TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 146)

TAI PING

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008. 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

		Unaudited Six months ended 30 June	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	2	**620,233**	491,876
Cost of sales		**(359,383)**	(277,085)
Gross profit		**260,850**	214,791
Distribution costs		**(49,238)**	(35,318)
Administrative expenses		**(197,114)**	(160,481)
Other operating expenses		**(623)**	(97)
Operating profit	2,3	**13,875**	18,895
Interest income from banks		**108**	643
Finance costs	4	**(37)**	(784)
Share of profits/(losses) of			
an associate		**581**	(845)
jointly controlled entities		**27,136**	15,233
Profit before income tax expenses		**41,663**	33,142
Income tax expenses	5	**(10,621)**	(9,982)
Profit after income tax expenses		**31,042**	23,160
Attributable to:			
Equity holders of the Company		**30,486**	21,593
Minority interests		**556**	1,567
Profit after income tax expenses		**31,042**	23,160
Dividend	6	**–**	–
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)			
Basic	7	**14.37**	10.18
Diluted	7	**14.37**	10.17

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2008 HK$'000	Audited 31 December 2007 HK$'000
Assets			
Non-current assets			
Goodwill	8	**25,596**	–
Leasehold land & land use rights		**22,072**	21,726
Property, plant & equipment		**344,332**	337,896
Investment properties		**25,210**	27,510
Construction in progress		**13,714**	10,723
Interest in an associate		**24,393**	25,431
Interests in jointly controlled entities		**254,610**	213,548
Deferred tax assets		**6,480**	7,046
		716,407	643,880
Current assets			
Inventories		**210,005**	194,230
Trade & other receivables	9	**236,506**	227,993
Derivative financial instruments		**–**	554
Financial assets at fair value through profit or loss		**40,950**	31,004
Cash & bank balances		**78,384**	107,644
		565,845	561,425
Total assets		**1,282,252**	1,205,305
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**21,219**	21,219
Reserves		**913,351**	856,997
Proposed final dividend		**–**	19,097
		934,570	897,313
Minority interests		**39,004**	36,846
Total equity		**973,574**	934,159
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**932**	757
Other long-term liabilities		**5,512**	1,211
		6,444	1,968
Current liabilities			
Bank overdraft – unsecured		**331**	–
Bank borrowings – unsecured		**1,982**	1,062
Trade & other payables	10	**265,285**	255,644
Derivative financial instruments		**848**	–
Other long-term liabilities – current portion		**4,491**	390
Taxation		**10,200**	12,082
Final dividend payable		**19,097**	–
		302,234	269,178
Total liabilities		**308,678**	271,146
Total equity and liabilities		**1,282,252**	1,205,305
Net current assets		**263,611**	292,247
Total assets less current liabilities		**980,018**	936,127

1. Basis of Preparation & 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; and (ii) financial assets at fair value through profit or loss and (iii) 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 2007.

The Group has adopted, for the first time, the following new interpretations issued by the HKICPA that are mandatory for the Group's current accounting period.

HK(IFRIC) – Interpretation 11
Group and Treasury Share Transactions

HK(IFRIC) – Interpretation 12
Service Concession Arrangements

HK(IFRIC) – Interpretation 14
HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Fund Requirements and their Interaction

The adoption of these interpretations 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
Amendments to HKAS 32 and HKAS 1	
Puttable Financial Instruments and Obligations Arising on Liquidation	1 Jan 2009
HKAS 1 (Revised)	
Presentation of Financial Statements	1 Jan 2009
HKAS 23 (Revised)	
Borrowing Costs	1 Jan 2009
HKAS 27 (Revised)	
Consolidated and Separate Financial Statements	1 Jul 2009
HKFRS 2 Amendment	
Share-based Payment – Vesting Conditions and Cancellations	1 Jan 2009
HKFRS 3 (Revised)	
Business Combinations	1 Jul 2009
HKFRS 8	
Operating Segments	1 Jan 2009
HK(IFRIC) – Interpretation 13	
Customer Loyalty Programmes	1 Jul 2008
HK(IFRIC) – Interpretation 15	
Agreements for the Construction of Real Estate	1 Jan 2009
HK(IFRIC) – Interpretation 16	
Hedges of a Net Investment in a Foreign Operation	1 Oct 2008

2. Segment Information

The principal activities of the Group consist of the manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

The following tables present turnover and profit information of the Group's business segments for the six months ended 30 June 2008 and 2007.

For the six months ended 30 June 2008

	Carpet *HK$'000*	Yarn *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenues						
External revenues	**578,672**	**33,247**	**8,314**	**–**	**–**	**620,233**
Inter-segment revenue[1]	**–**	**–**	**1,025**	**(1,025)**	**–**	**–**
	578,672	**33,247**	**9,339**	**(1,025)**	**–**	**620,233**
Segment results	**8,817**	**5,731**	**588**	**–**	**(1,261)**	**13,875**
Interest income from banks						**108**
Finance costs						**(37)**
Share of profits of						
an associate	**581**	**–**	**–**	**–**	**–**	**581**
jointly controlled entities	**27,136**	**–**	**–**	**–**	**–**	**27,136**
Profit before income tax expenses						**41,663**
Income tax expenses						**(10,621)**
Profit after income tax expenses						**31,042**

For the six months ended 30 June 2007

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

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

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Operating profit is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of property, plant & equipment	**27**	166
Charging:		
Depreciation of property, plant & equipment	**25,500**	22,447
Amortisation of leasehold land & land use rights	**282**	271
Loss on disposal of an investment property	**42**	–

4. Finance Costs

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**37**	784

5. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Income tax expenses on overseas profits have been calculated on the estimated assessable profits for the period at the applicable rates of taxation prevailing in the respective countries.

The amount of income tax expenses charged/(credited) to the condensed consolidated profit & loss account represents:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Current income tax expenses		
Hong Kong	**1,420**	2,704
The People's Republic of China and overseas	**9,328**	7,027
Overprovision in previous years	**(935)**	–
Deferred taxation relating to:		
tax rate adjustment	**(3)**	–
the origination and reversal of temporary differences	**811**	251
Total income tax expenses	**10,621**	9,982

6. Dividend

The Board does not recommend the payment of an interim dividend for the period (2007: Nil). The 2007 final dividend was paid on 4 July 2008.

7. Earnings Per Share

7.1 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	
	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**30,486**	21,593
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**14.37**	10.18

7.2 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	
	2008	2007
Profit attributable to equity holders of the Company (HK$000)	**30,486**	21,593
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)	**212,187**	212,224
Diluted earnings per share (HK cents)	**14.37**	10.17

No adjustment for share options is made in 2008 as the Company had no outstanding share options as at 30 June 2008.

8. Goodwill & Acquisition of a Subsidiary

8.1 Movement of goodwill

	2008 *HK$'000*	2007 *HK$'000*
Cost		
As at 1 Jan	**–**	–
Goodwill recognised on acquisition of a subsidiary during the period	**25,596**	–
As at 30 Jun	**25,596**	–
Accumulated impairment losses		
As at 1 Jan and 30 Jun	**–**	–
Carrying amount		
As at 1 Jan	**–**	–
As at 30 Jun	**25,596**	–

8.2 Acquisition of a subsidiary

During the period, the Group acquired one subsidiary (incorporated in the United States of America) under a stock purchase agreement dated as of 1 January 2008 as follows:

Name of Company acquired	**Principal activities**	**Proportion of shares acquired**
J.S.L. Carpet Corporation ("JSL")	Carpet trading	100%

JSL has 50% interest in Weavers Guild LLC ("WG"), which is also incorporated in the United States of America. WG is classified by the Group as a jointly controlled entity upon acquisition of JSL.

Up to 30 June 2008, the aggregate consideration for the acquisition of JSL amounted to HK$28,026,000 of which HK$19,234,000 had been paid in cash. The remaining amount of HK$8,792,000 will be payable in cash as follows:

	HK$'000
Not later than one year	3,992
Later than one year and not later than five years	4,800
	8,792

In addition, the Group will also be required to make additional payments to the sellers of JSL based on the net profits of JSL (as defined in the Company's circular dated 20 February 2008) for the period from 1 January 2008 to 31 December 2011. The amounts of such additional payments are set out below provided that the aggregate additional amount payable to the sellers shall not exceed US$6,000,000 (equivalent to HK$46,800,000):

	Additional amounts payable to the sellers
1 Jan 2008 to 31 Dec 2008	35% of the net profits
1 Jan 2009 to 31 Dec 2009	20% of the net profits
1 Jan 2010 to 31 Dec 2010	13% of the net profits
1 Jan 2011 to 31 Dec 2011	6% of the net profits

The cost of the acquisition has not reflected the above additional payments as they could not be measured reliably up to the date of the Company's interim report.

Below is an analysis of assets and liabilities of JSL acquired at their book values:

	HK$'000
Property, plant & equipment	384
Inventories	6,091
Trade & other receivables	3,559
Trade & other payables	(8,000)
Interest in jointly controlled entity	598
	2,632
Goodwill	25,596
	28,228
Satisfied by:	
Consideration paid in cash	19,234
Consideration payable	8,792
Cash at bank and on hand acquired	(41)
Bank overdraft acquired	243
	28,228

The Group has engaged an independent valuer to assess the fair value of the assets and liabilities but the assessment was still in progress at the date of the Company's interim report because of some problems in ascertaining the fair values of certain assets and liabilities. In accordance with the stock purchase agreement, the Group is entitled to adjust the consideration under the following circumstances:

(a) when there is a shortfall of inventory value as compared to its fair value as at 31 December 2007, which gives the right to the Group to offset against the consideration payable an amount calculated in proportion to such shortfall (subject to certain restrictions on the maximum amount of such shortfall); or

(b) the Group is indemnified for any losses resulting from or relating to any (i) breach of representation or warranty, or nonfulfillment of or failure to perform any covenant or agreement on the part of the sellers and (ii) any liability arising with respect to any sellers' retained tax liabilities.

Therefore the consideration of the acquisition (hence the goodwill) may be subject to further adjustment.

8.3 Nature of goodwill

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire JSL. The Group also acquired the customer and supplier networks of JSL as part of the acquisition. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of JSL. However such networks and benefits have not yet been recognised separately from goodwill as the valuation of such benefits is currently in progress up to the date of the Company's interim report.

8.4 Impact of the acquisition on the results of the Group

Included in the profit for the period is HK$1,594,000 attributable to the additional business generated by JSL and HK$1,306,000 to the Group's share of interest in WG from 1 January 2008 to 30 June 2008. Turnover attributable to the additional business generated by JSL for the period is HK$20,873,000.

9. Trade & Other Receivables

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Trade receivables	**222,939**	212,167
Less: Impairment loss of receivables	**(21,174)**	(19,087)
Trade receivables, net	**201,765**	193,080
Other receivables	**34,741**	34,913
	236,506	227,993

The amount approximated to the respective fair values as at 30 June 2008 and 31 December 2007. 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 analyses of the trade receivables were as follows:

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Current	**63,735**	53,387
Amount past due at balance sheet date but not impaired:		
Less than 30 days past due	**57,098**	66,197
31 to 60 days past due	**22,720**	26,433
61 to 90 days past due	**15,169**	20,915
More than 90 days past due	**43,043**	26,148
	138,030	139,693
	201,765	193,080

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

10. Trade & Other Payables

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Trade payables	**52,210**	51,356
Other payables	**213,075**	204,288
	265,285	255,644

As at the balance sheet dates, the ageing analyses of the trade payables were as follows:

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Current – 30 days	**41,720**	40,174
31 days – 60 days	**6,766**	7,844
61 days – 90 days	**2,185**	1,154
Over 90 days	**1,539**	2,184
	52,210	51,356

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2008, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's consolidated turnover for the six months ended 30 June 2008 was HK$620.2 million, a year-on-year increase of 26% or HK$128.3 million. The increase in turnover was mainly driven by the sustained business growth of the carpet operations which accounted for 93% of total turnover. But the gross margin declined slightly during the period, from 44% to 42%, mainly attributable to significant increases in commodity prices and a weak U.S. dollar.

The Group recorded an operating profit of HK$13.9 million, which was HK$5.0 million or 27% lower than the corresponding period in 2007. The decrease was mainly due to lower gross profit margin.

Profit before income tax of the Group amounted to HK$41.7 million, a HK$8.5 million increase year-on-year, or 26%. The increase mainly resulted from an increase in share of profits of associate and jointly controlled entities during the period, partly offset by a decrease in operating profit caused by a decline in gross profit percentage. The significant increase in share of profits from the jointly controlled entities of HK$11.9 million, or 78% year-on-year, was mainly attributable to the growth in sales and margin improvement driven by strong local market demand and the much bigger capacity at the new factory site operated since the second half of 2007.

Profit attributable to equity holders recorded a gain of HK$8.9 million, or 41% year-on-year, to HK$30.5 million accordingly.

Carpet Operations

Turnover of the carpet operations increased by 29%, or HK$130.6 million, to HK$578.7 million. The increase was mainly attributable to the sustained growth in both the commercial and residential businesses during the period and the acquisition of J.S.L. Carpet Corporation ("JSL") in the U.S. in January 2008.

The U.S. market accounted for 45% of total carpet turnover in the first half year of 2008 while Asia and Europe/Others accounted for 31% and 24% respectively. In the corresponding period in 2007, the corresponding shares of total carpet turnover by the U.S., Asia and Europe/Others were 42%, 37% and 21% respectively.

The gross profit margin decreased from 44% to 43% during the period, due to significantly higher production costs resulting from global increases in commodity prices and a weak U.S. dollar, despite further improvement in production efficiencies and the continuing increase in sales mix of higher margin carpets.

As a result, despite higher sales, operating profit of the carpet operations earned during the period decreased slightly year on year to HK$8.8 million.

The U.S. market continued to show significant growth and remained the largest market of the Group. Total carpet turnover in the U.S. during the period increased 38% year-on-year to HK$257.8 million, despite a slowing economy. Although the significant increase was partly attributable to the acquisition of JSL in January 2008, which sales accounted for approximately 30% of the year-on-year increase in turnover, both the commercial and residential businesses also recorded strong sales during the period.

Turnover of the commercial business in the U.S. during the period amounted to HK$155.1 million and achieved a year-on-year increase of 17% as demand from the hospitality and gaming sectors in the local, regional and international markets remained firm. Profit margins were tight in certain market sectors and the significant increases in production costs could not be fully passed on to the customers. As a result, overall gross profit margin during the period was slightly lower than the corresponding period in 2007.

Sales of the U.S. residential business showed 49% growth year-on-year to HK$79.8 million. The significant increase was attributable to relative modest growth last year due to renovations of a number of showrooms, strong market demand for luxurious carpets and launch of Global Design Collections. Gross profit margin remained firm, and was not affected by the slow-down of the economy.

Turnover in Europe also showed a significant increase during the period, mainly driven by the residential business and partly helped by an appreciation of the Euro against the U.S. dollar. The London office, after opening in the second half year of 2007, was fully functional during the period. Our office in Germany was relocated to Hamburg and a new showroom was opened there in early 2008. Total sales of the residential business in Europe amounted to HK$48.4 million, a year-on-year increase of 38%. Gross profit margin was comparable with last year.

In Thailand, both turnover and profit margin showed improvements during the period compared with 2007, as the Group remained market leader in the domestic market and benefited from the growth in certain domestic market segments. But the significant cost increases and a strong Thai Baht during the first half year of 2008 posed a great challenge in maintaining overall profitability.

After two years of significant growth, turnover in Hong Kong, Macau and other Asian countries was HK$54.2 million, a 11% year-on-year decrease.

Other Operations

The relative importance of other businesses, including yarn-dyeing in the U.S., the mattress operation in China and the holding of certain investment properties for rental income, to overall Group results continues to decline as the Group focuses on growing the core carpet operations. Turnover of such other businesses showed a 5% year-on-year decrease to HK$41.6 million and accounted for less than 7% of the Group's total turnover. Total operating profit of the period decreased by HK$3.6 million to HK$6.3 million, mainly due to lower profits from the U.S. yarn-dyeing facilities.

Outlook

The first six months of 2008 has been a challenging period to the Group. Although sales growth remained strong during the period, the significant rises in commodity and fuel prices, together with a weak U.S. dollar, had a substantial impact on production costs and caused a decrease in overall gross profit margin. Various initiatives have been implemented to better manage factory cost increases and to improve profit margins.

Management considers that the sales momentum will continue in the second half year even though the global economy shows signs of slowing down. Order bookings to date remain strong, and the Group continues to benefit from the past investment and efforts in building a premium brand and its competitive edge in product quality, design and customer service. In addition, it is also expected that contributions from offices in certain new markets, including Latin America and India, will increase in the second half year.

Therefore, management believes that the Group is well positioned to cope with difficult market conditions.

Dividend

The Board does not recommend the payment of an interim dividend for the period (2007: Nil).

Capital Expenditure

Capital expenditure in the form of property, plant & equipment and construction in progress incurred by the Group totalled HK$30.9 million during the six-month period ended 30 June 2008 (2007: HK$25.1 million). As at 30 June 2008, the aggregate net book value of the Group's property, plant & equipment, investment properties, leasehold land & land use rights, and construction in progress amounted to HK$405.3 million (as at 31 December 2007: HK$397.9 million).

It is expected that total capital expenditure incurred in 2008 will be greater than that incurred in 2007, mainly for expanding and improving factory capacities, broadening product range and continuing the renovation programme for RBC showrooms in order to support business growth.

Liquidity and 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 30 June 2008, the Group had total bank borrowings of HK$2.3 million (as at 31 December 2007: HK$1.1 million). Total cash and bank balances amounted to HK$78.4 million (as at 31 December 2007: HK$107.6 million). The net cash balance was HK$76.1 million as at 30 June 2008 (as at 31 December 2007: HK$106.5 million). The gearing ratio, calculated as net bank borrowings (total bank borrowings net of cash and bank balances) divided by total equity, was 0% (as at 31 December 2007: 0%).

As at 30 June 2008, the Group also held financial assets at fair value through profit or loss of HK$41.0 million (as at 31 December 2007: HK$31.0 million).

The bank loans outstanding on 30 June 2008 amounted to HK$2.0 million, being trust receipts which were unsecured and interest free throughout their terms. The bank overdraft was also unsecured and charged with floating rate of interest. The currency denomination of the borrowings and their maturity dates as at 30 June 2008 and 31 December 2007 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 year		
Thai Baht	**331**	–
United States Dollar	**1,982**	1,062
	2,313	1,062

Exposure to Foreign Exchange Risks

The Group has overseas operations in the U.S., Europe, Thailand, the PRC, Singapore, India and Argentina. 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 Group's sales are denominated primarily in U.S. dollar, and to a lesser extent in Euro and Thai Baht.

The operations in Europe, Singapore, India and Argentina are not significant in terms of the Group's results. The major exchange differences arising from overseas operations relate mostly to Thailand and China. The effect of these exchange differences, however, has been partly reduced by hedging against some of the foreign currency exposure (including accounts receivable from export sales).

The Group will continue to monitor exchange rate movements closely to ascertain if any material exposure may arise.

Employee and Remuneration Policies

As at 30 June 2008, the Group employed 3,400 employees (as at 31 December 2007: 3,300 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.

The Company implemented a profit-sharing scheme for certain key management personnel (including the Chief Executive Officer). Pursuant to the scheme, based on the recommendation of the Remuneration Committee, the eligible participants would be entitled to a profit share in respect of the Company's consolidated results for the three years ending 31 December 2008 after certain adjustments.

Contingent Liabilities

As at 30 June 2008, the Group's total contingent liabilities amounted to HK$21.4 million (as at 31 December 2007: HK$21.5 million).

By order of the Board

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

Hong Kong, 19 September 2008

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).