	**402**	1,194
Auditor's remuneration		
– Audit services	**2,128**	3,501
– Non-audit services	**78**	1,186
Legal and professional fees	**14,335**	5,429

5. OTHER GAINS – NET

Continuing operations	**2018** ***HK$'000***	2017 *HK$'000*
Property, plant & equipment written off	**(1,047)**	(734)
Gain on change in fair value of derivative financial instruments	**493**	1,248
Net foreign exchange gain	**297**	6,685
Refund of unvested benefits of defined contribution plan	**148**	68
Others	**8,460**	404
	8,351	7,671

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

Continuing operations	**2018** ***HK$'000***	2017 *HK$'000*
Current income tax		
Hong Kong	**1,732**	6,227
Overseas	**2,984**	3,615
Over-provision in prior years	**(2,595)**	(5,665)
Deferred income tax credit	**(1,174)**	(1,417)
Income tax expense	**947**	2,760

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.

	2018	2017
(Loss)/profit attributable to owners of the Company *(HK$'000)*		
– arising from continuing operations	**(34,136)**	(156,393)
– arising from discontinued operation	**–**	350,644
Weighted average number of ordinary shares in issue *(thousands)*	**212,187**	212,187
Basic (losses)/earnings per share *(HK cents)*		
– from continuing operations	**(16.09)**	(73.71)
– from discontinued operation	**–**	165.26
– Total – included discontinued operation	**(16.09)**	91.55

The Group had no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017.

8. TRADE & OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**71,986**	62,824
Less: allowance for impairment of trade receivables	**(9,448)**	(8,214)
Trade receivables – net	**62,538**	54,610
Prepayments	**11,934**	17,354
Value added tax receivables	**23,630**	29,720
Rental deposits	**5,645**	7,712
Other receivables	**14,005**	28,345
	117,752	137,741
Less: Non-current portion prepayments	**(5,816)**	(16,274)
Current portion	**111,936**	121,467

Prepayments included in non-current assets amounted to HK$5,816,000 (2017: HK$16,274,000).

The carrying amounts of trade receivables approximate their fair values as at 31 December 2018 and 2017. 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:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**36,197**	19,478
31 to 60 days	**7,070**	8,565
61 to 90 days	**4,305**	3,595
91 to 365 days	**14,608**	20,249
More than 365 days	**9,806**	10,937
	71,986	62,824

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

	2018	2017
	HK$'000	*HK$'000*
Amounts past due but not impaired:		
Less than 30 days past due	**18,691**	10,193
31 to 60 days past due	**5,466**	17,326
61 to 90 days past due	**3,068**	2,875
91 to 365 days past due	**11,897**	3,934
More than 365 days past due	**1,941**	6,719
	41,063	41,047

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

As at 31 December 2018, trade receivables of approximately HK$41,063,000 (2017: HK$41,047,000) 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 recoverable.

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

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**8,214**	7,242
Allowance for impairment of trade receivables	**3,148**	6,866
Recovery of impairment previously recognised	**(1,413)**	(4,276)
Receivables written off as uncollectible	**(213)**	(86)
Currency translation difference	**(288)**	468
Less: Discontinued operation	**–**	(2,000)
At 31 December	**9,448**	8,214

9. TRADE & OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**42,301**	33,361
Deposits received in advance	**83,164**	86,930
Accrual for expenses	**78,082**	64,819
Other payables	**63,304**	143,677
	266,851	328,787
Less: Contract liabilities – Deposits received in advance	**(83,164)**	–
	183,687	328,787

Contract liabilities are recognised when considerations from customers are received, or the Group has the rights to an amount of consideration that is unconditional before the Group performs a service or delivery of carpets to the customers.

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**12,526**	10,621
31 days to 60 days	**15,278**	7,292
61 days to 90 days	**5,021**	1,230
More than 90 days	**9,476**	14,218
	42,301	33,361

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 was in the process of engaging a third party adviser to handle the disposal as at 31 December 2018.

In February 2019, PCMC entered into a sales and purchase agreement to dispose of its principal property asset in Manila, with completion scheduled to follow shortly. Following this sale, PCMC will be closed and proceeds distributed to shareholders, which is expected to happen within the next 12 months.

CHAIRMAN'S STATEMENT

2018 marked a significant milestone in Tai Ping's history as, after the divestment of its Commercial interests in late 2017, management began to focus exclusively on the core, hand-made Artisan business.

It is encouraging that in its first year, the new Tai Ping delivered 21% sales growth, a significant improvement in gross margins to 54% from 48% in 2017, and a HK$34 million reduction in selling, distribution and administrative expenses. The combined effect of these improvements was an operating loss of HK$43 million, well down on the HK$159 million loss in 2017, and meeting the commitment to reduce losses made in the circular to shareholders ahead of the Commercial business disposal.

Net of non-recurring expenses for the two years, operating losses for 2018 were reduced to HK$21 million compared to HK$100 million in 2017. With the commercial business divestment and relocation of production completed, and the right-sizing of the remaining business well advanced, the cost base has reduced and the financial benefits accruing from this have started to show through. The full benefit will be realised as the turnaround proceeds through 2019 and 2020.

The sales growth in 2018 confirmed that salesforce and customer confidence has been restored following a period of change and instability. The Americas and EMEA regions delivered 30% and 29% growth respectively, while Asia also showed strong growth in the residential and boutique markets offset by the expected reduction in hospitality sales following divestment.

Manufacturing migration to the new Artisan workshop in Xiamen was completed in the first half of the year, with the grand opening taking place in May. Performance from the new facility is steadily improving as the new workforce stabilises and skills improve. To reinforce this, a new factory ERP system went live shortly after opening, and significant efficiency and cost benefits are expected to result. As the new factory ramps up, the liquidation of Tai Ping's previous manufacturing joint venture in Guangdong is progressing.

On the Selling and Marketing side, Tai Ping continued to participate in global design events throughout 2018, introducing a number of outstanding new design collections developed by our talented in-house team as well as through collaboration with renowned external partners. The Company will continue to leverage its design leadership, and all three of its brands – Tai Ping, Edward Fields and Cogolin – as it deploys growth strategies across its markets.

With stability restored, a lower cost base and a new state-of-the-art factory, there is confidence that company performance will continue to improve, but the complex macro-economic and trade climate remains a significant concern as America is Tai Ping's biggest market while its manufacturing is located in China. So far, the Company has managed the implication of the 10% tariff with only limited financial impact, but any further increase in tariff would have an adverse effect on the business. Mitigation plans and options are under continual review, including the possible expansion of the Company's existing, albeit small US manufacturing footprint.

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 and delivered good progress. 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 2018 was HK$541 million, compared to HK$447 million in 2017, a significant increase of 21%.

Gross margin for the year was 54%, an increase from 48% in 2017. Consistent with the increased sales, distribution costs increased by 3% to HK$187 million, while administrative expenses decreased by 20% to HK$158 million. These combined improvements delivered a significantly reduced loss of HK$43 million for the year, compared to HK$159 million in 2017.

The internal reorganisation communicated in the last Annual Report began in the fourth quarter of 2017, following the disposal of the Commercial business. Streamlining of the regional sales and distribution management structure was substantially completed in the first half of 2018. Consolidated operating results included non-recurring expenditure of HK$22 million incurred in executing this transition, as well as closing the Company's former Guangdong manufacturing facility. However, one-off costs were significantly reduced compared to HK$59 million in 2017.

Net of non-recurring impacts, Tai Ping's loss in its core business was HK$21 million, compared to HK$100 million in the prior year.

The net loss attributable to owners of the Company was HK$34 million, compared to a net profit of HK$194 million in 2017, although this included the gain on disposal of HK$351 million for the Commercial business sold in that year. Excluding the one-off gain, the net loss attributed to the owners in 2017 was HK$156 million.

The internal reorganisation and the relocation of manufacturing activities to the new Artisan workshop in Xiamen are substantially complete, and the Group now operates from a leaner cost structure.

CARPET OPERATIONS

Turnover for the year was HK$520 million, increased by 23% compared to HK$421 million in 2017.

Turnover in the Americas was HK$222 million, increased by 30% from HK$171 million in the prior year. The increase followed growth in both the residential and private aviation sectors.

Turnover in Europe, the Middle East and Africa ("EMEA") also increased by 29% to HK$202 million, compared to HK$156 million in 2017. This followed encouraging growth in the Luxury Boutique stores sector, but was also bolstered by a number of large yacht projects carried into the year that were originally scheduled to complete in 2017.

The turnover in Asia was HK$96 million, up 2% from HK$94 million in 2017. Again, the Luxury Boutique stores sector showed strong growth, but this was largely off-set by a reduction in hospitality sales following the divestment of the Commercial business.

Overall gross margin was 56%, compared with 50% in the previous year, due to the reduction in one-off expenses, improving manufacturing costs, and a more favourable sales mix.

Manufacturing Operations

The performance of the new Artisan workshop in Xiamen continues to improve as the workforce stabilises and skill-levels improve. All manufacturing in the former Nanhai facility ceased in May 2018 with processes now consolidated into the new workshop. Construction is now also completed, so the capacity and infrastructure are in place to meet future growth.

With supply stabilised, management emphasis is fully focused on delivering continuous improvement in service, quality and cost.

Total headcount for manufacturing operations at the end of the year was 663.

Termination of the joint venture at Nanhai in Southern China is progressing and final closure will be subject to approval from the relevant government authorities.

Human Resources

The number of employees has decreased by 7% since the start of the year linked to business right-sizing. The total number of employees at the end of December 2018 was 829 compared to 893 at the end of 2017.

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.

The primary focus for Human Resources during the year was in establishing stability and retaining talent through a period of considerable organisational change.

Mr. James H. Kaplan retired as Chief Executive Officer and was succeeded by Mr. Mark S. Worgan, effective from 1 January 2018.

Information Technology

Implementation of the Datatex factory ERP system in the Artisan workshop is a key step in establishing improved control and productivity. The project began in 2017 and went live in the first quarter of 2018. Additional functionality will be deployed in the fourth quarter of 2019 to enhance production scheduling, human resource management and overall workflow.

The existing Oracle system, which supports sales and distribution activities, is also being integrated with Datatex to establish improved communication, reporting and business efficiency.

Design and Marketing

In 2018, House of Tai Ping continued to establish itself as a creative leader through the launch of innovative new collections across its brands.

The primary Tai Ping launches were: *Kiso*, a new collaboration with well-known international designers George Yabu and Glenn Pushelberg of Yabu Pushelberg, inspired by Japan's wahi-sabi philosophy and refined traditional textiles. The collection was launched at Design Shanghai; *Nephele*, named after the Greek nymph born from a cloud and Zeus, and developed in conjunction with Ed Ng and Terence Ngan of AB Concepts, a Hong Kong design practice with an international luxury design presence. The collection was launched in Paris at Maison & Objet.

Edward Fields introduced *On-the-Fringe*, a new edition comprised of 12 abstract designs from the archives that were reinterpreted with modern hand-tuft craftsmanship in an unconstrained and exaggerated way, resulting in a collection of textiles that can be presented on the floor as rugs or dress the walls as tapestries.

La Manufacture Cogolin launched *Nord-Sud*, a collection of hand-knotted rugs designed by French interior architect and designer Stéphane Parmentier, and *Binaire*, a collection of five raffia rugs inspired by Moroccan craft in cooperation with designer Julie Richoz.

NON CARPET OPERATIONS

Other operations comprise mainly Tai Ping's U.S. based yarn-dyeing subsidiary, Premier Yarn Dyers, contributing approximately 4% of total sales. The Group is conducting a strategic review of its manufacturing strategy in the U.S. following losses incurred in 2018.

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.

At the end of the financial year, the Group had: total cash and bank balances amounting to HK$93 million (2017: HK$264 million) and unsecured bank borrowings of HK$nil (2017: HK$62 million).

ASSETS HELD FOR SALE

Assets held for sale represents our minority shareholding in Philippine Carpet Manufacturing Corporation ("PCMC"). In February 2019, PCMC entered into a sale and purchase agreement to dispose of its principal property asset in Manila, with completion scheduled to follow shortly. Following this sale, PCMC will be closed and proceeds distributed to shareholders, which is expected to happen within the next 12 months.

DIVIDEND

No interim dividend was paid during the year. The Board has resolved not to declare any dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to attend and vote at the forthcoming annual general meeting of the Company (the "AGM") on Friday, 17 May 2019, the transfer books and the register of members of the Company will be closed from Tuesday, 14 May 2019 to Friday, 17 May 2019 (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 Friday, 10 May 2019.

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 2018, 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.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagement, Mr. John J. Ying, Non-Executive Director and Mrs. Yvette Y. H. Fung and Mr. Aubrey K. S. Li, Independent Non-Executive Directors, did not attend the AGM held on 18 May 2018.

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 2018.

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.

During the year, the Audit Committee has recommended to the Board for the appointment of KPMG as the new auditor of the Company to fill the casual vacancy after resignation of PricewaterhouseCooper.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee and agreed by the external auditor, KPMG. 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 2018 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	**Mark S. Worgan**
Chairman	*Chief Executive Officer*

Hong Kong, 22 March 2019

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. Mark S. Worgan; Independent Non-executive Directors – Mrs. Yvette Y. H. Fung, Mr. Roderic N. A. Sage, Mr. Lincoln C. K. Yung, Mr. Aubrey K. S. Li, Mr. Daniel G. Green; Non-executive Directors – Mr. David C. L. Tong, Mr. John J. Ying, Mr. Nelson K. F. Leong, Mr. Andrew C. W. Brandler.