TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0146)

TAI PING

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Directors of Tai Ping Carpets International Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007. The interim financial statements of the Group are unaudited and the interim report comprising these financial statements has been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30 June **2007** ***HK$'000***	 2006 *HK$'000* (As restated)
Continuing operations			
Turnover	*2*	**491,876**	379,921
Cost of sales		**(277,085)**	(218,330)
Gross profit		**214,791**	161,591
Distribution costs		**(35,318)**	(31,225)
Administrative expenses		**(160,481)**	(133,006)
Other operating (expenses)/income, net		**(97)**	3,223
Operating profit	*2,3*	**18,895**	583
Interest income from banks		**643**	915
Finance costs	*4*	**(784)**	(3,081)
Surplus on revaluation of investment properties		**–**	3,140
Share of (losses)/profits of			
an associate		**(845)**	(11)
jointly controlled entities		**15,233**	10,908
Profit before income tax expenses		**33,142**	12,454
Income tax expenses	*5*	**(9,982)**	(3,639)
Profit after income tax expenses from continuing operations		**23,160**	8,815

	Note	Unaudited Six months ended 30 June **2007** ***HK$'000***	 2006 *HK$'000* (As restated)
Discontinued operation			
Profit for the period from discontinued operation		**–**	2,378
Loss recognised on measurement to fair value less costs to sell		**–**	(6,045)
		–	(3,667)
Profit after income tax expenses		**23,160**	5,148
Attributable to:			
Equity holders of the Company		**21,593**	3,555
Minority interests		**1,567**	1,593
Profit after income tax expenses		**23,160**	5,148
Dividends	*6*	**6,366**	–
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents per share)			
From continuing and discontinued operations			
Basic	*7*	**10.18**	1.67
Diluted	*7*	**10.17**	1.67
From continuing operations			
Basic	*7*	**10.18**	3.40
Diluted	*7*	**10.17**	3.40
From discontinued operation			
Basic	*7*	**–**	(1.73)
Diluted	*7*	**–**	(1.73)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2007** *HK$'000*	Audited 31 December 2006 *HK$'000*
Assets			
Non-current assets			
Leasehold land and land use rights		**21,527**	21,588
Property, plant and equipment		**324,991**	317,092
Investment properties		**36,800**	36,800
Construction in progress		**18,124**	7,993
Interest in an associate		**22,059**	21,682
Interests in jointly controlled entities		**173,018**	157,705
Deferred tax assets		**6,546**	6,631
		603,065	569,491
Current assets			
Inventories		**224,182**	211,858
Trade and other receivables	*8*	**199,385**	178,404
Derivative financial instruments		**606**	681
Properties held for sale		**–**	4,436
Financial assets at fair value through profit & loss		**2,582**	23,809
Cash and cash equivalents		**65,259**	58,976
		492,014	478,164
Total assets		**1,095,079**	1,047,655

	Note	Unaudited 30 June 2007 *HK$'000*	Audited 31 December 2006 *HK$'000*
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		**21,219**	21,219
Reserves		**802,766**	746,276
Proposed final dividend		**–**	6,366
		823,985	773,861
Minority interests		**34,751**	33,204
Total equity		**858,736**	807,065
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**2,324**	2,602
Other long-term liabilities		**1,211**	1,601
		3,535	4,203
Current liabilities			
Bank borrowings – unsecured		**9,557**	11,000
Trade and other payables	*9*	**205,012**	201,520
Other long-term liabilities – current portion		**390**	390
Taxation		**11,483**	23,477
Final dividend payable	*6*	**6,366**	–
		232,808	236,387
Total liabilities		**236,343**	240,590
Total equity and liabilities		**1,095,079**	1,047,655
Net current assets		**259,206**	241,777
Total assets less current liabilities		**862,271**	811,268

1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated accounts have been prepared under the historical cost convention except for (i) certain properties which are stated at revalued amounts less subsequent accumulated depreciation and accumulated impairment losses; and (ii) financial assets held at fair value through profit or loss and investment properties, which are carried at fair value.

The accounting policies used in the condensed consolidated accounts are consistent with those followed in the preparation of the Group's consolidated accounts for the year ended 31 December 2006.

In the current period, the Group has also adopted, for the first time, the following new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs") that are mandatory for the accounting periods beginning on or after 1 January 2007.

Amendment to HKAS 1
Capital disclosures

HKFRS 7
Financial instruments: disclosures

HK(IFRIC)-Interpretation 7
Applying the restatement approach under HKAS 29, financial reporting in hyperinflationary economies

HKAS 39 Amendment
The fair value option

HK(IFRIC)-Interpretation 8
Scope of HKFRS 2

HK(IFRIC)-Interpretation 9
Reassessment of embedded derivatives

HK(IFRIC)-Interpretation 10
Interim financial reporting and impairment

The adoption of the above new HKFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to the Group's results of operations and financial position in the period of initial application.

	Effective for accounting periods beginning on or after
HKAS 23 (Revised) Borrowing costs	1 January 2009
HKFRS 8 Operating segments	1 January 2009
HK(IFRIC)-Interpretation 11 HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC)– Interpretation 12 Service concession arrangements	1 January 2008

The Group has previously included the surplus on revaluation of investment properties in operating profit. Management decided to exclude such revaluation surplus from the operating profit since property investment is not part of the Group's core business and the inclusion of such surplus (or deficit) on revaluation of investment properties may distort the operating results of the Group.

The Group has also excluded interest income from operating profit. Management believes that such reclassification provides a better presentation of the Group's results.

The comparative figures have been reclassified to conform to the current period's presentation.

2. Segment Information

The principal activities of the Group consist of manufacture, import, export and sale of carpets, and manufacture and sale of yarns. Other businesses include manufacture and sale of mattresses and property holding.

The discontinued operation in 2006 comprised sale and leasing of interior furnishings in Hong Kong.

The following tables present turnover and profit information of the Group's business segments for the six-month periods ended 30 June 2007 and 2006.

For the six months ended 30 June 2007

	Carpet *HK'$000*	Yarn *HK'$000*	Others *HK'$000*	Elimination *HK'$000*	Unallocated *HK'$000*	Continuing operations *HK'$000*	Discontinued operation (interior furnishing) *HK'$000*	Group *HK'$000*
Revenues								
– External revenue	448,105	33,282	10,489	–	–	491,876	–	491,876
– Inter-segment revenue[1]	–	–	1,293	(1,293)	–	–	–	–
	448,105	33,282	11,782	(1,293)	–	491,876	–	491,876
Segment results	9,757	7,961	1,916	–	(739)	18,895	–	18,895
Interest income from banks						643	–	643
Finance costs						(784)	–	(784)
Share of (losses)/profits of								
an associate	(845)	–	–	–	–	(845)	–	(845)
jointly controlled entities	15,233	–	–	–	–	15,233	–	15,233
Profit before income tax expenses						33,142	–	33,142
Income tax expenses						(9,982)	–	(9,982)
Profit after income tax expenses						23,160	–	23,160

1 Inter-segment transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

For the six months ended 30 June 2006 (as restated)

	Carpet *HK'$000*	Yarn *HK'$000*	Interior furnishings *HK'$000*	Property holding *HK'$000*	Elimination *HK'$000*	Unallocated *HK'$000*	Continuing operations *HK'$000*	Discontinued operation (interior furnishings) *HK'$000*	Group *HK'$000*
Revenues									
– External revenue	337,257	27,436	12,308	2,920	–	–	379,921	23,738	403,659
– Inter-segment revenue[1]	254	–	–	1,045	(1,299)	–	–	–	–
	337,511	27,436	12,308	3,965	(1,299)	–	379,921	23,738	403,659
Segment results	(8,238)	5,340	774	3,533	–	(826)	583	(4,212)	(3,629)
Interest income from banks							915	43	958
Finance costs							(3,081)	–	(3,081)
Surplus on revaluation of investment properties							3,140	–	3,140
Share of (losses)/profits of									
an associate	(11)	–	–	–	–	–	(11)	–	(11)
jointly controlled entities	10,908	–	–	–	–	–	10,908	–	10,908
Profit/(loss) before income tax expenses							12,454	(4,169)	8,285
Income tax (expenses)/credit							(3,639)	502	(3,137)
Profit/(loss) after income tax expenses							8,815	(3,667)	5,148

1 Inter-segment transactions were entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

3. Operating Profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Crediting:		
Gain on disposal of property, plant and equipment	**166**	–
Charging:		
Depreciation of property, plant and equipment	**22,447**	22,198
Amortisation of leasehold land and land use rights	**271**	266
Loss on disposal of property, plant and equipment	**–**	196

4. Finance Costs

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**784**	3,081

5. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the applicable rates of taxation prevailing in the respective countries.

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account represents:

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Income tax relating to continuing operations		
Current income tax expenses		
Hong Kong	**2,704**	2,168
PRC and overseas	**7,027**	2,404
Deferred taxation relating to the origination and reversal of temporary differences	**251**	(933)
	9,982	3,639
Income tax relating to discontinued operation		
Current income tax expenses		
Hong Kong	**–**	35
Deferred taxation relating to the origination and reversal of temporary differences	**–**	(537)
	–	(502)
Total income tax expenses	**9,982**	3,137

6. Dividends

The Board does not recommend the payment of an interim dividend for the period (2006: Nil).

	30 June 2007 *HK$'000*	31 December 2006 *HK$'000*
2006 final dividend of HK$0.03 per share (2005 final dividend: nil)	**6,366**	–

The 2006 final dividend was paid on 3 July 2007.

7. Earnings/(Loss) Per Share

(1) From continuing and discontinued operations

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Six months ended 30 June	
	2007 *HK$'000*	2006 *HK$'000*
Profit attributable to equity holders of the Company	**21,593**	3,555
	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**10.18**	1.67

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, namely share options. For these share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**21,593**	3,555

	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Adjustments for share options (thousands)	**37**	–
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	**212,224**	212,187
Diluted earnings per share (HK cents)	**10.17**	1.67

No adjustment for share options is made in 2006 as all share options outstanding as at 30 June 2006 had an anti-dilutive effect on the earnings per share of the Company.

(2) From continuing operations

Basic

The calculation of the basic earnings per share from continuing operations attributable to the equity holders of the Company is based on the following information:

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**21,593**	3,555
Add: Loss attributable to equity holders from discontinued operation	**–**	3,667
Profit attributable to equity holders of the Company from continuing operations	**21,593**	7,222

	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**10.18**	3.40

Diluted

The calculation of the diluted earnings per share from continuing operations attributable to the equity holders of the Company is based on the profit attributable to equity holders from continuing operations of HK$21,593,000 (2006: HK$7,222,000). The denominators used are the same as those detailed above for diluted earnings per share from continuing and discontinued operations.

(3) From discontinued operation

Basic

The calculation of the basic loss per share from discontinued operation attributable to the equity holders of the Company is based on the following information:

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Loss attributable to equity holders from discontinued operation	**–**	3,667
	No. of ordinary shares	
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic loss per share (HK cents)	**–**	1.73

Diluted

The calculation of the diluted loss per share from discontinued operation attributable to the equity holders of the Company is based on the loss attributable to equity holders from discontinued operation of HK$nil (2006: HK$3,667,000). The denominators used are the same as those detailed above for diluted earnings per share from continuing and discontinued operations.

8. Trade and Other Receivables

	30 June 2007	31 December 2006
	HK$'000	*HK$'000*
Trade receivables	**182,977**	176,182
Less: Impairment loss of receivables	**(15,343)**	(20,337)
Trade receivables, net	**167,634**	155,845
Other receivables	**31,751**	22,559
	199,385	178,404

The amount approximated to the respective fair values as at 30 June 2007 and 31 December 2006. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. As at the balance sheet dates the ageing analysis of the trade receivables was as follows:

	30 June 2007	31 December 2006
	HK$'000	*HK$'000*
Current – 30 days	**95,191**	85,432
31 days – 60 days	**17,020**	23,634
61 days – 90 days	**16,233**	14,078
Over 90 days	**54,533**	53,038
	182,977	176,182

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

9. Trade and Other Payables

	30 June 2007	31 December 2006
	HK$'000	*HK$'000*
Trade payables	**33,346**	42,391
Other payables	**171,666**	159,129
	205,012	201,520

As at the balance sheet dates, the ageing analysis of the trade payables was as follows:

	30 June 2007	31 December 2006
	HK$'000	*HK$'000*
Current – 30 days	**27,567**	33,380
31 days – 60 days	**4,353**	4,806
61 days – 90 days	**743**	2,183
Over 90 days	**683**	2,022
	33,346	42,391

10. Event after Balance Sheet Date

On 5 September 2007, Everfit Textile Limited, an 85% owned subsidiary of the Company, entered into provisional sale and purchase agreements to sell its rights, title and interest in the 10/F and two car parks on the ground floor of Mai Gar Industrial Centre in Hong Kong to independent third parties for an aggregate consideration of HK$20,600,000. The net gain arising from the disposal, after deducting commission and legal and other expenses, would amount to approximately HK$8,160,000. The disposal would be completed on or before 20 December 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six-month period ended 30 June 2007. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

The Board and the Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company codified its corporate governance practices by reference to the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code throughout the six-month period ended 30 June 2007.

AUDIT COMMITTEE

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

Under these terms of reference, the responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditors (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, 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 period up to the date of this announcement, the Audit Committee held 2 meetings with the management and the external auditors 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 auditors and internal auditors, and discussing issues arising from the audits including internal controls and financial reporting.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's consolidated turnover for the six months ended 30 June 2007 was HK$491.9 million, a year-on-year increase of 29% or HK$112.0 million. The gross margin for the period also increased to 44%, compared with 43% in the same period in 2006. The increase in turnover and gross margin percentage was mainly driven by the sustained business growth and improved profitability of the carpet operations.

Profit after tax of the Group in the first six months of 2007 increased to HK$23.2 million, compared with HK$5.1 million in the corresponding period in 2006 (which included a loss of HK$3.7 million from "discontinued operation" attributable to the disposal of Indigo, the home and interior furnishing business in Hong Kong). The Group mainly benefited from the economies of scale resulting from higher sales and better gross profit margin.

Carpet Operations

During the first six months in 2007, turnover of the carpet operations increased by HK$110.8 million, or 33%, to HK$448.1 million. This growth was driven by both the commercial and residential businesses. The U.S. market remained the biggest market to the Group but the growth rate in Europe during the period was also high. Turnover in the U.S. accounted for 42% of total carpet turnover in the first half year of 2007. Asia and Europe/Others accounted for 37% and 21% respectively. In the corresponding period in 2006, the respective shares of total carpet turnover by the U.S., Asia and Europe/Others were 44%, 42% and 14%.

Gross margin of carpet operations during this period also grew to 44% from 43% in the corresponding period in 2006, despite increases in material costs and labour rates. This improvement was mainly attributable to the rising sales mix of higher margin carpets and improved factory efficiencies.

As a result, the carpet operations made an operating profit of HK$9.8 million during the period, compared with an operating loss of HK$8.2 million in the corresponding period in 2006.

The U.S. market showed sustained business growth and remained to be the biggest market to the Group. Total carpet turnover in the U.S. during the period increased 25% year-on-year to HK$187.1 million, mainly attributable to the substantial growth in the commercial business.

Turnover of the commercial business during the period amounted to HK$133.0 million and achieved a year-on-year increase of 44%. The significant increase in sales was mainly fuelled by the strength of the hospitality and gaming sectors in the local, regional and international markets. While profit margins were tight in certain market sectors, the overall gross profit margin during the period was comparable with that in the corresponding period in 2006.

As Tai Ping operates on a global scale, there is an increasing number of commercial orders and leads referred to sales offices in other countries for projects specified in the U.S.

The residential sector is a principal target for growth of the Group in view of its higher margin and the Group's competitive strengths in product quality, customer service and brand positioning. After the Group acquired the Edward Fields operations in 2005, a renovation programme was put in place to upgrade and refresh its brand image. Some of the former Edward Fields showrooms will be moved in phases to better locations and converted into Tai Ping showrooms with Edward Fields studios, and renovation of three major showrooms in the U.S. has been planned for this year. As a result, turnover of the residential business in the U.S. was flat in the first half year of 2007, but the gross margin further increased. The renovation of the Chicago showroom was completed and well-received by customers and industry leaders in the second quarter, and two additional showrooms have been relocated and will be operational in the third quarter. Therefore, management is confident that the residential business will resume its growth momentum in the second half year.

Turnover from Europe and the Middle East also showed significant growth during the period. Total turnover doubled to HK$85.0 million during the period, which was mainly driven by growth in both commercial and residential businesses and was partly attributable to the appreciation of the Euro against the U.S. dollar.

While the commercial business in Europe and the Middle East remained highly competitive and price-sensitive in general, the Group achieved significant growth in sales during the period and margins were comparable to 2006. Turnover more than doubled year-on-year to HK$50.0 million.

The residential business has also achieved significant sales growth during the period with better margins. Turnover almost doubled year-on-year, partly attributable to postponed shipment of certain orders from 2006 to 2007. A number of initiatives are being implemented for long-term growth in the region, including the set-up of new offices and further strengthening of management resources and service support. It is expected that such initiatives will start to bear fruit from late 2007.

In Thailand, despite the slowdown of the domestic economy in general due to political uncertainty, both turnover and gross margin during the first half year of 2007 showed improvements compared with 2006, and the re-branded "Carpets Inter" was well received.

Turnover in other Asian countries tripled on a year-on-year basis to HK$27.8 million as a result of the general economic growth in the region and better management of agents and distributors in such countries. The Group also continues to benefit from the buoyant hospitality and gaming sectors in Hong Kong and Macau, and the overall profit margin improved slightly during the period.

Other Operations

Both the sales and profitability of the Group's yarn operations, Premier Yarn Dyers, Inc. ("PYD"), showed significant improvements in the first half year of 2007 due to the strong demand for the new yarns developed and launched by PYD during the period. PYD achieved year-on-year increases in sales and operating profit of 21% and 49% respectively.

The relative importance of other businesses, including the mattress manufacturing business in China and the holding of certain investment properties for rental income, to overall Group results continues to decline as the Group's main focus is to grow the carpet operations. Turnover of such other businesses for the first six months in 2007 decreased by 31%, year-on-year, to HK$10.5 million. Similarly, total operating profits attributable to such other businesses decreased by HK$2.4 million to HK$1.9 million.

Outlook

Management is optimistic that sales momentum will continue in the second half of 2007 and overall operating results of the Group will grow, despite the recent volatility in global economic and financial markets.

While Tai Ping will continue to capitalise on the strong demand and leverage its competitive edge on product quality, design and customer service to grow sales and market share in the various target market sectors, the Group is also actively identifying and building new growth drivers for the carpet operations by exploring new markets and developing new products and designs.

In addition, as most of the renovation work on existing and new residential showrooms and sales offices in the U.S. and Europe planned for 2007 will be completed in the third quarter, management is confident that sales of the residential business in the second half year in 2007 will grow at a faster pace than the first six months.

The Group will also continue to improve its working capital management and factory efficiencies, manage increases in production costs and maintain tight controls on operating costs.

Dividends

The Board resolves not to pay an interim dividend for the period (2006: Nil).

Capital Expenditure

During the six-month period ended 30 June 2007, the Group invested HK$25.1 million (2006: HK$13.3 million) in capital expenditure in the form of property, plant and equipment, and construction in progress. As at 30 June 2007, the aggregate net book value of the Group's property, plant and equipment, investment properties, leasehold land and land use rights and construction in progress (excluding those classified under "Properties held for sale") amounted to HK$401.4 million (as at 31 December 2006: HK$383.5 million).

It is expected that capital expenditure to be incurred during the second half of 2007 will be greater than that incurred in the first half year, mainly to cover renovation of residential showrooms, improvements in production facilities and expansion of production capacities to support business growth and improve efficiency.

Liquidity and Financial Resources

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

As at 30 June 2007, the Group had total bank borrowings of HK$9.6 million (as at 31 December 2006: HK$11.0 million), and a net cash balance of HK$55.7 million (as at 31 December 2006: HK$48.0 million). The gearing ratio, calculated as net bank borrowings (total bank borrowings net of cash and bank balances) divided by total equity, was zero (gearing ratio as at 31 December 2006: zero).

The bank loans outstanding on 30 June 2007 were unsecured and carried at fixed interest rates throughout their terms.

The currency denomination of the loans and their maturity dates as at 30 June 2007 and 31 December 2006 were as follows:

	As at 30 June 2007 *HK$'000*	As at 31 December 2006 *HK$'000*
Within 1 year		
Thai Baht	**3,557**	11,000
Hong Kong Dollar	**6,000**	–
Total borrowings	**9,557**	11,000

Exposure to Foreign Exchange Risks

The Group has overseas operations in the PRC, Thailand, Singapore, the U.S. and Europe. The Group treats its investments in these foreign operations as permanent equity, so exchange differences from translating the net investments in these foreign operations do not affect cash flows and are dealt with in the reserves.

The European and Singaporean operations are not significant in terms of the Group's results. The Chinese Renminbi gradually appreciated against the Hong Kong Dollar during the first six months in 2007. The major exchange differences arising from overseas operations relate mostly to Thailand. The effect of these exchange differences, however, has been partly reduced as borrowings are in local currency and by hedging against some of its foreign currency exposure (including accounts receivable from export sales).

The Group's export sales are denominated primarily in U.S. Dollar, and to a much lesser extent in Euro.

The Group therefore considers its exposure to exchange rate movements in 2007 manageable and will continue to monitor exchange rate movements closely to ascertain if any significant exposure may arise.

Employee and Remuneration Policies

As at 30 June 2007, the Group employed 3,200 employees (as at 31 December 2006: 3,200 employees). Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as annual incentives to reward and motivate individual performance.

Contingent Liabilities

As at 30 June 2007, the Group's total contingent liabilities amounted to HK$13.8 million (as at 31 December 2006: HK$12.9 million).

By order of the Board

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

Hong Kong, 19 September 2007

As at the date of this announcement, the Directors of the Company are: Chairman and Non-executive Director – Mr Nicholas T. J. Colfer; Chief Executive Officer and Executive Director – Mr James H. Kaplan; Independent Non-executive Directors – Mrs Yvette Y. H. Fung, Mr Michael T. H. Lee, Mr Roderic N. A. Sage, Mr Lincoln C. K. Yung; Non-executive Directors – Mr Ian D. Boyce, Mr Lincoln K. K. Leong, Mr David C. L. Tong, Mr John J. Ying; Alternate Director – Mr Nelson K. F. Leong (Alternate to Mr Lincoln K. K. Leong).