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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 2018**

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 2018 (the “period”), together with the comparative figures for the previous corresponding period, that have been adjusted to reflect the results of the remaining Artisan business, with the Commercial business classified as “Discontinued operation”. 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.

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	<b>245,380</b>	177,073
Operating loss	<b>(23,333)</b>	(123,376)
Loss attributable to owners of the Company	<b>(22,366)</b>	(120,419)
Loss per share (HK cents)	<b>(10.54)</b>	(56.75)

#### **MANAGEMENT DISCUSSION & ANALYSIS**

##### **BUSINESS REVIEW**

The Group’s consolidated turnover for the six months ended 30 June 2018 was HK\$245 million, up 39% over the HK\$177 million reported in the first half of 2017.

Operating losses for the six months ended 30 June 2018 were HK\$23 million, an improvement of HK\$100 million compared to the HK\$123 million incurred for the same period in 2017. This was driven by business recovery in most of our operating locations, lower overheads following business streamlining; and a reduction in non-recurring and one-off costs linked to the relocation of manufacturing operations, and Xiamen plant construction. Non-recurring and one-off costs for first half of 2018 were HK\$4 million, and HK\$42 million for the same period in 2017.

The Group's loss attributable to the equity holders of the Company was HK\$22 million, compared to HK\$120 million for the same period last year.

## **CARPET OPERATIONS**

Sales revenue in carpet operations for the first half of 2018 was HK\$230 million, a 41% increase compared to the HK\$163 million reported for the same period last year. The increases were greatest in the Americas and EMEA which delivered growth of 54% and 64% respectively. Improvement was underpinned by a more focused sales strategy in the Artisan business supported by a streamlined regional sales structure; however it should also be noted that turnover in first half of 2017 was particularly weak linked to the uncertainty around the strategic review being undertaken at that time. Turnover for Asia was down by 9% as compared to the same period last year as a one-off large hospitality project was delivered in 2017.

Gross profit margins across almost all business segments and regions showed encouraging progress in the first half of 2018. Excluding non-recurring one-off costs, the normalised gross margin was 54% compared to 49% for the same period last year.

### **Manufacturing Operations**

Output from the new Artisan workshop in Xiamen continues to improve as the group of experienced, high-skilled workers develops. With output close to plan, management focus is on delivering the efficiency, productivity and material utilisation improvements needed to bring the cost of manufacture to target levels.

Manufacturing operations in Nanhai were terminated in May 2018 with the remaining production equipment relocated and re-used in Xiamen from July 2018.

Construction and commissioning of the new Xiamen Plant is now completed meaning that the infrastructure for capacity expansion is now ready to meet future growth.

## **NON-CARPET OPERATIONS**

Other operations comprise mainly our Group's U.S. based yarn-dyeing subsidiary and only represent 6% of the Group's sales. The operation was marginally unprofitable for the first half of the year.

## **OUTLOOK**

We enter the second half of 2018 with an order book that is slightly better than prior year, while normal seasonality means that the second six months is typically stronger. It is expected that trading and performance will start to catch up, and we also expect non-recurring and one-off costs to continue to reduce.

As noted in the Chairman's Statement of the 2017 Annual Report, the Company had worked through numerous challenges last year including managing the disposal of the Commercial business, completing the manufacturing relocation at accelerated speed; and executing the internal reorganisation for streamlining the remaining Artisan business. With the transition phase now well underway, and with our employees and customers regaining confidence in Tai Ping, the business is gradually improving and is on track to return to profitability.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the period (2017: Nil).

## **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\$33 million during the six months ended 30 June 2018 (2017: HK\$123 million). As at 30 June 2018, 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\$417 million (as at 31 December 2017: HK\$402 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 2018, the Group had total cash and cash equivalents including short-term fixed deposits (with maturity within 12 months) amounting to HK\$88 million (2017: HK\$264 million) and; unsecured bank borrowings of HK\$8 million (2017: HK\$62 million).

## **DETAILS OF CHARGES ON THE GROUP'S ASSETS**

The Group had charges on bank deposits of HK\$1 million (as at 31 December 2017: HK\$1 million) made to a bank in securing the purchase of goods from the Group's suppliers and to pledge for utilities of factory in the P.R.C.

## **EXPOSURE TO FOREIGN EXCHANGE RISKS**

The Group has overseas operations in the U.S., Europe, and the P.R.C. 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 Euro, and to a lesser extent in a variety of other currencies.

The Group recorded a net exchange loss of HK\$2 million for the six months ended 30 June 2018 which was mainly attributable to the exchange loss arising from transactions denominated in Chinese Renminbi at the beginning of 2018.

## **HUMAN RESOURCES & REMUNERATION POLICIES**

The number of employees has decreased by 6% since the start of the year consistent with the internal reorganisation initiatives and closing down of Nanhai operations. The total number of employees at end of June 2018 was 839 compared to 893 at the end of 2017.

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.

The primary focus for Human Resources during the year was in maintaining stability and retaining talent through a period of considerable organisational change.

Mr. James H. Kaplan retired as Chief Executive Officer and has been succeeded by Mr. Mark S. Worgan, effective from 1 January 2018.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group's total contingent liabilities amounted to HK\$5 million (as at 31 December 2017: HK\$15 million).

## **ASSET HELD FOR SALE**

Our minority shareholding in Philippine Carpet Manufacturing Corporation continues to be classified as an asset held for sale. Property assets in Manila are being marketed for sale, after which Tai Ping will sell or otherwise unwind our shareholding. This is expected to happen within the next 12 months.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>			
Revenue	3	<b>245,380</b>	177,073
Cost of sales		<u><b>(109,532)</b></u>	<u>(98,005)</u>
Gross profit		<b>135,848</b>	79,068
Distribution costs	4	<b>(88,496)</b>	(114,510)
Administrative expenses	4	<b>(84,470)</b>	(89,291)
Other gains – net	5	<u><b>13,785</b></u>	<u>1,357</u>
Operating loss		<u><b>(23,333)</b></u>	<u>(123,376)</u>
Finance income		<b>423</b>	82
Finance costs		<u><b>(6)</b></u>	<u>(82)</u>
Finance income – net	6	<u><b>417</b></u>	<u>–</u>
Loss before income tax		<b>(22,916)</b>	(123,376)
Income tax expense	7	<u><b>(2,418)</b></u>	<u>(103)</u>
Loss for the period from continuing operations		<b>(25,334)</b>	(123,479)
Profit for the period from discontinued operations		–	2,002
Loss for the period		<u><b>(25,334)</b></u>	<u>(121,477)</u>
Loss attributable to:			
Owners of the Company		<b>(22,366)</b>	(120,419)
Non-controlling interests		<u><b>(2,968)</b></u>	<u>(1,058)</u>
		<u><b>(25,334)</b></u>	<u>(121,477)</u>
Loss per share attributable to the owners of the Company during the period (expressed in HK cents per share) basic/diluted	9	<u><b>(10.54)</b></u>	<u>(56.75)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Loss for the period	(25,334)	(121,477)
Other comprehensive income net of tax:		
Item that may be reclassified to profit and loss		
Currency translation differences	<u>(1,562)</u>	<u>28,101</u>
Other comprehensive income for the period, net of tax	<u>(1,562)</u>	<u>28,101</u>
Total comprehensive income for the period	<u><b>(26,896)</b></u>	<u><b>(93,376)</b></u>
Attributable to:		
Owners of the Company	(23,747)	(93,426)
Non-controlling interests	<u>(3,149)</u>	<u>50</u>
	<u><b>(26,896)</b></u>	<u><b>(93,376)</b></u>
Total comprehensive (loss)/income for the period attributable to the owners of the Company arises from:		
Continuing operations	(23,747)	(95,303)
Discontinued operation	<u>—</u>	<u>1,877</u>
Total – Included Discontinued operation	<u><b>(23,747)</b></u>	<u><b>(95,426)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>Unaudited 30 Jun 2018 HK\$'000</b>	Audited 31 Dec 2017 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights		28,523	29,090
Property, plant & equipment		268,749	256,297
Construction in progress		102,151	96,728
Intangible assets		17,340	19,560
Prepayments	10	20,115	16,274
		436,878	417,949
<b>Current assets</b>			
Inventories		97,545	92,888
Trade & other receivables	10	102,916	121,467
Derivative financial instruments		318	1,248
Current income tax assets		1,330	1,443
Pledged bank deposits		686	687
Cash & cash equivalents		88,365	264,338
		291,160	482,071
Non-current asset held for sale		17,192	17,192
		308,352	499,263
<b>Total assets</b>		<b>745,230</b>	<b>917,212</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>Unaudited 30 Jun 2018 HK\$'000</b>	<b>Audited 31 Dec 2017 HK\$'000</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		21,219	21,219
Reserves		285,582	286,963
Retained earnings:			
Proposed final dividend		–	–
Others		<u>153,769</u>	<u>176,075</u>
		<b>460,570</b>	484,257
<b>Non-controlling interests</b>		<u>27,864</u>	<u>31,013</u>
<b>Total equity</b>		<u>488,434</u>	<u>515,270</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		3,399	3,399
Retirement benefit obligations		<u>3,027</u>	<u>2,925</u>
		<u>6,426</u>	<u>6,324</u>
<b>Current liabilities</b>			
Trade & other payables	<i>11</i>	147,756	328,787
Contract liabilities – Deposits received in advance	<i>11</i>	86,587	–
Current income tax liabilities		8,247	4,831
Bank borrowings – unsecured		<u>7,780</u>	<u>62,000</u>
		<u>250,370</u>	<u>395,618</u>
<b>Total liabilities</b>		<u>256,796</u>	<u>401,942</u>
<b>Total equity &amp; liabilities</b>		<u>745,230</u>	<u>917,212</u>
<b>Net current assets</b>		<u>57,982</u>	<u>103,645</u>
<b>Total assets less current liabilities</b>		<u>494,860</u>	<u>521,594</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 2018 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 2017, 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.

In August 2017, the Group entered into a sales and purchase agreement with an independent third party to dispose of the Group’s Commercial business at a consideration of US\$94,000,000 (equivalent to approximately HK\$728,500,000) (the “Disposal”). The transaction was completed during the year ended 31 December 2017. Accordingly, the financial results of the Disposal are presented in the condensed consolidated income statement and condensed consolidated statement of cash flows as “Discontinued operation” in accordance with HKFRS 5 “Non-current Assets Held for Sales and Discontinued Operation” issued by the HKICPA. Comparative figures for 2017 have also been restated.

### 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 2017, as described in those annual consolidated financial statements.

New and amended standards and interpretations, which are mandatory for the first time for the financial period beginning 1 January 2018 but have no material impact to the Group, are as follows:

Annual improvement Project HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle (amendments)
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments)
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments)
HKFRS 9	Financial Instruments (new standard)
HKFRS 15	Revenue from Contracts with Customers (new standard)
HKFRS 15	Clarifications to HKFRS 15 (amendments)
HKAS 40	Transfers of Investment Property (amendments)
HK(IFRIC)-Int 22	Foreign Currency Transaction and Advance Consideration (new interpretation)

### 3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors which are used to assess performance and allocate resources. The Board of Directors assesses the performance in the following geographical areas: Asia, Europe, the Middle East and Africa (“EMEA”) and North America.

The Board of Directors 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.

#### For the six months ended 30 June 2018

	Asia	EMEA	North America	Unallocated	Group
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue from external customers	39,083	99,532	106,765	-	245,380
Cost of production <sup>1</sup>	<u>(17,186)</u>	<u>(45,654)</u>	<u>(49,126)</u>	<u>-</u>	<u>(111,966)</u>
Segment gross margin	<u>21,897</u>	<u>53,878</u>	<u>57,639</u>	<u>-</u>	<u>133,414</u>
Segment results	(10,036)	2,687	(3,267)	-	(10,616)
Unallocated expenses <sup>2</sup>					<u>(12,717)</u>
Operating loss					(23,333)
Finance income					423
Finance costs					<u>(6)</u>
Loss before income tax					(22,916)
Income tax expense					<u>(2,418)</u>
Loss for the period					<u>(25,334)</u>
Capital expenditure	(31,692)	(428)	(1,300)	-	(33,420)
Depreciation of property, plant & equipment	(7,102)	(1,328)	(2,413)	(35)	(10,878)
Amortisation of land use rights	(331)	-	-	-	(331)
Amortisation of intangible assets	(2,101)	-	(65)	-	(2,166)
Recovery of/(allowance for) impairment of trade receivables, net	<u>-</u>	<u>305</u>	<u>(315)</u>	<u>-</u>	<u>(10)</u>

For the six months ended 30 June 2017

	Asia	EMEA	North America	Unallocated	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	41,543	61,367	74,163	–	177,073
Cost of production <sup>1</sup>	<u>(36,514)</u>	<u>(36,268)</u>	<u>(39,083)</u>	<u>–</u>	<u>(111,865)</u>
Segment gross margin	<u>5,029</u>	<u>25,099</u>	<u>35,080</u>	<u>–</u>	<u>65,208</u>
Segment results	(25,612)	(27,758)	(33,532)	–	(86,902)
Unallocated expenses <sup>2</sup>					<u>(36,474)</u>
Operating loss					(123,376)
Finance income					82
Finance costs					<u>(82)</u>
Loss before income tax					(123,376)
Income tax expense					<u>(103)</u>
Loss for the period from continuing operation					(123,479)
Profit for the year from discontinued operation					2,002
Loss for the period					<u>(121,477)</u>
Capital expenditure	(53,324)	(373)	(1,043)	–	(54,740)
Depreciation of property, plant & equipment	(6,178)	(1,429)	(3,213)	(40)	(10,860)
Amortisation of land use rights	(304)	–	–	–	(304)
Amortisation of intangible assets	(5,328)	–	(65)	–	(5,393)
Recovery of/(allowance for) impairment of trade receivables, net	<u>90</u>	<u>(385)</u>	<u>(326)</u>	<u>–</u>	<u>(621)</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 condensed 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

	2018	2017
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Depreciation of property, plant & equipment	10,878	10,860
Amortisation of land use rights	331	304
Amortisation of intangible assets	2,166	5,393
Allowance for impairment of trade receivables, net	10	621
Allowance for impairment of inventories	476	2,306
Bad debts written off	114	403

#### 5. OTHER GAINS – NET

##### Six months ended 30 June

	2018	2017
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Loss on disposal of property, plant & equipment	(31)	(12)
Property, plant and equipment written off	(686)	(521)
Gain on change in fair value of derivative financial instruments	1,092	–
Net foreign exchange (loss)/gain	(2,163)	1,141
Government subsidy	1,269	–
IT service income	3,306	–
Income received in relation to disposal of Commercial business	5,959	–
Others	5,039	749

#### 6. FINANCE INCOME – NET

##### Six months ended 30 June

	2018	2017
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	(6)	(82)
Finance income – interest income from banks	423	82

Finance income – net 417 –

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	2018	2017
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Current income tax		
PRC & overseas	2,115	416
Under/(over)-provision in prior years	<u>303</u>	<u>(313)</u>
Income tax expense	<u><b>2,418</b></u>	<u><b>103</b></u>

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period. No final dividend was paid for the year ended 31 December 2017.

## 9. 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	
	2018	2017
(Loss)/profit attributable to owners of the Company (HK\$'000)		
arising from continuing operations	(22,336)	(122,296)
arising from discontinued operation	<u>-</u>	<u>1,877</u>
Weighted average number of ordinary shares in issue (thousands)	<u><b>212,187</b></u>	<u>212,187</u>
Basic (loss)/earnings per share (HK cents)		
arising from continuing operations	(10.54)	(57.64)
arising from discontinued operation	-	0.89
Total – Included Discontinued operation	<u><b>(10.54)</b></u>	<u>(56.75)</u>

The Group had no dilutive potential shares outstanding during the period ended 30 June 2018 and 2017.

## 10. TRADE & OTHER RECEIVABLES

	<b>30 Jun 2018</b> <i>HK\$'000</i>	31 Dec 2017 <i>HK\$'000</i>
Trade receivables	<b>53,311</b>	62,824
Less: provision for impairment of trade receivables	<u>(7,994)</u>	<u>(8,214)</u>
Trade receivables – net	<b>45,317</b>	54,610
Prepayments	<b>17,317</b>	17,354
Value added tax receivables	<b>25,497</b>	29,720
Rental deposits	<b>7,637</b>	7,712
Other receivables	<u><b>27,263</b></u>	<u>28,345</u>
	<u><b>123,031</b></u>	<u>137,741</u>
Less: Non-current portion prepayments	<u>(20,115)</u>	<u>(16,274)</u>
	<u><b>102,916</b></u>	<u>121,467</u>

Other receivables included non-current portion of prepayments amounted to HK\$20,115,000 (as at 31 December 2017: HK\$16,274,000).

The carrying amounts of trade receivables approximate their fair values as at 30 June 2018 and 31 December 2017. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial period, the ageing analysis of the trade receivables based on invoice date is as follows:

	<b>30 Jun 2018</b> <i>HK\$'000</i>	31 Dec 2017 <i>HK\$'000</i>
0 to 30 days	<b>29,791</b>	19,478
31 to 60 days	<b>4,674</b>	8,565
61 to 90 days	<b>1,607</b>	3,595
91 to 365 days	<b>10,597</b>	20,249
More than 365 days	<u><b>6,642</b></u>	<u>10,937</u>
	<u><b>53,311</b></u>	<u>62,824</u>

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

	<b>30 Jun 2018</b> <i>HK\$'000</i>	31 Dec 2017 <i>HK\$'000</i>
Amounts past due but not impaired:		
Less than 30 days past due	<b>16,887</b>	10,193
31 to 60 days past due	<b>4,101</b>	17,326
61 to 90 days past due	<b>1,630</b>	2,875
91 to 365 days past due	<b>7,819</b>	3,934
More than 365 days past due	<u><b>1,377</b></u>	<u>6,719</u>
	<u><b>31,814</b></u>	<u>41,047</u>

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

As at 30 June 2018, trade receivables of approximately HK\$31,814,000 (as at 31 December 2017: HK\$41,047,000) 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.

## 11. TRADE & OTHER PAYABLES

	<b>30 Jun 2018</b> <i>HK\$'000</i>	31 Dec 2017 <i>HK\$'000</i>
Trade payables	<b>15,460</b>	33,361
Deposits received in advance	<b>86,587</b>	86,930
Accrued expenses	<b>66,636</b>	64,819
Other payables	<b>65,660</b>	143,677
	<u><b>234,343</b></u>	<u>328,787</u>
Less: Contract liabilities – Deposits received in advance	<u><b>(86,587)</b></u>	<u>–</u>
	<u><b>147,756</b></u>	<u>328,787</u>

Contract liabilities are recognised when considerations from customers are received, or the Group has the rights to the amount of considerations that are unconditional before the Group performs services or delivery of carpets to the customers.

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

	<b>30 Jun 2018</b> <i>HK\$'000</i>	31 Dec 2017 <i>HK\$'000</i>
0 to 30 days	<b>6,910</b>	10,621
31 days to 60 days	<b>885</b>	7,292
61 days to 90 days	<b>613</b>	1,230
More than 90 days	<b>7,052</b>	14,218
	<u><b>15,460</b></u>	<u>33,361</u>

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standards of corporate governance. The Company has complied with the applicable 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 2018 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.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings and develop a balanced understanding of the views of the shareholders.

Due to other business engagement, Mr. John J. Ying, Non-Executive Director of the Company, and Mrs. Yvette Y. H. Fung and Mr. Aubrey K. S. Li, Independent Non-Executive Directors of the Company, did not attend the annual general meeting of the Company held on 18 May 2018.

## **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 2018.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries has 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, risk management 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 2018.

## **DIVIDEND**

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

## **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 2018 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*

**Mark S. Worgan**

*Chief Executive Officer*

Hong Kong, 17 August 2018

*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. Mark S. Worgan; Independent Non-executive Directors – Mrs. Yvette Y. H. Fung, Mr. Roderic N. A. Sage, Mr. Lincoln C. K. Yung, Mr. Aubrey K. S. Li, Mr. Daniel G. Green; Non-executive Directors – Mr. David C. L. Tong, Mr. John J. Ying, Mr. Nelson K. F. Leong, Mr. Andrew C. W. Brandler.*