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 2011

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 2011. 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	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	2	**589,818**	508,723
Cost of sales		**(360,642)**	(295,288)
Gross profit		**229,176**	213,435
Distribution costs	3	**(54,015)**	(43,891)
Administrative expenses	3	**(214,624)**	(199,948)
Other gains/(losses) – net	4	**5,831**	(9,318)
Operating loss		**(33,632)**	(39,722)
Finance income	5	**233**	107
Finance costs	5	**(52)**	(166)
Finance income/(costs) – net		**181**	(59)
Share of profit/(loss) of			
an associate		**1,483**	(907)
jointly controlled entities		**3,686**	8,958
Loss before income tax		**(28,282)**	(31,730)
Income tax expenses	6	**(3,601)**	(14,149)
Loss for the period		**(31,883)**	(45,879)
Loss attributable to:			
owners of the parent		**(31,252)**	(45,820)
non-controlling interests		**(631)**	(59)
		(31,883)	(45,879)
Loss per share for loss attributable to owners of the parent (expressed in HK cents per share)			
basic	8	**(14.73)**	(21.59)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss for the period	**(31,883)**	(45,879)
Other comprehensive income for the period:		
currency translation differences	**(11,531)**	24,643
Total comprehensive income for the period	**(43,414)**	(21,236)
Total comprehensive income for the period attributable to:		
owners of the parent	**(43,477)**	(21,537)
non-controlling interests	**63**	301
	(43,414)	(21,236)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 Jun 2011** *HK$'000*	Audited 31 Dec 2010 *HK$'000*
Assets			
Non-current assets			
Land use rights		**4,455**	5,359
Property, plant & equipment		**262,386**	278,886
Construction in progress		**5,978**	6,036
Intangible assets		**26,692**	25,661
Interest in an associate		**18,972**	17,489
Interests in jointly controlled entities		**330,835**	322,078
Deferred income tax assets		**8,737**	11,771
Pledged bank deposits		**1,359**	1,359
Bank deposits		**–**	439
		659,414	669,078
Current assets			
Inventories		**253,886**	192,535
Trade & other receivables	9	**234,780**	232,754
Derivative financial instruments		**–**	1,109
Amount due from an associate		**343**	403
Amounts due from jointly controlled entities		**21,283**	19,495
Financial assets at fair value through profit or loss		**32,611**	133,065
Pledged bank deposits		**–**	1,988
Cash & cash equivalents		**156,810**	86,697
		699,713	668,046
Non-current asset classified as held for sale		**25,411**	25,411
		725,124	693,457
Total assets		**1,384,538**	1,362,535

	Note	Unaudited 30 Jun 2011 *HK$'000*	Audited 31 Dec 2010 *HK$'000*
Equity			
Equity attributable to owners of the parent			
Share capital		**21,219**	21,219
Reserves		**433,165**	445,390
Retained earnings:			
Proposed final dividend		**–**	19,097
Others		**485,546**	516,798
		939,930	1,002,504
Non-controlling interests		**44,479**	45,018
Total equity		**984,409**	1,047,522
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**6,235**	5,597
Retirement benefit obligations		**19,125**	18,281
Other long-term liabilities – non current portion		**163**	837
		25,523	24,715
Current liabilities			
Bank borrowings – unsecured		**–**	5,989
Derivative financial instruments		**424**	–
Trade & other payables	10	**335,414**	256,137
Dividend payable		**19,097**	–
Current income tax liabilities		**5,080**	13,698
Other long-term liabilities – current portion		**1,028**	1,028
Amounts due to non-controlling interests shareholders		**13,563**	13,446
		374,606	290,298
Total liabilities		**400,129**	315,013
Total equity & liabilities		**1,384,538**	1,362,535
Net current assets		**325,107**	377,748
Total assets less current liabilities		**1,009,932**	1,072,237

1. Basis of Preparation & Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 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 condensed consolidated interim financial statements have been prepared under the historical cost convention as modified by financial assets (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

1.1 Going-concern basis

The Group finance monitors rolling forecasts of the Group's liquidity requirement to ensure it has sufficient fund to meet day-to-day working capital requirements while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or convenants (where applicable) on any of its borrowing facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going-concern basis in preparing its condensed consolidated interim financial statements.

1.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2010, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

a. New and amended standards adopted by the Group
HKAS 24 (Revised) "Related party disclosures"
It introduces an exception from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. As at 30 June 2011, the Group's total transactions among government and government-related entities amount to HK$273,000.

Amendment to HKAS 34 "Interim financial reporting"
It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information form the most recent annual report. The change in accounting policy only results in additional disclosures.

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

The Commercial division designs for hotels and large-scale projects such as airports, ballrooms convention centres and other large public spaces. RBC projects are those in which carpets of private and public space intersect.

The Board of Directors assesses the performance of the operating segments based on a measure of segment results. Segment results excludes the effects of non-recurring expenditure from the operating segments such as impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of change in fair values of derivative financial instruments.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2011 and 2010 is as follows:

For the six months ended 30 June 2011

	Commercial *HK$'000*	RBC *HK$'000*	Total carpet *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue from external customers	375,625	194,462	570,087	19,731	–	589,818
Segment results	(11,457)	(26,949)	(38,406)	4,774	–	(33,632)
Operating loss			(38,406)	4,774	–	(33,632)
Finance income						233
Finance costs						(52)
Share of profit of:						
an associate						1,483
jointly controlled entities						3,686
Loss before income tax						(28,282)
Income tax expenses						(3,601)
Loss for the period						(31,883)
Capital expenditure	5,863	3,145	9,008	159	9,558	18,725
Depreciation of property, plant & equipment	23,726	1,066	24,792	982	3,717	29,491
Amortisation of land use rights	–	–	–	–	1,026	1,026
Amortisation of intangible assets	328	1,868	2,196	–	1,883	4,079
Impairment of trade & other receivables	825	3,531	4,356	–	–	4,356

For the six months ended 30 June 2010

	Commercial *HK$'000*	RBC *HK$'000*	Total carpet *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue from external customers	319,137	172,839	491,976	16,747	–	508,723
Segment results	(21,486)	(20,256)	(41,742)	2,020	–	(39,722)
Operating loss[1]			(41,742)	2,020	–	(39,722)
Finance income						107
Finance costs						(166)
Share of (loss)/profit of:						
an associate						(907)
jointly controlled entities						8,958
Loss before income tax						(31,730)
Income tax expenses						(14,149)
Loss for the period						(45,879)
Capital expenditure	11,798	326	12,124	–	3,318	15,442
Depreciation of property, plant & equipment	18,927	3,695	22,622	–	5,136	27,758
Amortisation of land use rights	–	–	–	–	980	980
Amortisation of intangible assets	–	1,073	1,073	–	–	1,073
Impairment of trade & other receivables	1,274	690	1,964	–	–	1,964

Note:

1 Included gain on disposal of investment properties.

3. Expenses by Nature

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Depreciation of property, plant & equipment	**29,491**	27,758
Amortisation of land use rights	**1,026**	980
Amortisation of intangible assets	**4,079**	1,073
Impairment of trade & other receivables	**4,356**	1,964

4. Other Gains/(Losses) – Net

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Gain on disposal of financial assets at fair value through profit or loss	**971**	424
Gain on disposal of property, plant & equipment	**9**	210
Gain on disposal of investment properties	**–**	361
Loss on change in fair value of derivative financial instruments	**(424)**	(41)
Net foreign exchange gains/(losses)	**5,283**	(10,272)
Others	**(8)**	–
	5,831	(9,318)

5. Finance Income/(Costs) - Net

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Finance costs		
Interest on bank loans & overdrafts wholly repayable within five years	**(52)**	(9)
Amortised interest costs from other long-term liabilities	**–**	(157)
	(52)	(166)
Finance income – interest income from banks	**233**	107
Finance income/(costs) – net	**181**	(59)

6. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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 rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**1,279**	5,153
The People's Republic of China ("PRC") & overseas	**7,135**	5,879
(Over)/underprovison in prior years	**(1,235)**	1,759
Deferred income tax	**(3,578)**	1,358
Income tax expenses	**3,601**	14,149

7. Dividend

The Board does not recommend the payment of an interim dividend for the period (2010: Nil). The 2010 final dividend was paid on 8 July 2011.

8. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss attributable to owners of the parent (HK$'000)	**(31,252)**	(45,820)
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Loss per share (HK cents)	**(14.73)**	(21.59)

The Group had no outstanding share options as at 30 June 2011 and 2010. As a result, diluted loss per share is not presented.

9. Trade & Other Receivables

	30 Jun 2011	31 Dec 2010
	HK$'000	*HK$'000*
Trade receivables	**199,221**	203,822
Less: provision for impairment of trade receivables	**(18,433)**	(13,801)
Trade receivables – net	**180,788**	190,021
Prepayment	**24,555**	25,898
Value added tax receivables	**9,475**	6,320
Rental deposits	**4,693**	2,611
Other receivables	**15,269**	7,904
	234,780	232,754

The amounts approximated to their respective fair values as at 30 June 2011 and 31 December 2010. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the reporting date, the ageing analysis of the trade receivables based on invoice date are as follows:

	30 Jun 2011	31 Dec 2010
	HK$'000	*HK$'000*
0 to 30 days	**97,481**	141,941
31 to 60 days	**29,050**	20,776
61 to 90 days	**14,677**	10,018
91 to 365 days	**37,746**	15,385
More than 365 days	**1,834**	1,901
	180,788	190,021

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

	30 Jun 2011	31 Dec 2010
	HK$'000	*HK$'000*
Amount past due at the reporting date but not impaired:		
Less than 30 days past due	**35,223**	44,653
31 to 60 days past due	**16,312**	14,339
61 to 90 days past due	**5,631**	7,798
91 to 365 days past due	**32,293**	11,291
More than 365 days past due	**1,137**	1,600
	90,596	79,681

The current balances related to existing customers, most of which had no recent history of default.

As at 30 June 2011, trade receivables of approximately HK$90,596,000 (as at 31 December 2010: HK$79,681,000) were past due but not impaired. The balances were related to a number of customers that have a good track record with the Group. Based on the past experience, management estimates that the carrying amounts could be fully recovered.

10. Trade & Other Payables

	30 Jun 2011 *HK$'000*	31 Dec 2010 *HK$'000*
Trade payables	**68,147**	65,667
Deposits received in advance	**152,149**	93,645
Accrued expenses	**87,629**	67,032
Other payables	**27,489**	29,793
	335,414	256,137

At the reporting date, the ageing analysis of the trade payables based on invoice date is as follows:

	30 Jun 2011 *HK$'000*	31 Dec 2010 *HK$'000*
0 to 30 days	**58,847**	56,302
31 days to 60 days	**6,038**	7,606
61 days to 90 days	**653**	642
More than 90 days	**2,609**	1,117
	68,147	65,667

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2011. 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 2011, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.

MANAGEMENT DISCUSSION & ANALYSIS

We are pleased to report that the Group strengthened its position in the market place and that its financial position remains strong. Following weak demand in 2010 turnover grew considerably in the first half of 2011 and results improved. While some companies in our key sectors are struggling financially, the Group had no external borrowings and net cash reserves of HK$157 million at the end of the reporting period.

The Group's consolidated turnover for the six months ended 30 June 2011 was HK$590 million, a period on period increase of 16%, or HK$81 million. Virtually all markets and sectors contributed to the increase. Demand for our products and services remains robust in Asia and Europe, while turnover in the Americas recovered strongly after turnover declined in 2010 as a result of the impact of the global recession.

Turnover of carpet operations increased by 16% period on period, while the turnover of non-carpet operations showed an increase of 18%. Overall gross margin decreased from 42% to 39%, mainly due to a strong increase in the costs of key raw materials like wool and silk, which was only partly passed on to our customers.

The Group recorded an operating loss of HK$34 million for the first six months compared with HK$40 million for the corresponding period in 2010. The Group's loss attributable to owners was HK$31 million, a reduction of HK$15 million from the previous period. The share of profits from jointly controlled entities decreased by 59% to HK$4 million.

Carpet Operations

The increase in turnover in Carpet operations was due to the Commercial and RBC businesses, which increased by 18% and 13% respectively. Our RBC business, which continues to be our key strategic focus area, continued its successful track record and turnover increased by 13%, led by strong sales in the United States ("U.S.") and Europe. We revamped our RBC business in Asia through the launch of a product range designed by well renowned Asian designer André Fu, which was very well received by the Asian design community and early results are positive.

Total sales of the Commercial business recovered from the decline in 2010 and sales increased by 18%, or HK$56 million, period on period. Turnover in Thailand and the rest of Asia grew by 13% or HK$31 million.

Total sales of the RBC business grew by 13%, or HK$22 million, period on period. The increase was driven by our key markets in Europe and the U.S. Margins were lower because of product mix and the impact of raw material cost increases, partly offset by the positive impact of currency movements, with the Euro and Pound strengthening versus the U.S. dollar compared to the same period in the prior year.

We have restructured our Wholesale business, which comprises our U.S.-based subsidiary J.S.L. Carpet Corporation and integrated it fully into our RBC operations. The subsidiary has been transformed into an internal supplier of high-end handmade carpets. Operating expenses have been reduced substantially. Going forward we will report the results of the Wholesale business as part of RBC as third party sales have become immaterial for the Group.

After significant increases in the prior year, factory operating expenses remained well under control. Labour costs in the PRC continued to increase and labour shortages in the Pearl River Delta continue, but pressures have eased somewhat and our retention rates are high. Both our factories in Nanhai and Bangkok managed to improve their operating results, through cost containment and productivity improvements.

We continue to manage our operating expenses carefully. Operating expenses totaled HK$227 million, an increase of 6% from the same period in the prior 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 of yarn-dyeing operations increased by 18% period on period, while margins decreased as a result of higher utility costs. Operating profit improved, due to the release of foreign exchange gains related to the final repayment of an inter-company loan.

Outlook

Last year we were significantly impacted by the slowdown in the global economy, but in the latter part of 2010 we saw a strong increase in sales and bookings as a result of the reviving economy and we entered into 2011 with a much fuller order book than 2010. Order bookings developed favourably throughout the first half of 2011 and our factories have a healthy backlog for the second part of the year.

Upward pressure on raw material costs seem to have eased somewhat and we have hedged our exposure partly in the commodity markets. Financial markets remain volatile, but we have hedged the majority of our foreign exchange exposure and will continue to watch movements carefully.

Our second half of the year is traditionally stronger than the first half and we expect that operational results in the second half of the year should be better than prior year.

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 (2010: Nil).

Capital Expenditure

Capital expenditure in the form of property, plant & equipment, construction in progress and intangible assets (other than goodwill) incurred by the Group totaled HK$19 million during the six months ended 30 June 2011 (2010: HK$15 million). As at 30 June 2011, the aggregate net book value of the Group's property, plant & equipment, investment properties, land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK$300 million (as at 31 December 2010: HK$316 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 2011, the Group had total cash and bank balances amounting to HK$157 million (as at 31 December 2010: HK$87 million).

As at 30 June 2011, the Group also held financial assets at fair value of HK$33 million (as at 31 December 2010: HK$133 million).

Details of Charges on the Group's Assets

The Group had charges on bank deposits of HK$1 million (as at 31 December 2010: HK$3 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 and Euro and a variety of other currencies.

The Group recorded net exchange gains of HK$5 million, arising from overseas operations. The Group's main exposure is to the Euro, which strengthened against the U.S. dollar versus the prior year. We have hedged the majority of our operating exposure against the Euro for 2011 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 2011, the Group employed 3,300 employees (as at 31 December 2010: 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.

Contingent Liabilities

As at 30 June 2011, the Group's total contingent liabilities amounted to HK$34 million (as at 31 December 2010: HK$33 million).

By order of the Board

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

Hong Kong, 26 August 2011

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, Mr Aubrey K. S. Li; 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).