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 2010

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 2010. 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	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Turnover	2	**508,723**	540,480
Cost of sales		**(295,288)**	(307,034)
Gross profit		**213,435**	233,446
Distribution costs		**(43,891)**	(41,996)
Administrative expenses		**(209,328)**	(182,977)
Other operating income, net		**62**	975
Operating (loss)/profit	3	**(39,722)**	9,448
Interest income from banks		**107**	86
Finance costs	4	**(166)**	(425)
Share of (losses)/profits of			
an associate		**(907)**	(2,099)
jointly controlled entities		**8,958**	13,454
(Loss)/profit before income tax expenses		**(31,730)**	20,464
Income tax expenses	5	**(14,149)**	(8,016)
(Loss)/profit for the period		**(45,879)**	12,448
(Loss)/profit attributable to:			
Owners of the Company		**(45,820)**	12,267
Non-controlling interests		**(59)**	181
		(45,879)	12,448
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in HK cents)			
Basic & diluted	7	**(21.59)**	5.78

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(45,879)**	12,448
Other comprehensive income for the period:		
Exchange differences on translating foreign operations	**24,643**	2,072
Total comprehensive income for the period	**(21,236)**	14,520
Total comprehensive income for the period attributable to:		
Owners of the Company	**(21,537)**	13,428
Non-controlling interests	**301**	1,092
	(21,236)	14,520

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 Jun 2010**	Audited 31 Dec 2009 (restated)
		HK$'000	*HK$'000*
Assets			
Non-current assets			
Intangible assets		**33,217**	29,934
Leasehold land & land use rights		**6,190**	7,122
Property, plant & equipment		**299,057**	319,955
Investment properties		**–**	6,800
Construction in progress		**9,077**	2,301
Interest in an associate		**18,129**	18,824
Interests in jointly controlled entities		**316,100**	316,947
Deferred tax assets		**8,164**	9,184
		689,934	711,067
Current assets			
Inventories		**203,207**	163,922
Trade & other receivables	*8*	**183,592**	197,907
Derivative financial instruments		**51**	92
Financial assets at fair value through profit or loss		**99,460**	87,328
Tax recoverable		**–**	1,177
Pledged bank deposits		**5,154**	5,106
Cash & cash equivalents		**91,669**	105,305
		583,133	560,837
Total assets		**1,273,067**	1,271,904

	Note	Unaudited 30 Jun 2010 HK$'000	Audited 31 Dec 2009 (restated) HK$'000
Equity			
Capital & reserves attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**935,132**	956,669
Proposed final dividend		**–**	19,097
		956,351	996,985
Non-controlling interests		**39,423**	39,563
Total equity		**995,774**	1,036,548
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**6,502**	6,194
Other long-term liabilities		**1,395**	1,865
		7,897	8,059
Current liabilities			
Trade & other payables	*9*	**241,157**	215,337
Other long-term liabilities - current portion		**313**	1,028
Taxation		**8,829**	10,932
Dividend payable		**19,097**	–
		269,396	227,297
Total liabilities		**277,293**	235,356
Total equity & liabilities		**1,273,067**	1,271,904
Net current assets		**313,737**	333,540
Total assets less current liabilities		**1,003,671**	1,044,607

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 as modified by the revaluation of certain properties and financial assets at fair value through profit or loss.

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 2009.

1.1 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 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land & land use rights", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The property is classified as finance lease if the property interest is held for own use, that land interest is accounted for as property, plant & equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	30 Jun 2010	31 Dec 2009
	HK$'000	*HK$'000*
Decrease in leasehold land & land use rights	**10,723**	10,869
Increase in property, plant & equipment	**10,723**	10,869

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

2. Segment Information

Management has determined the operating segments based on the reports reviewed by the management that are used to assess performance and allocate resources. The management considers the businesses primarily based on the nature of operations and customers. The Group 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 management for the reportable segments for the six months ended 30 June 2010 and 2009 is as follows:

For the six months ended 30 June 2010

	Commercial	Residential Boutique Contract	Wholesale	Total Carpet	Others	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues from external customers	331,413	151,523	9,040	491,976	16,747	–	508,723
Segment results	2,111	(3,705)	(4,958)	(6,552)	2,020	–	(4,532)
Unallocated expenses[1]				(35,023)	–	–	(35,023)
Operating loss[2,3]				(41,575)	2,020	–	(39,555)
Finance costs							(166)
Interest income from banks							107
Share of (losses)/profits of							
an associate							(907)
jointly controlled entities[2]							8,791
Loss before income tax expenses							(31,730)
Income tax expenses							(14,149)
Loss for the period							(45,879)
Depreciation of property, plant & equipment	18,927	3,648	47	22,622	–	5,136	27,758
Amortisation of leasehold land & land use rights	–	–	–	–	–	980	980
Amortisation of intangible assets	–	–	1,073	1,073	–	–	1,073

For the six months ended 30 June 2009

	Commercial	Residential Boutique Contract	Wholesale	Total Carpet	Others	Unallocated (restated)	Group (restated)
	HK$'000	*HK$'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[2]				8,457	2,050	–	10,507
Finance costs							(425)
Interest income from banks							86
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 of property, plant & equipment	16,531	9,929	1,135	27,595	–	1,552	29,147
Amortisation of leasehold land & land use rights	–	–	–	–	–	980	980
Amortisation of intangible assets	–	–	1,174	1,174	–	–	1,174

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 and forms part of the segment results.
3. Included gain on disposal of investment properties.

3. Operating (Loss)/Profit

	Six months ended 30 June	
	2010	2009
		(restated)
	HK$'000	*HK$'000*
Operating (loss)/profit is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of property, plant & equipment	**210**	826
Gain on disposal of investment properties	**361**	–
Reversal of impairment of inventories	**1,188**	1,518
Exchange gain	**–**	1,880
Charging:		
Depreciation of property, plant & equipment	**27,758**	29,147
Amortisation of leasehold land & land use rights	**980**	980
Amortisation of intangible assets	**1,073**	1,174
Exchange loss	**10,272**	–
Impairment of trade & other receivables	**1,964**	5,318

4. Finance Costs

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans & overdrafts wholly repayable within five years	**9**	8
Amortised interest costs	**157**	417
	166	425

5. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	HK$'000	*HK$'000*
Current income tax expenses		
Hong Kong	**5,153**	1,971
The PRC & overseas	**5,879**	7,680
Underprovision/(overprovision) in prior years	**1,759**	(1,145)
Deferred taxation relating to:		
the origination & reversal of temporary differences	**1,358**	(490)
Income tax expenses	**14,149**	8,016

6. Dividend

The Board does not recommend the payment of an interim dividend for the period (2009: Nil). The 2009 final dividend was paid on 12 July 2010.

7. (Loss)/Earnings Per Share

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

	Six months ended 30 June	
	2010	2009
(Loss)/profit attributable to owners of the Company (HK$'000)	**(45,820)**	12,267
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic (loss)/earnings per share (HK cents)	**(21.59)**	5.78

The Company had no dilutive potential ordinary shares outstanding as at 30 June 2010 and 2009.

8. Trade & Other Receivables

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Trade receivables	**163,417**	176,730
Less : Impairment loss of receivables	**(20,751)**	(19,670)
Trade receivables, net	**142,666**	157,060
Other receivables	**40,926**	40,847
	183,592	197,907

The amounts approximated to the respective fair values as at 30 June 2010 and 31 December 2009. 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 analysis of the trade receivables is as follows:

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Current	**70,415**	78,648
Amount past due at the end of the reporting period but not impaired:		
Less than 30 days past due	**40,545**	42,809
31 to 60 days past due	**13,788**	11,425
61 to 90 days past due	**7,128**	4,612
More than 90 days past due	**10,790**	19,566
	72,251	78,412
	142,666	157,060

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 June 2010 *HK$'000*	31 December 2009 *HK$'000*
Trade payables	**48,492**	48,464
Other payables	**86,835**	87,991
Deposits received	**105,830**	78,882
	241,157	215,337

As at the end of the reporting period, the ageing analysis of the trade payables, based on invoice date, is as follows:

	30 June 2010 *HK$'000*	31 December 2009 *HK$'000*
0 to 30 days	**40,114**	43,579
31 days to 60 days	**7,270**	3,489
61 days to 90 days	**742**	60
Over 90 days	**366**	1,336
	48,492	48,464

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2010. 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 2010, 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 2010 was HK$509 million, a period-on-period decrease of 6%, or HK$32 million. The reduction was due to the continued weak conditions in the U.S. market, which led to the delay or cancellations of projects in key sectors and the weakness of the Euro in the reporting period, partly offset by strong turnover growth in Europe and the Middle East.

Turnover of carpet operations decreased by 6% period-on-period, while the turnover of non-carpet operations showed an increase of 3%. Overall gross margin decreased from 43% to 42%, mainly attributable to strong price competition in the Americas and the negative impact of the strong U.S. dollar on European margins.

The Group recorded an operating loss of HK$40 million for the first six months compared with an operating profit of HK$9 million for the corresponding period in 2009. The decrease was mainly due to a HK$39 million drop in profitability of the Commercial and Wholesale businesses. The Group's loss attributable to owners was HK$46 million, a reduction of HK$58 million from the previous period. The share of profits from jointly controlled entities decreased by 33% to HK$9 million.

Carpet Operations

The decline in turnover in Carpet operations was due to the Commercial and Wholesale businesses, which declined by 11% and 53% respectively. Our Residential Boutique Contract ("RBC") business continued to perform strongly, despite the difficult economic climate, and turnover increased by 15%, led by strong sales in Europe and the Middle East.

Total sales of the Commercial business decreased by 11%, or HK$41 million, period-on-period, mainly attributable to a sharp reduction in the U.S. Turnover in Thailand and the rest of Asia grew by 25%.

Total sales of the RBC business grew by 15%, or HK$19 million, period-on-period. The increase was driven by Europe and Middle East which despite the negative impact from currency fluctuations showed turnover growth of 61%, partly offset by a decline in turnover in the U.S. Margins were slightly below previous period, mainly as a result of the strong U.S. dollar. Operating profit is slightly below previous period also due to the negative impact from currency movements.

The Wholesale business comprises our U.S.-based subsidiary J.S.L. Carpet Corporation ("JSL"), which was acquired in early 2008. Its sales have diminished significantly due to poor market conditions in the U.S. Residential sector, which is the main customer base that JSL serves. We have taken steps to significantly reduce overheads and restructured the sales force. We have also introduced JSL products to our European entities which will broaden JSL's customer base. The outlook for the second half of 2010 is more positive.

Adjusted for the negative impact of currency movements, margins would have been similar to previous period. Factory operating expenses, especially labour costs in the PRC increased significantly, but the Group was able to offset partly the adverse impact by increases in productivity and efficiency at our factories in Nanhai and Bangkok.

Under the current economic conditions we continue to hold a firm control on expenses, but we are making strategic investments in people and marketing tools in key growth markets. Operating expenses totalled HK$253 million, an increase of 13% from the previous year.

Other Operations

Other operations comprises mainly our Group's U.S.-based yarn-dyeing subsidiary and only represents 3% of the Group's sales. Turnover in other operations increased by 3% period-on-period, following a weak 2009 and profitability decreased slightly.

Acquisitions

In May, the Group completed the acquisition of Manufacture des Tapis de Cogolin, a well renowned brand of hand-woven carpets based in the south of France, which will significantly strengthen our product and brand portfolio. The Group intends to invest in the necessary technology and talent to restore the brand to a position of prominence in the market, and to secure its future growth.

Outlook

For the first time in our recent history we have returned a loss for the first six months, as turnover in the U.S. was hit by continuing weak market conditions, which we were unable to offset by profitable growth from Europe, the Middle East and Asia, and the weak Euro hit reported turnover and margins from European sales. Our second half of the year is traditionally stronger than the first half and we are cautiously optimistic about the outlook for the full year.

We have hedged part of our remaining exposure in Euro. Our order book is up compared to the same time last year and our factories are seeing increased production and efficiencies. However, we do not expect the U.S. market to recover shortly and we will maintain a tight control on expenses to improve profitability.

We will continue to look at opportunities to expand our presence in the luxury segment of the market and continue our strategy of profitable growth through regional expansion and selective acquisitions.

Dividend

The Board does not recommend the payment of an interim dividend for the period (2009: Nil).

Capital Expenditure

Capital expenditure in the form of property, plant & equipment and construction in progress incurred by the Group totalled HK$11 million during the six months ended 30 June 2010 (2009: HK$13 million). As at 30 June 2010, 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$333 million (as at 31 December 2009: HK$352 million).

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 2010, the Group had total cash and bank balances amounting to HK$92 million (as at 31 December 2009: HK$105 million).

As at 30 June 2010, the Group also held financial assets at fair value through profit or loss of HK$99 million (as at 31 December 2009: HK$87 million).

Details of Charges on the Group's Assets

The Group had charges on bank deposits of HK$5 million made to a bank to secure banking facilities granted to the Group.

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 the 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 losses of HK$10 million, arising from overseas operations in 2010, which related mostly to European countries with exchange loss of HK$9 million due to volatile exchange rates of Euro and Pound Sterling.

It is expected that the exchange market may continue to be highly volatile in 2010, 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 2010, the Group employed 3,300 employees (as at 31 December 2009: 3,200 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 2010, the Group's total contingent liabilities amounted to HK$41 million (as at 31 December 2009: HK$40 million).

By order of the Board

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

Hong Kong, 27 August 2010

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. 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).