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## TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 146)



### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the previous corresponding period. The interim financial statements of the Group are unaudited and the interim report comprising these financial statements have been reviewed by the Audit Committee of the Company.

#### FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
Revenue	594,273	667,877
Operating loss	(45,761)	(1,467) <sup>#</sup>
Loss attributable to owners of the Company	(56,487)	(11,666)
Loss per share (HK cents)	(26.62)	(5.50)

<sup>#</sup> Including share of results of an associated company and net insurance recoveries in relation to Thailand flooding

#### MANAGEMENT DISCUSSION & ANALYSIS

The Group’s consolidated turnover for the six months ended 30 June 2014 was HK\$594 million, compared to HK\$668 million in 2013, down 11% compared to prior period.

Despite first half restructuring costs of HK\$7 million, operating expenses have been reduced by HK\$9 million, a reduction of 6% compared to 2013. This reflects the initial impact of streamlining and efficiency initiatives that will drive increasing benefit through the second half and into 2015.

The lag in Group sales has resulted in an operating loss of HK\$46 million for the first six months compared with a loss of HK\$29 million for the corresponding period in 2013.

The Group’s loss attributable to the equity holders of the Company is HK\$56 million, an increase of HK\$44 million versus the previous period loss of HK\$12 million which included a significant insurance recovery of flood related losses of HK\$28 million.

## **Carpet Operations**

First half turnover from carpet operations was 11% behind 2013 at HK\$576 million due primarily to a 24% decrease in Asia. Global Industry business sales were down 16%, while Global Artisan and Aviation sales were up 0.3%. The gross profit margin was up slightly from 41% to 42%.

## **The Americas**

At HK\$249 million, turnover in the Americas was up 6% compared to the first half of 2013.

Artisan sales were up 7%, at HK\$102 million. The major increase was in the Aviation sector where continued focus on key customers and the launch of new products have driven growth of 33%.

U.S. Residential turnover was down 4% reflecting a lower than normal reduced order-book at the beginning of the year, but bookings show an increase year over year.

Hospitality business has strengthened with turnover up 5% to HK\$130 million and the U.S. Hospitality sector is expected to continue to strengthen through the second half and into 2015.

## **Asia**

Asia was challenging, with turnover down 24% compared to the first half of 2013. This was principally due to Thailand, which was down 29% to HK\$164 million, with domestic and automotive demand severely impacted by political instability and the reduction in tourism. There has been evidence of stabilisation recently, and the prospects for the second half are more promising. Local management continues to monitor the situation, with contingency plans ready to deploy in the event of further disruption.

Industry sector turnover in the rest of Asia was also down 14% to HK\$87 million, impacted by a lower than normal order-book at the start of the year. However, with significant orders taken from the second quarter, an improvement is expected through the balance of the year.

The Asian Artisan business was down 4%, although the benefit of our new Shanghai showroom – formally opened in March 2014 – is now starting to show through with bookings for the Artisan sector showing significant improvement year over year.

## **Europe, the Middle East and Africa (“EMEA”)**

First half turnover in EMEA was down 6% compared with prior period at HK\$94 million.

The major challenges in the region have been in the UK and the Middle East, where the Hospitality business has been particularly poor leading to the closure of our Dubai office in April 2014. In mainland Europe, business in the Yacht sector and sales from La Manufacture Cogolin have shown encouraging growth, while the German and French markets continue to meet expectations.

Operating expenses have been managed down by HK\$17 million compared to the first half of 2013 with the improvement realised through a series of restructuring and efficiency initiatives. We will continue to streamline the European cost structure consistent with longer-term business expectations.

The reduction in operating expenses has mitigated operating losses which are approximately half of those incurred in the first half of 2013.

### **Manufacturing Operations**

The project to build a new Artisan factory in Xiamen, P.R.C., is progressing with all approvals and permissions now received. Construction will begin in August with substantial completion of phase one expected by the end of 2015. Conceived by the renowned French architect Jean-Marc Sandrolini, the new facility will become the production heart of our Artisan business.

### **Non-carpet Operations**

Other operations comprise mainly our Group's U.S.-based yarn-dyeing subsidiary and only represent 3% of the Group's sales. Turnover decreased by 3% period-on-period, and the operation is close to break-even for the first half of the year.

### **Outlook**

We have seen a strengthening in the key hospitality markets in the U.S. and while low quality/low price competition is strong, there are signs of stabilisation in Thailand. Sales in the Yacht and Aviation sectors remain strong, but residential market demand in Europe and the Americas has been flat.

Restructuring and efficiency initiatives are starting to show in reduced operating expenses, with an increasing impact expected through the balance of the year.

With a considerably improved order book in hand, mostly for delivery in 2014, the second half will be considerably stronger.

### **Dividend**

As per previous years, the Board does not recommend the payment of an interim dividend for the period (2013: Nil).

However, the Board has reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board has decided to recommend the payment of a special dividend of HK40 cents per share. The special dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 September 2014. The special dividend will be paid on or before 29 September 2014.

The special dividend should not be taken as an indication of the level of profit or dividend for the full year.

## **Capital Expenditure**

Capital expenditure in the form of property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets incurred by the Group totaled HK\$34 million during the six months ended 30 June 2014 (2013: HK\$60 million). As at 30 June 2014, the aggregate net book value of the Group's property, plant and equipment, leasehold land and land use rights, construction in progress and intangible assets amounted to HK\$377 million (as at 31 December 2013: HK\$377 million).

## **Liquidity & Financial Resources**

The Group coordinates its financing and cash management activities at the corporate level. Net cash generated from operating activities was positive. As at 30 June 2014, the Group had total net cash amounting to HK\$166 million (as at 31 December 2013: net cash HK\$307 million).

## **Details of Charges on the Group's Assets**

The Group had charges on bank deposits of HK\$1 million (as at 31 December 2013: 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 P.R.C., 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. dollars, 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 million, arising from overseas operations. The Group's main exposure is to the Euro, which strengthened against the U.S. dollar versus prior period. We have partly hedged our operating exposure against the Euro for 2014 by the use of forward contracts and the Group will closely monitor exchange rate movements and take appropriate action to manage any material exposure that may arise.

## **Human Resources & Remuneration Policies**

The number of employees has decreased by 100 – down from 3,100 at the end of 2013, to 3,000 at end of June 2014. While much of the reduction was linked to productivity improvement in the factories, this also reflects the reductions in major offices linked to restructuring and streamlining.

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 2014, the Group's total contingent liabilities amounted to HK\$14 million (as at 31 December 2013: HK\$13 million).

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>594,273</b>	667,877
Cost of sales		<b>(329,976)</b>	(381,488)
		<hr/>	<hr/>
Gross profit		<b>264,297</b>	286,389
Distribution costs		<b>(179,524)</b>	(175,733)
Administrative expenses		<b>(132,377)</b>	(134,004)
Gain in relation to Thailand flooding	5	–	27,921
Other gains/(losses) – net	6	<b>1,843</b>	(5,838)
		<hr/>	<hr/>
Operating loss		<b>(45,761)</b>	(1,265)
		<hr/>	<hr/>
Finance income		<b>1,317</b>	682
Finance costs		<b>(698)</b>	(1,071)
		<hr/>	<hr/>
Finance income/(costs) – net	7	<b>619</b>	(389)
		<hr/>	<hr/>
Share of loss of an associate		–	(202)
		<hr/>	<hr/>
Loss before income tax		<b>(45,142)</b>	(1,856)
Income tax expense	8	<b>(11,277)</b>	(10,825)
		<hr/>	<hr/>
Loss for the period		<b>(56,419)</b>	(12,681)
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit attributable to:			
owners of the Company		<b>(56,487)</b>	(11,666)
non-controlling interests		<b>68</b>	(1,015)
		<hr/>	<hr/>
		<b>(56,419)</b>	(12,681)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to the owners of the Company (expressed in HK cents per share)			
Basic/diluted	10	<b>(26.62)</b>	(5.50)
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	(56,419)	(12,681)
Other comprehensive income net of tax:		
Item that will not be reclassified subsequently to profit or loss:		
deferred tax on remeasurement of post-employment benefit obligation	225	–
Item that may be reclassified to profit and loss:		
currency translation differences	803	(2,796)
	<u>          </u>	<u>          </u>
Total comprehensive income for the period net of tax	<u><b>(55,391)</b></u>	<u><b>(15,477)</b></u>
Total comprehensive income for the period attributable to:		
owners of the Company	(55,158)	(13,691)
non-controlling interests	(233)	(1,786)
	<u>          </u>	<u>          </u>
	<u><b>(55,391)</b></u>	<u><b>(15,477)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 Jun 2014 <i>HK\$'000</i>	Audited 31 Dec 2013 <i>HK\$'000</i>
	<i>Note</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights		33,008	33,667
Property, plant & equipment		285,819	291,184
Construction in progress		22,439	16,037
Intangible assets		36,073	36,339
Deferred income tax assets		12,527	12,108
Prepayments	11	3,307	2,393
Pledged bank deposits		312	474
Fixed deposits		15,395	315
		408,880	392,517
<b>Current assets</b>			
Inventories		286,621	238,806
Trade & other receivables	11	202,106	294,351
Derivative financial instruments		6	–
Financial assets at fair value through profit or loss		110,521	33,235
Current income tax assets		1,468	716
Pledged bank deposits		390	100
Fixed deposits		158,710	96,505
Cash & cash equivalents		165,733	306,760
		925,555	970,473
Non-current asset held for sale		17,192	17,192
		942,747	987,665
<b>Total assets</b>		<b>1,351,627</b>	<b>1,380,182</b>

	<i>Note</i>	<b>Unaudited 30 Jun 2014 HK\$'000</b>	Audited 31 Dec 2013 HK\$'000
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		21,219	21,219
Reserves		383,665	382,561
Retained earnings:			
Proposed final dividend		–	25,462
Others		390,145	446,407
		<u>795,029</u>	<u>875,649</u>
<b>Non-controlling interests</b>		<u>42,137</u>	<u>42,370</u>
<b>Total equity</b>		<u>837,166</u>	<u>918,019</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		5,204	219
Retirement benefit obligations		26,755	25,477
Other long-term liabilities		3,015	3,015
		<u>34,974</u>	<u>28,711</u>
<b>Current liabilities</b>			
Bank borrowings – unsecured		85,323	82,336
Trade & other payables	12	390,367	339,823
Current income tax liabilities		3,577	8,477
Derivative financial instruments		220	2,816
		<u>479,487</u>	<u>433,452</u>
<b>Total liabilities</b>		<u>514,461</u>	<u>462,163</u>
<b>Total equity &amp; liabilities</b>		<u>1,351,627</u>	<u>1,380,182</u>
<b>Net current assets</b>		<u>463,260</u>	<u>554,213</u>
<b>Total assets less current liabilities</b>		<u>872,140</u>	<u>946,730</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 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 2013, 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 and liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

### 2. CHANGES IN ACCOUNTING STANDARDS

Except as described below, accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2013, 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.

New and amended standards and interpretations which are mandatory for the first time for the financial period beginning 1 January 2014 but have no material impact to the Group.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Novation of Derivatives
HK(IFRIC) – Int 21	Levies

### 3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board which are used to assess performance and allocate resources. The Board considers the businesses performance review on a geographical basis is a fairer evaluation of the business as the economic and operating environment in each region has its own characteristics. The Board assesses the performance in the following geographical areas: Asia, EMEA, North America and South America. The presentation of the segment information has, therefore, changed to geographical areas of business since the second half of 2013 hence for the six months ended 30 June 2014, the comparative figures have also been restated to conform with current period’s presentation.

The Board assesses the performance of the operating segments based on a measure of segment results. Segment results represent the operating profit/loss of each business segment and the effects of gain/loss and income/expenditure which are considered relevant in assessing the segment’s performance.

The segment information provided to management for the reportable segments for the six months ended 30 June 2014 and 2013 is as follows:

**For the six months ended 30 June 2014**

	Asia <i>HK\$'000</i>	EMEA <i>HK\$'000</i>	North America <i>HK\$'000</i>	South America <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue from external customers	251,494	93,893	235,407	13,479	–	594,273
Cost of production <sup>1</sup>	<u>(177,325)</u>	<u>(41,995)</u>	<u>(117,273)</u>	<u>(8,485)</u>	<u>–</u>	<u>(345,078)</u>
Gross margin	<u>74,169</u>	<u>51,898</u>	<u>118,134</u>	<u>4,994</u>	<u>–</u>	<u>249,195</u>
Segment results	1,991	(26,316)	(20,336)	(1,691)	–	(46,352)
Unallocated expenses <sup>2</sup>						<u>591</u>
Operating loss						(45,761)
Finance income						1,317
Finance costs						<u>(698)</u>
Loss before income tax						(45,142)
Income tax expense						<u>(11,277)</u>
Loss for the period						<u>(56,419)</u>
Capital expenditure	(21,213)	(4,655)	(3,395)	(8)	(4,567)	(33,838)
Depreciation of property, plant & equipment	(23,362)	(2,136)	(4,916)	(18)	(167)	(30,599)
Amortisation of land use rights	–	–	–	–	(340)	(340)
Amortisation of intangible assets	(871)	–	(65)	–	(2,735)	(3,671)
(Impairment)/recovery of impairment of trade receivables	<u>(68)</u>	<u>2,042</u>	<u>122</u>	<u>(37)</u>	<u>–</u>	<u>2,059</u>

For the six months ended 30 June 2013

	Asia HK\$'000	EMEA HK\$'000	North America HK\$'000	South America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	332,348	99,879	230,129	5,521	–	667,877
Cost of production <sup>1</sup>	(234,523)	(38,762)	(117,256)	(3,755)	–	(394,296)
Gross margin	<u>97,825</u>	<u>61,117</u>	<u>112,873</u>	<u>1,766</u>	<u>–</u>	<u>273,581</u>
Segment results	18,847	(34,250)	(18,279)	(4,904)	–	(38,586)
Unallocated expenses <sup>2</sup>						9,400
Gain in relation to Thailand flooding	<u>27,921</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>27,921</u>
Operating loss						(1,265)
Finance income						682
Finance costs						(1,071)
Share of loss of an associate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(202)</u>	<u>(202)</u>
Loss before income tax						(1,856)
Income tax expense						<u>(10,825)</u>
Loss for the period						<u>(12,681)</u>
Capital expenditure	(18,839)	(3,348)	(1,225)	(17)	(36,254)	(59,683)
Depreciation of property, plant & equipment	(25,664)	(1,775)	(5,003)	(29)	(75)	(32,546)
Amortisation of land use rights	(1,061)	–	–	–	(225)	(1,286)
Amortisation of intangible assets	(170)	–	(65)	–	(3,140)	(3,375)
(Impairment)/recovery of impairment of trade receivables	<u>(750)</u>	<u>(9,208)</u>	<u>3,958</u>	<u>26</u>	<u>–</u>	<u>(5,974)</u>

Notes:

<sup>1</sup> Cost of production comprises cost of sales, transportation and administrative expenses of the factories, which are classified as distribution costs and administrative expenses in the consolidated income statement.

<sup>2</sup> Unallocated expenses include corporate expenses and income of the Group.

#### 4. EXPENSES BY NATURE

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Depreciation of property, plant & equipment	<b>30,599</b>	32,546
Amortisation of land use rights	<b>340</b>	1,286
Amortisation of intangible assets	<b>3,671</b>	3,375
Impairment of trade receivables	<b>1,620</b>	10,403
Impairment of inventories	<b>2,275</b>	1,723
Inventories written off	<b>172</b>	–
Bad debts written off	<b>2,042</b>	4,124
Recovery of impairment of trade receivables previously recognised	<b>(3,679)</b>	(4,429)

## 5. GAIN IN RELATION TO THAILAND FLOODING

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain in relation to Thailand flooding – insurance recoveries	–	27,921

### Insurance recoveries in relation to Thailand flooding

During the financial period ended 30 June 2013, the Group received a settlement proposal of property loss claims of 108,143,000 Thai Baht (approximately HK\$27,921,000). Based on management's assessment, this represents the minimum settlement amount of property loss claims and was recognised as income in the condensed consolidated income statement for the six months ended 30 June 2013.

All the Group's insurance claims in relation to the flooding were finalised with the insurance companies in the second half of 2013. There were no insurance recoveries in 2014.

## 6. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of financial assets at fair value through profit or loss	1,146	16
Loss on disposal of property, plant & equipment	(16)	(884)
Gain/(loss) on change in fair value of derivative financial instruments	347	(83)
Net foreign exchange losses	(1,071)	(3,958)
Others	1,437	(929)
	<u>1,843</u>	<u>(5,838)</u>

## 7. FINANCE INCOME/(COSTS) – NET

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	(698)	(1,071)
Finance income – interest income from banks	1,317	682
	<u>619</u>	<u>(389)</u>

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
Hong Kong	6,203	3,470
PRC & overseas	5,192	3,986
Overprovision in prior years	(4,746)	(848)
Deferred income tax expense	4,628	4,217
	<u>11,277</u>	<u>10,825</u>
Income tax expense	<u>11,277</u>	<u>10,825</u>

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 weighted average income tax rate for the period ended 30 June 2014 is 18% (2013: 22%).

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2013: Nil). The 2013 final dividend was paid on 20 June 2014.

However, the Board has reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board has decided to recommend the payment of a special dividend of HK40 cents per share. The special dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 September 2014. The special dividend will be paid on or before 29 September 2014.

## 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	
	2014	2013
Loss attributable to owners of the Company (HK\$'000)	<u>(56,487)</u>	<u>(11,666)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>212,187</u>	<u>212,187</u>
Basic loss per share (HK cents)	<u>(26.62)</u>	<u>(5.50)</u>

The Group had no dilutive potential shares outstanding during the period ended 30 June 2014 and 2013, so diluted loss per share is the same as basic loss per share.

## 11. TRADE & OTHER RECEIVABLES

	<b>30 Jun 2014 HK\$'000</b>	31 Dec 2013 HK\$'000
Trade receivables	<b>145,239</b>	203,332
Less: provision for impairment of trade receivables	<b>(17,831)</b>	(21,614)
Trade receivables – net	<b>127,408</b>	181,718
Prepayments	<b>38,160</b>	30,763
Value added tax receivables	<b>10,451</b>	2,200
Rental deposits	<b>9,142</b>	8,633
Insurance recoveries receivables	–	57,795
Other receivables	<b>20,252</b>	15,635
	<b>205,413</b>	296,744

Other receivables included in non-current assets amounted to HK\$3,307,000 (as at 31 December 2013: HK\$2,393,000).

The trade receivables approximate fair values as at 30 June 2014 and 31 December 2013. 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 is as follows:

	<b>30 Jun 2014 HK\$'000</b>	31 Dec 2013 HK\$'000
0 to 30 days	<b>77,104</b>	113,384
31 to 60 days	<b>21,828</b>	35,505
61 to 90 days	<b>13,874</b>	14,354
91 to 365 days	<b>10,896</b>	24,676
More than 365 days	<b>21,537</b>	15,413
	<b>145,239</b>	203,332

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

	<b>30 Jun 2014 HK\$'000</b>	31 Dec 2013 HK\$'000
Amounts past due but not impaired:		
Less than 30 days past due	<b>29,515</b>	55,677
31 to 60 days past due	<b>7,310</b>	12,092
61 to 90 days past due	<b>4,810</b>	4,669
91 to 365 days past due	<b>5,782</b>	17,372
More than 365 days past due	<b>5,289</b>	224
	<b>52,706</b>	90,034

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

As at 30 June 2014, trade receivables of approximately HK\$52,706,000 (as at 31 December 2013: HK\$90,034,000) 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 past experience, management estimates that the carrying amounts could be fully recovered.

## 12. TRADE & OTHER PAYABLES

	<b>30 Jun 2014 HK\$'000</b>	31 Dec 2013 HK\$'000
Trade payables	<b>68,808</b>	56,970
Deposits received in advance	<b>163,083</b>	120,583
Accrued expenses	<b>85,359</b>	104,659
Other payables	<b>73,117</b>	57,611
	<b>390,367</b>	339,823

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

	<b>30 Jun 2014 HK\$'000</b>	31 Dec 2013 HK\$'000
0 to 30 days	<b>48,276</b>	43,818
31 days to 60 days	<b>13,578</b>	7,730
61 days to 90 days	<b>3,198</b>	664
More than 90 days	<b>3,756</b>	4,758
	<b>68,808</b>	56,970

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standards of corporate governance. The Company has complied with the code provisions in the Corporate Governance Code (the “CG Code”) as set out 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 months ended 30 June 2014 except the following:

The Company’s Non-executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every director would retire by rotation at least once every three years, which is in line with 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 (the “AGM”) held on 23 May 2014 except Mr. Ian D. Boyce (Non-executive Director) and Mr. Aubrey K. S. Li (Independent Non-executive Director) due to other business engagement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding the Directors’ transactions in the securities of the Company (the “Tai Ping Code”) 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 Tai Ping Code during the six months ended 30 June 2014.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company’s shares during the period.

## **AUDIT COMMITTEE**

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of the Audit Committee are aligned with the CG Code. Under these terms of reference, the responsibilities of the Audit Committee include overseeing the relationship with the Company’s external auditor (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the audit fee and reviewing the audit scope), review of financial information of the Group, oversight of the Group’s financial reporting system and internal controls.

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of interim financial information for the six months ended 30 June 2014.



## **CHANGE OF DIRECTORS**

Mr. Ian D. Boyce resigned as a Non-executive Director of the Company with effect from the close of the AGM on 23 May 2014. Mr. Boyce was a Director of the Company for over 14 years and has decided to retire and live overseas.

Mr. Andrew C. W. Brandler was appointed as a Non-executive Director of the Company at the AGM on 23 May 2014.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the period.

However, the Board has reviewed the Company's liquidity and financial resources in the context of its future needs, in particular the Artisan factory in Xiamen, and with regard to the proceeds received from the Shanhua joint venture sale in 2012. As a result of this review, the Board has declared the payment of a special dividend of HK40 cents per share. The special dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 12 September 2014. The special dividend will be paid on or before 29 September 2014.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders who are entitled to the special dividend, the register of members of the Company will be closed from Wednesday, 10 September 2014 to Friday, 12 September 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the special dividend, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 8 September 2014.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.taipingcarpets.com](http://www.taipingcarpets.com)). The Interim Report 2014 of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By order of the Board  
**Nicholas T. J. Colfer**  
*Chairman*

**James H. Kaplan**  
*Chief Executive Officer*

Hong Kong, 22 August 2014

*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. David C. L. Tong, Mr. John J. Ying, Mr. Nelson K. F. Leong, Mr. Andrew C. W. Brandler.*