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 2012

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 2012. 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	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenue	*2*	**666,474**	589,818
Cost of sales		**(366,645)**	(315,543)
Gross profit		**299,829**	274,275
Distribution costs	*3*	**(59,618)**	(54,015)
Administrative expenses	*3*	**(292,586)**	(259,723)
Loss in relation to Thailand flooding	*4*	**(33,501)**	–
Insurance compensation in relation to Thailand flooding	*5*	**75,475**	–
Other (losses)/gains – net	*6*	**(925)**	5,831
Operating loss		**(11,326)**	(33,632)
Finance income		**120**	233
Finance costs		**(585)**	(52)
Finance (costs)/income – net	*7*	**(465)**	181
Share of (loss)/profit of:			
an associate		**(979)**	1,483
jointly controlled entities		**–**	3,686
Loss before income tax		**(12,770)**	(28,282)
Income tax expenses	*8*	**(13,012)**	(3,601)
Loss for the period		**(25,782)**	(31,883)
(Loss)/profit attributable to:			
owners of the Company		**(26,403)**	(31,252)
non-controlling interests		**621**	(631)
		(25,782)	(31,883)
Loss per share attributable to owners of the Company (expressed in HK cents per share)			
basic	*10*	**(12.44)**	(14.73)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2012 *HK$'000*	2011 *HK$'000*
Loss for the period	**(25,782)**	(31,883)
Other comprehensive income for the period:		
currency translation differences	**814**	(11,531)
Total comprehensive income for the period	**(24,968)**	(43,414)
Total comprehensive income for the period attributable to:		
owners of the Company	**(25,353)**	(43,477)
non-controlling interests	**385**	63
	(24,968)	(43,414)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2012** *HK$'000*	Audited 31 December 2011 *HK$'000*
Assets			
Non-current assets			
Land use rights		**2,447**	3,516
Property, plant & equipment		**235,596**	243,935
Construction in progress		**62,458**	22,051
Intangible assets		**29,124**	30,588
Interest in an associate		**19,707**	18,723
Deferred income tax assets		**25,568**	33,036
Prepayments		**–**	9,391
Pledged bank deposits		**1,563**	1,344
Fixed deposits		**6,828**	7,865
		383,291	370,449
Current assets			
Inventories		**295,861**	195,893
Trade & other receivables	*11*	**307,832**	205,109
Derivative financial instruments		**1,565**	1,022
Amount due from an associate		**356**	356
Financial assets at fair value through profit or loss		**529**	40,752
Current income tax assets		**8,422**	4,137
Fixed deposits		**7,438**	1,642
Cash & cash equivalents		**70,807**	117,164
		692,810	566,075
Non-current asset classified as held for sale		**311,904**	311,904
		1,004,714	877,979
Total assets		**1,388,005**	1,248,428

	Note	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**453,844**	452,794
Retained earnings:			
Proposed final dividend		**–**	19,097
Others		**293,155**	319,558
		768,218	812,668
Non-controlling interest		**48,901**	48,516
Total equity		**817,119**	861,184
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**491**	425
Retirement benefit obligations		**21,816**	20,009
Other long-term liabilities		**3,015**	2,584
		25,322	23,018
Current liabilities			
Bank borrowings – unsecured		**132,748**	866
Trade & other payables	*12*	**369,832**	346,899
Dividend payable		**19,097**	–
Current income tax liabilities		**9,113**	1,485
Other long-term liabilities – current portion		**–**	1,267
Derivative financial instruments		**–**	263
Amount due to jointly controlled entities		**1,328**	–
Amounts due to non-controlling interests shareholders		**13,446**	13,446
		545,564	364,226
Total liabilities		**570,886**	387,244
Total equity & liabilities		**1,388,005**	1,248,428
Net current assets		**147,246**	201,849
Total assets less current liabilities		**842,441**	884,202

1. Basic of Preparation & Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 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 should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated interim financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

1.1 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2011, 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 following new standards, amendments and interpretations have been issued but are not effective for the financial period beginning 1 January 2012 and have not been early adopted:

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 16 (Revised)	Property, plant and equipment[1]
HKAS 19 (Amendment)	Employee benefits[1]
HKAS 27 (Revised)	Separate financial statements[1]
HKAS 28 (Revised)	Investments in associates and joint ventures[1]
HKFRS 7	Financial instruments: disclosures[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosures of interests in other entities[1]
HKFRS 13	Fair value measurements[1]

Notes:

1 Effective from annual periods beginning on or after 1 January 2013
2 Effective from annual periods beginning on or after 1 January 2015

The Group is assessing the impact of these new standards and amendments. The adoption of these new standards and amendments will not result in a significant impact on the results and financial position of the Group other than certain changes in presentation and disclosures in the condensed consolidated interim financial statements.

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).

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 concepts 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 represents the operating profit/loss of each business segment after excluding shared expenses for global operations, and the effects of non-recurring expenditure from the operating segments such as impairments arising from an isolated, non-recurring event.

The segment information provided to the management for the reportable segments for the six months ended 30 June 2012 and 2011 is as follows:

For the six months ended 30 June 2012

	Commercial *HK$'000*	RBC *HK$'000*	Total carpet *HK$'000*	Others *HK$'000*	Group *HK$'000*
Revenue from external customers	446,594	206,298	652,892	13,582	666,474
Segment results	(8,066)	(7,572)	(15,638)	(1,391)	(17,029)
Unallocated expenses[1]					(36,271)
Loss in relation to Thailand flooding	(33,501)	–	(33,501)	–	(33,501)
Insurance compensation in relation to Thailand flooding	75,475	–	75,475	–	75,475
Operating loss					(11,326)
Finance income					120
Finance costs					(585)
Share of loss of:					
an associate	(979)	–	(979)	–	(979)
Loss before income tax					(12,770)
Income tax expenses					(13,012)
Loss for the period					(25,782)
Capital expenditure	59,099	5,881	64,980	4,401	69,381
Depreciation of property, plant & equipment	24,314	3,817	28,131	977	29,108
Amortisation of land use rights	1,053	–	1,053	–	1,053
Amortisation of intangible assets	2,536	1,115	3,651	–	3,651
Recovery of impairment of trade receivables	(71)	(847)	(918)	–	(918)

For the six months ended 30 June 2011

	Commercial *HK$'000*	RBC *HK$'000*	Total carpet *HK$'000*	Others *HK$'000*	Group *HK$'000*
Revenue from external customers	375,625	194,462	570,087	19,731	589,818
Segment results	4,659	(8,860)	(4,201)	4,774	573
Unallocated expenses[1]					(34,205)
Operating loss					(33,632)
Finance income					233
Finance costs					(52)
Share of profit of:					
an associate	1,483	–	1,483	–	1,483
jointly controlled entities	3,686	–	3,686	–	3,686
Loss before income tax					(28,282)
Income tax expenses					(3,601)
Loss for the period					(31,883)
Capital expenditure	11,598	3,145	14,743	3,982	18,725
Depreciation of property, plant & equipment	27,399	1,066	28,465	1,026	29,491
Amortisation of land use rights	1,026	–	1,026	–	1,026
Amortisation of intangible assets	328	1,868	2,196	1,883	4,079
Impairment of trade receivables	825	3,069	3,894	–	3,894

Note:

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

3. Expenses by Nature

	Six months ended 30 June **2012** ***HK$'000***	2011 *HK$'000*
Depreciation of property, plant & equipment	**29,108**	29,491
Amortisation of land use rights	**1,053**	1,026
Amortisation of intangible assets	**3,651**	4,079
Impairment of trade receivables	**1,094**	4,356
Reversal of impairment of property, plant & equipment	**(2,162)**	–
Property, plant & equipment written off	**1,507**	–
Reversal of impairment of inventories	**(917)**	(46)
Impairment of intangible assets	**1,158**	–
Inventories written off	**1,057**	–
Bad debts written off	**396**	357
Recovery of impairment of trade receivables previously recognised	**(2,012)**	(462)

4. Loss in Relation to Thailand Flooding

The severe flooding in Thailand had led the Group to suspend its production facility in Pathumthani, near Bangkok on 17 October 2011. The loss in relation to this flooding for the period ended 30 June 2012 is as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Direct labour costs incurred for idle staff	**11,536**	–
Cost of purchasing replacement carpets	**5,744**	–
Reversal of impairment of inventories	**(1,805)**	–
Write off of inventories	**1,057**	–
Reversal of impairment of property, plant & equipment	**(2,162)**	–
Property, plant & equipment written off	**1,507**	–
Repairs & maintenance of property, plant & equipment	**5,944**	–
Others	**11,680**	–
	33,501	–

5. Insurance Compensation in Relation to Thailand Flooding

During the financial year ended 31 December 2011, the Group had submitted several claims to various insurance companies in relation to the loss incurred due to the severe flooding in Thailand.

In February 2012, the insurance companies advanced 150,000,000 Thai Baht (approximately HK$38,000,000) to the Group in cash to enable the Group to meet its immediate cash needs.

In June 2012, the insurance companies agreed to advance an additional 150,000,000 Thai Baht (approximately HK$37,475,000) to the Group. The Group received cash advances of 15,000,000 Thai Baht (approximately HK$3,800,000) in June 2012 and received the remaining cash advances of 135,000,000 Thai Baht (approximately HK$33,675,000) in July 2012. Based on the management's assessment, the advances represent the minimum settlement amount and the final settlement is expected to exceed the total advances. Therefore, the Group recognised total advances of 300,000,000 Thai Baht (approximately HK$75,475,000) in the condensed consolidated income statement for the six months ended 30 June 2012.

6. Other (Losses)/Gains – Net

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Gain on disposal of financial assets at fair value through profit or loss	**239**	971
(Loss)/gain on disposal of property, plant & equipment	**(70)**	9
Gain/(loss) on change in fair value of derivative financial instruments	**546**	(424)
Net foreign exchange (losses)/gains	**(1,908)**	5,283
Others	**268**	(8)
	(925)	5,831

7. Finance (Costs)/Income – Net

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Finance costs – interest on bank loans & overdrafts wholly repayable within five years	**(585)**	(52)
Finance income – interest income from banks	**120**	233
Finance (costs)/income – net	**(465)**	181

8. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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	
	2012	2011
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**4,160**	1,279
PRC & overseas	**787**	7,135
Under/(over)provison in prior years	**885**	(1,235)
Deferred income tax expense/(credit)	**7,180**	(3,578)
Income tax expenses	**13,012**	3,601

Income tax expense is recognised based on management's estimate of the weighted average income tax rate expected for the full financial period. The estimated weight average income tax rate for the period ended 30 June 2012 is 23% (2011: 23%).

9. Dividend

The Board does not recommend the payment of an interim dividend for the period (2011: Nil). The 2011 final dividend was paid on 11 July 2012.

10. Loss Per Share

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Loss attributable to owners of the Company (HK$'000)	**(26,403)**	(31,252)
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Loss per share (HK cents)	**(12.44)**	(14.73)

The Group had no outstanding share options as at 30 June 2012 and 2011. As a result, diluted loss per share is equivalent to basic loss per share.

11. Trade & Other Receivables

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Trade receivables	**208,180**	159,177
Less: provision for impairment of trade receivables	**(11,142)**	(15,362)
Trade receivables – net	**197,038**	143,815
Prepayments	**26,313**	31,633
Value added tax receivables	**27,588**	10,536
Rental deposits	**7,220**	4,247
Other receivables	**49,673**	14,878
	307,832	205,109

The amounts approximated to their respective fair values as at 30 June 2012 and 31 December 2011. 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 were as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
0 to 30 days	**110,942**	79,237
31 to 60 days	**26,086**	22,842
61 to 90 days	**19,466**	7,031
91 to 365 days	**41,144**	29,287
More than 365 days	**10,542**	20,780
	208,180	159,177

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Amount past due at the reporting date but not impaired:		
Less than 30 days past due	**29,872**	30,755
31 to 60 days past due	**20,622**	16,210
61 to 90 days past due	**7,859**	3,550
91 to 365 days past due	**40,559**	30,929
More than 365 days past due	**8,864**	18,212
	107,776	99,656

The balances mainly relate to existing customers, most of which have no recent history of default.

As at 30 June 2012, trade receivables of approximately HK$107,776,000 (as at 31 December 2011: HK$99,656,000) 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.

12. Trade & Other Payables

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
Trade payables	**74,718**	56,139
Deposits received in advance	**160,623**	133,983
Accrued expenses	**72,387**	96,487
Other payables	**62,104**	60,290
	369,832	346,899

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
0 to 30 days	**58,094**	48,382
31 days to 60 days	**9,681**	4,996
61 days to 90 days	**4,191**	1,512
More than 90 days	**2,752**	1,249
	74,718	56,139

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six-month period ended 30 June 2012, other than code provision A.6.7 of the CG code.

In respect of code provision A.6.7 of the CG Code, all non-executive directors (including independent non-executive directors) attended the annual general meeting of the Company held on 17 May 2012 except one non-executive director and one independent non-executive director due to other business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding the Directors' transactions in the securities of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Company's code of conduct in this respect throughout the six-month period ended 30 June 2012 and up to the date of publication of this interim results.

MANAGEMENT DISCUSSION & ANALYSIS

We are pleased to report that following the dramatic flooding of the Company's production facility in Pathumthani, Thailand in October 2011, we managed to get the factory reopened and back to full capacity in just five months and through the dedication of factory operators, staff and management, the factory is now producing higher volumes than ever before in its history.

The flooding caused us to report flood related losses of HK$115 million for the full financial year 2011 and HK$34 million for the six months ended 30 June 2012. As a result of the factory being out of service for over five months from the flooding, we had to take significant write-downs on stock and assets and suffered substantial losses in sales and margin. Furthermore, we were obliged to outsource product and materials at a higher cost to guarantee continued supply to our customers.

We saw a significant recovery in sales in the first six months of 2012 as a result of a strong back order portfolio and improved market conditions around the globe, especially in the United States ("U.S."). The Group's consolidated turnover for the six months ended 30 June 2012 was HK$666 million, a period-on-period increase of 13%, or HK$77 million. Virtually all markets and sectors contributed to the increase, and the growth in turnover of our U.S. hospitality business was especially noteworthy.

Turnover of carpet operations increased by 15% period-on-period, while the turnover of non-carpet operations showed a decrease of 31%. Overall gross margin decreased slightly from 47% to 45%, mainly due to a less favourable product mix and lower production volumes in the first six months of 2012 resulting from the floods.

Our shareholding in Weihai Shanhua, for which we entered into a non-binding offer for sale on 17 November 2011 is held as an asset for sale. The share of profits of Weihai Shanhua are no longer consolidated in the Groups results.

While we have not achieved a definitive settlement with our insurers on our claim regarding the flood-related losses in Thailand, we have accounted for HK$75 million in insurance recoveries, which is equal to the advances committed per the reporting date. We do expect the final settlement to be significantly higher than the advances received to date. We are making good progress in our discussions with the insurance companies and we hope to settle the insurance claim before reporting our final results for 2012.

The Group recorded an operating loss of HK$11 million for the first six months compared with HK$34 million for the corresponding period in 2011. The Group's loss attributable to owners of the Company was HK$26 million, a reduction of HK$5 million from the previous period.

Carpet Operations

The 2011 flood mainly impacted the Commercial business, as the majority of these products are manufactured in our Thailand factory. As a result of pent-up demand, as well as underlying increases in demand, total sales of the Commercial business increased by 19%, or HK$71 million, period-on-period. Turnover in the Americas grew by 44% or HK$81 million. Sales in Thailand and the rest of Asia grew by 2% or HK$5 million.

Total sales of the RBC business grew by 6%, or HK$12 million, period-on-period. The increase was mainly driven by growth in the U.S. Margins were lower due to product mix, higher sourcing costs as a result of OEM purchases and the negative impact of currency movements, with the Euro weakening against the U.S. dollar compared to the same period in the prior year.

Operating loss was higher than in the prior period, which had benefited from the completion of several major projects. Traditionally, the Group's results in the second half of the year are stronger, due to the completion of major projects closer to the end of the year.

Our factory in Nanhai, in the People's Republic of China ("PRC"), is producing record volumes of finished product. Labour shortages, which have been quite significant in previous years, have been manageable and labour costs increase in the first half of 2012 has been lower than in prior years. Raw material price pressures, especially on wool and silk, which were high in previous years have eased somewhat, although remain a source of concern.

Operating expenses totalled HK$353 million, an increase of 15% from the previous period, which reflect investments in new hires for our growing businesses and additional lease expenses for new showrooms and the new head office in Kowloon Commerce Centre, Hong Kong. Our new Hong Kong head office and showroom are now leased, as we sold our previously owned office space in Regent Centre.

Other Operations

Other operations comprise mainly our Group's U.S.-based yarn-dyeing subsidiary and only represent 2% of the Group's sales. Turnover in other operations decreased by 31% period-on-period. Profitability decreased as a result of higher operating expenses, only partly offset by price increases. The yarn-dyeing business is a non-core asset and we continue to monitor its performance closely.

Outlook

Though last year the Group was significantly impacted by the flood in Thailand, we managed to get the Thailand factory back in operation ahead of plan and year-to-date results are ahead of internal budgets. Sales in the Thailand domestic market and the important automotive sector recovered faster than expected, although margins in the automotive sector were depressed as we had to source product from Japan in order to guarantee supply to our key customers. We are seeing increased activity in key U.S. Commercial markets, with delayed and new projects coming to the market. European economies remain depressed, though we do not yet see a significant slowdown in the high-end luxury market sectors in which we operate, and we see continued opportunities to grow our business in the Middle East and Asia.

Upward pressure on raw material costs seem to have eased and we have partly hedged our exposure in the commodity markets. Financial markets remain volatile. We have partly hedged our exposure to the Euro for the balance of year, but the Euro's weakness remains a concern as it places downward pressure on overall margins.

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 will be significantly better than prior year.

We expect to complete the disposal of Weihai Shanhua in the second half of the year, which will restore our liquidity. We will partly use the proceeds of this sale to start construction of a new artisan workshop focused on hand-made products in Xiamen, PRC. Construction is expected to take 18-24 months.

Dividend

The Board does not recommend the payment of an interim dividend for the period (2011: Nil).

Capital Expenditure

Capital expenditure in the form of property, plant & equipment and construction in progress incurred by the Group totaled HK$66 million during the six months ended 30 June 2012 (2011: HK$15 million). As at 30 June 2012, the aggregate net book value of the Group's property, plant & equipment, leasehold land & land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK$330 million (as at 31 December 2011: HK$300 million).

Liquidity & Financial Resources

The Group coordinates its financing and cash management activities at the corporate level. As we had to pre-finance the replacement of assets and raw materials damaged by the flood in Thailand and had to pay significant deposits for OEM production to continue supply, the Group borrowed HK$133 million through existing facilities with its key relationship banks. The Group expects that its cash position will significantly improve in the second half of the year, as a result of further insurance pay-outs and the receipt of the proceeds of the sale of the Group's stake in Weihai Shanhua.

As at 30 June 2012, the Group had total net debt amounting to HK$62 million (as at 31 December 2011: net cash HK$116 million).

Details of Charges on the Group's Assets

The Group had charges on bank deposits of HK$2 million (as at 31 December 2011: HK$1 million) made 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 a net exchange loss of HK$1.9 million, arising from overseas operation. The Group's main exposure is to the Euro, which weakened against the U.S. dollar versus prior period. We have partly economically hedged our operating exposure against the Euro for 2012 by the use of forward contract 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 2012, the Group employed 3,190 employees (as at 31 December 2011: 3,130 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 2012, the Group's total contingent liabilities amounted to HK$9 million (as at 31 December 2011: HK$7 million).

By order of the Board

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

Hong Kong, 24 August 2012

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. David C. L. Tong, Mr. John J. Ying, Mr. Nelson K. F. Leong.