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 2009

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 2009. 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 INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**540,480**	620,233
Cost of sales		**(307,034)**	(359,383)
Gross profit		**233,446**	260,850
Distribution costs		**(41,996)**	(49,238)
Administrative expenses		**(182,977)**	(197,114)
Other operating income/(expenses), net		**975**	(623)
Operating profit	*3*	**9,448**	13,875
Interest income from banks		**86**	108
Finance costs	*4*	**(425)**	(37)
Share of (losses)/profits of			
an associate		**(2,099)**	581
jointly controlled entities		**13,454**	27,136
Profit before income tax expenses		**20,464**	41,663
Income tax expenses	*5*	**(8,016)**	(10,621)
Profit for the period		**12,448**	31,042
Profit attributable to:			
Equity holders of the Company		**12,267**	30,486
Minority interests		**181**	556
		12,448	31,042
Dividend	*6*	**–**	–
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents)			
Basic and diluted	*7*	**5.78**	14.37

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Profit for the period	**12,448**	31,042
Other comprehensive income for the period:		
Exchange differences on translating foreign operations	**2,072**	27,682
Total comprehensive income for the period	**14,520**	58,724
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**13,428**	56,354
Minority interests	**1,092**	2,370
	14,520	58,724

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 Jun 2009 *HK$'000***	Audited 31 Dec 2008 *HK$'000*
Assets			
Non-current assets			
Intangible assets		**22,669**	23,843
Leasehold land & land use rights		**19,098**	20,223
Property, plant & equipment		**318,752**	332,040
Investment properties		**6,800**	6,800
Construction in progress		**9,623**	12,386
Interest in an associate		**18,742**	22,302
Interests in jointly controlled entities		**290,168**	273,709
Deferred tax assets		**7,456**	7,583
		693,308	698,886
Current assets			
Inventories		**180,855**	196,489
Trade & other receivables	*8*	**201,997**	215,241
Derivative financial instruments		**718**	169
Financial assets at fair value through profit or loss		**80,508**	59,170
Cash & cash equivalents		**92,096**	114,900
		556,174	585,969
Assets held for sale		**–**	5,695
		556,174	591,664
Total assets		**1,249,482**	1,290,550

	Note	**Unaudited 30 Jun 2009** *HK$'000*	Audited 31 Dec 2008 *HK$'000*
Equity			
Capital & reserves attributable to equity holders of the Company			
Share capital		**21,219**	21,219
Reserves		**939,495**	926,067
Proposed dividend		**–**	19,097
		960,714	966,383
Minority interests		**39,916**	39,020
Total equity		**1,000,630**	1,005,403
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**6,013**	4,823
Other long-term liabilities		**2,698**	3,655
		8,711	8,478
Current liabilities			
Bank borrowings – unsecured		**1,220**	–
Trade & other payables	*9*	**205,256**	253,824
Other long-term liabilities – current portion		**1,231**	4,199
Taxation		**13,337**	18,646
Dividend payable		**19,097**	–
		240,141	276,669
Total liabilities		**248,852**	285,147
Total equity & liabilities		**1,249,482**	1,290,550
Net current assets		**316,033**	314,995
Total assets less current liabilities		**1,009,341**	1,013,881

1. **Basis of Preparation & Accounting Policies**

The unaudited condensed consolidated financial statements 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 financial statements 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 financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2008.

The Group has adopted, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA that have material impact on the results and the financial position of the Group in the current accounting period:

a. HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The Group selected a two-statement approach to separately present (i) items of income and expense recognised as profit and loss in the Income Statement and (ii) profit and items of income and expense not recognised as profit and loss in the Statement of Comprehensive Income. The transactions with equity holders are presented in the Statement of Changes in Equity. The Group also adopted the revised title "Statement of Financial Position" for "Balance Sheet".

b. HKFRS 8 has resulted in certain changes in the presentation of the Group's segment information. Comparative figures have been restated in order to achieve a consistent presentation.

The adoption of other new HKFRSs effective for the current accounting period have no material impact on the results and the financial position of the Group. Accordingly, no prior period adjustment has been recognised.

2. **Segment Information**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to assess performance and allocate resources. The Board of Directors considers the businesses primarily based on the nature of operations and customers. The Group is currently organised into four major business segments: Commercial, Residential Boutique Contract, Wholesale and Others (including manufacturing and trading of yarn and property holding).

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2009 and 2008 is as follows:

For the six months ended 30 June 2009

	Commercial	Residential Boutique Contract	Wholesale	Total Carpet	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues from external customers	**372,803**	**132,265**	**19,120**	**524,188**	**16,292**	**540,480**
Segment results	**36,028**	**(2,378)**	**524**	**34,174**	**2,050**	**36,224**
Unallocated expenses[1]				**(25,717)**	**–**	**(25,717)**
Operating profit				**8,457**	**2,050**	**10,507**
Interest income from banks						**86**
Finance costs						**(425)**
Share of (losses)/profits of						
an associate						**(2,099)**
jointly controlled entities[2]						**12,395**
Profit before income tax expenses						**20,464**
Income tax expenses						**(8,016)**
Profit for the period						**12,448**
Depreciation	**16,531**	**9,929**	**1,135**	**27,595**	**1,407**	**29,002**
Amortisation of leasehold land & land use rights	**980**	**–**	**–**	**980**	**145**	**1,125**
Amortisation of intangible assets	**–**	**–**	**1,174**	**1,174**	**–**	**1,174**

For the six months ended 30 June 2008

	Commercial	Residential Boutique Contract	Wholesale	Total Carpet	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues from external customers	422,601	135,197	20,874	578,672	41,561	620,233
Segment results	39,488	(2,212)	3,179	40,455	6,011	46,466
Unallocated expenses[1]				(31,285)	–	(31,285)
Operating profit				9,170	6,011	15,181
Interest income from banks						108
Finance costs						(37)
Share of profits of						
an associate						581
jointly controlled entities[2]						25,830
Profit before income tax expenses						41,663
Income tax expenses						(10,621)
Profit for the period						31,042
Depreciation	14,732	8,549	632	23,913	1,587	25,500
Amortisation of leasehold land & land use rights	137	–	–	137	145	282

Notes:

1 Included shared expenses for global operation, information technology, marketing, internal audit, etc.

2 Excluded the share of profit of one jointly controlled entity which is included in the Wholesale segment.

3. Operating Profit

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Operating profit is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of property, plant & equipment	**826**	27
Charging:		
Depreciation of property, plant & equipment	**29,002**	25,500
Amortisation of leasehold land & land use rights	**1,125**	282
Amortisation of intangible assets	**1,174**	–
(Reversal of impairment)/impairment of inventories	**(1,518)**	780
Impairment of trade & other receivables	**5,318**	2,087
Loss on disposal of an investment property	**–**	42

4. Finance Costs

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**8**	37
Amortised interest costs	**417**	–
	425	37

5. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Income tax expenses on the People's Republic of China (the "PRC") and overseas profits has been calculated on the estimated assessable profits for the period at the tax rates prevailing in the respective countries.

The amount of income tax expenses charged/(credited) to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Current income tax expenses		
Hong Kong	**1,971**	1,420
The PRC & overseas	**7,680**	9,328
Overprovision in prior years	**(1,145)**	(935)
Deferred taxation relating to:		
tax rate adjustment	**–**	(3)
the origination & reversal of temporary differences	**(490)**	811
Income tax expenses	**8,016**	10,621

6. Dividend

The Board does not recommend the payment of an interim dividend for the period (2008: Nil). The 2008 final dividend was paid on 6 July 2009.

7. Earnings Per Share

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	
	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**12,267**	30,486
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**5.78**	14.37

The Company had no dilutive potential ordinary shares outstanding as at 30 June 2009 and 2008.

8. Trade & Other Receivables

	30 Jun 2009	31 Dec 2008
	HK$'000	*HK$'000*
Trade receivables	**186,271**	206,320
Less: Impairment loss of receivables	**(31,678)**	(26,360)
Trade receivables, net	**154,593**	179,960
Other receivables	**47,404**	35,281
	201,997	215,241

The amounts approximated to the respective fair values as at 30 June 2009 and 31 December 2008. 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 end of the reporting period, the ageing analyses of the trade receivables were as follows:

	30 Jun 2009	31 Dec 2008
	HK$'000	*HK$'000*
Current	**57,892**	96,121
Amount past due at the end of the reporting period but not impaired:		
Less than 30 days past due	**40,002**	33,154
31 to 60 days past due	**16,517**	17,975
61 to 90 days past due	**10,897**	8,502
More than 90 days past due	**29,285**	24,208
	96,701	83,839
	154,593	179,960

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 & Other Payables

	30 Jun 2009	31 Dec 2008
	HK$'000	*HK$'000*
Trade payables	**38,463**	43,449
Other payables	**166,793**	210,375
	205,256	253,824

As at the end of the reporting period, the ageing analyses of the trade payables were as follows:

	30 Jun 2009	31 Dec 2008
	HK$'000	*HK$'000*
Current – 30 days	**32,517**	36,997
31 days – 60 days	**3,837**	3,378
61 days – 90 days	**588**	573
Over 90 days	**1,521**	2,501
	38,463	43,449

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2009. 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 2009, 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 of Hong Kong Limited.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's consolidated turnover for the six months ended 30 June 2009 was HK$540 million, a year-on-year decrease of 13%, or HK$80 million. The reduction was due to the recessionary global economy, ongoing since the fourth quarter in 2008. Turnover of carpet operations showed a relatively smaller decline of 9% year-on-year, while the turnover of non-carpet operations diminished by 61%. Overall gross margin, however, increased slightly from 42% to 43%, mainly attributable to a drop in commodity prices and a relatively strong U.S. dollar as compared with the corresponding period in 2008.

The Group's operating profit totalled HK$9 million, 32% lower, or HK$5 million, than the corresponding period in 2008. The decrease was mainly due to a HK$4 million drop in profitability of the non-carpet operations.

The Group's profit attributable to equity holders was HK$12 million, a reduction of 60% from HK$30 million the previous year. While the recessionary global economy had a relatively small impact on the performance of the Group's core carpet operations in the first six months, the non-carpet operations and the jointly controlled entities' businesses were more severely affected. Thus the decrease resulted mainly from a decline of HK$17 million in the share of profits from jointly controlled entities and an associate, principally due to the slowdown in most sectors in China, particularly the hospitality sector.

Carpet Operations

The carpet operations' turnover diminished by 9% year-on-year, or HK$55 million to HK$524 million. The decrease was mainly attributable to the Commercial and Wholesale businesses, which are more sensitive to general economic cycles. Turnover of the Residential Boutique Contract ("RBC") business was basically flat year-on-year.

Overall year-on-year gross margin improved slightly. The Group remains committed to compete with product quality, design, services and branding, not on price alone. To offset the adverse impact caused by smaller production volume and to control overhead more tightly, various operational directives are now in place and certain strategic initiatives to improve productivity and efficiencies continue.

Operating profit of carpet operations was HK$8 million, HK$1 million less than a year ago. In response to lower sales, the Group has implemented various initiatives to cut operating expenses, though the effect of these measures was only partly reflected in the results of the first half of 2009. Thus, total operating expenses of carpet operations in the first six months of 2009 were 5% lower year-on-year, but it is expected that additional savings in operating expenses will be achieved in the second half, thus further improving overall profitability.

Total sales of the Commercial business decreased by 12%, or HK$50 million, year-on-year, mainly attributable to a reduction in these businesses in Thailand and Europe. Sales in the U.S. and other countries were similar to last year, and there was no decline in gross margin in general during the period.

While the RBC business was flat in both sales and operating profit during the period, the sales volume slightly increased as some customers now make more use of basic materials (such as wool) to replace expensive ones (such as silk). Although the Group kept its operating expenses in tight check, it made investments in selling tools and marketing materials to further increase the Group's market share in certain targeted market segments.

The Wholesale business comprises mainly the sales of the U.S.-based JSL Corp., acquired in early 2008. Its sales and gross margin have diminished slightly due to the poor market conditions in the U.S.. Amortisation of intangible assets of HK$1 million was not taken into account in the first six months of 2008. Operating profit before such amortisation charges showed a much smaller decrease during the period.

The Group launched its new website in the first half of 2009. A critical success, it has already garnered several awards for Tai Ping. A new web-based marketing plan will leverage this new website by targeting potential new customers in high net worth communities through direct mail and internet-based communications.

Other Operations

The importance of other businesses to overall Group turnover continues to decline, from 7% in the first half year of 2008 to 3% in 2009. The relatively large decrease in turnover was due to the disposal of the mattress operation in China and also far fewer orders being outsourced to the Group's U.S.-based yarn-dyeing subsidiary because of the prevailing economic conditions. The operating profit of such businesses was HK$2 million, a reduction of HK$4 million, mainly attributable to the yarn-dyeing business.

Outlook

The operating environment and market conditions of the first six months of 2009 were difficult and highly volatile, as expected. Although it is anticipated that U.S. market conditions will remain extremely challenging in the second half year, especially for the Commercial business, there are signs that the economy in certain territories, including Thailand and Europe, might start to recover. While 2009 may not show a growth in turnover, the Group places significant emphasis on managing overall profitability of the core carpet operations through maintaining the gross margin and striking a delicate balance between continuing to invest in certain targeted market segments to expand market share and/or presence and maintaining tight expenditure controls to improve profitability.

Tai Ping is well prepared and positioned to face the ongoing market challenges of the recessionary economy. It is also poised to take advantage of the difficult time to explore opportunities for expediting its growth and strengthening its market positioning through both acquisition and organic growth.

Dividend

The Board does not recommend the payment of an interim dividend for the period (2008: Nil).

Capital Expenditure

Capital expenditure in the form of property, plant & equipment and construction in progress incurred by the Group totalled HK$13 million during the six-month period ended 30 June 2009 (2008: HK$31 million). As at 30 June 2009, the aggregate net book value of the Group's property, plant & equipment, investment properties, leasehold land & land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK$363 million (as at 31 December 2008: HK$381 million).

It is expected that capital expenditure will decrease in 2009 as major initiatives to expand factory capacities and renovate showrooms have been substantially completed.

Liquidity & Financial Resources

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

As at 30 June 2009, the Group had total bank borrowings of HK$1 million (as at 31 December 2008: Nil). Total cash and bank balances amounted to HK$92 million (as at 31 December 2008: HK$115 million). The net cash balance was HK$91 million as at 30 June 2009 (as at 31 December 2008: HK$115 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 2008: 0%).

As at 30 June 2009, the Group also held financial assets at fair value through profit or loss of HK$81 million (as at 31 December 2008: HK$59 million).

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 Thai Baht, Euro and Pound Sterling. The operations in Singapore, India and Argentina are not significant in terms of the Group's results.

The Group recorded net exchange gain of HK$1 million, arising from overseas operations in 2009, which related mostly to Thailand and Europe. The effect of the exchange differences in Thailand, however, has been partly reduced by hedging against some of its foreign currency exposure (including accounts receivable from export sales), and an exchange loss of HK$1 million was recorded. While the exchange rates of Euro/Pound Sterling against U.S. dollar were weak in the fourth quarter of 2008 and first quarter of 2009, there was a reversal of this trend in the second quarter in 2009. As a result, the European operations recorded net exchange gains of HK$2 million in the first six months in 2009.

It is expected that the exchange market may continue to be highly volatile in 2009, and the Group will closely monitor the exchange rate movements and take appropriate action to manage any material exposure that may arise.

Employee & Remuneration Policies

As at 30 June 2009, the Group employed 3,300 employees (as at 31 December 2008: 3,400 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.

Contingent Liabilities

As at 30 June 2009, the Group's total contingent liabilities amounted to HK$33 million (as at 31 December 2008: HK$24 million).

By order of the Board

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

Hong Kong, 18 September 2009

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).