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TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) announced on 19 August 2019 that the financial year end date of the Company will change from 31 December to 30 June.

This change aligns the Company’s financial year end date with that of its major subsidiaries to support efficiency in the preparation of the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”).

As a consequence of the change, the Board hereby presents the second interim results announcement and condensed consolidated interim financial statements of the Group for the twelve months ended 31 December 2019 (the “period”), together with the comparative figures for the previous corresponding period. The interim financial statements of the Group are unaudited while the results announcement comprising these financial statements has been reviewed by the Audit Committee of the Company.

FINANCIAL HIGHLIGHTS

	Twelve months ended	
	31 December	
	2019	2018
	HK\$’000	HK\$’000
Revenue	547,718	540,932
Operating loss	(4,864)	(42,928)
Loss attributable to owners of the Company	(8,457)	(34,136)
Loss per share (HK cents)	(3.99)	(16.09)

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group’s consolidated turnover for the period was HK\$548 million, increased by 1% over the HK\$541 million reported in 2018.

Operating loss for the period was HK\$5 million, an improvement of HK\$38 million compared to the HK\$43 million incurred for the same period in 2018. The improvement was primarily driven by productivity gains at the Xiamen manufacturing operation, and the lower overheads achieved through business streamlining in our sales and distribution activities. Further progress was held back by the impact of the additional import tariffs imposed in the United States (“US”) which is the Company’s biggest market. Non-recurring and one-off costs for the period were HK\$7 million, a reduction of HK\$15 million as compared to HK\$22 million in 2018. During the period, the Company recorded a one-off gain on disposal of HK\$11 million in relation to the disposal of the asset held for sale.

The Group’s loss attributable to the equity holders of the Company was HK\$8 million, significantly reduced when compared to the HK\$34 million loss reported in 2018.

CARPET OPERATIONS

Sales revenue in carpet operations for the period was HK\$531 million, a 2% increase compared to the HK\$520 million in 2018. The increase was greatest in Asia which delivered growth of 17%. However, this was substantially offset by a drop in sales in the US resulting from the trade dispute between the United States and China. Sales revenue for Europe, the Middle East and Africa (“EMEA”) increased by 4% from 2018.

Gross profit margins across almost all business segments and regions showed encouraging progress for the period as compared to 2018.

Manufacturing Operations

The performance of the Artisan workshop in Xiamen continues to improve as employee skill levels develop. Management remains focused on delivering further gains in efficiency, productivity and material utilisation at the new manufacturing location.

NON-CARPET OPERATIONS

Other operations comprise mainly Tai Ping’s US based yarn-dyeing subsidiary, Premier Yarn Dyers (“PYD”), contributing approximately 3% of total sales. The operation was unprofitable for the period due to the substantial reduction in sales to a key customer who has discontinued its outsourcing arrangement and taken this business back in-house. As reported previously the Company is investing in a local carpet manufacturing operation in the US which is located at the PYD facility. Its existing yarn operations serve as a foundation for the project and will support the carpet manufacturing investment.

GAIN ON DISPOSAL OF NON-CURRENT ASSET HELD FOR SALE

Non-current asset held for sale represented our minority shareholding in Philippine Carpet Manufacturing Corporation (“PCMC”). In February 2019, PCMC entered into a sale and purchase agreement to dispose of its principal property asset in Manila and the transaction was completed in May 2019. In December 2019, PCMC distributed the first installment of the proceeds after the gain on disposal was finalised. As the transaction has been substantially concluded, the Company recorded its share of the gain on disposal of HK\$11 million in December 2019. The balance of the proceeds shall be distributed by PCMC once all associated taxes have been settled.

OUTLOOK

Global trade frictions remain a concern, particularly as America is Tai Ping’s biggest market while its manufacturing is located in China. The higher US tariffs will continue to affect business but mitigation measures are being deployed including local restructuring, and the establishment of the local US manufacturing footprint.

The recent outbreak of the Coronavirus will also impact the Company’s activities, particularly in Asia. There has already been a delay in the start-up of our Artisan workshop located in Fujian Province after the Chinese New Year holiday. Supply will continue to be impacted during a period when the Company is taking stringent precautionary measures to ensure the health and safety of its employees, and supporting the steps taken by the Chinese government to control the further spread of the virus. The epidemic should not cause long-term damage to our business but there will inevitably be a short-term impact to performance and prospects in the first half of 2020.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2018: Nil).

CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment and construction in progress incurred by the Group totaled HK\$14 million during the period (2018: HK\$58 million). As at 31 December 2019, the aggregate net book value of the Group’s property, plant and equipment, land use rights, construction in progress and intangible assets amounted to HK\$393 million (31 December 2018: HK\$418 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 31 December 2019, the Group had total cash and cash equivalents including short-term fixed deposits (with maturity within 12 months) amounting to HK\$110 million (31 December 2018: HK\$93 million) and had no unsecured bank borrowings (31 December 2018: Nil).

EXPOSURE TO FOREIGN EXCHANGE RISKS

The Group has overseas operations in the US, Europe and China. 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 US dollars and Euro, and to a lesser extent in a variety of other currencies.

HUMAN RESOURCES & REMUNERATION POLICIES

The total number of employees at the end of December 2019 was 768 compared to 829 at the end of 2018.

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 maintaining stability and retaining talent through a period of considerable organisational change.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group's total contingent liabilities amounted to HK\$0.3 million (31 December 2018: HK\$0.3 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months period/year ended 31 December

		(Unaudited) 2019	(Audited) 2018
	Note	HK\$'000	HK\$'000 (Note)
Revenue	4	547,718	540,932
Cost of sales		<u>(248,679)</u>	<u>(247,081)</u>
Gross profit		299,039	293,851
Distribution costs	5	(177,034)	(186,646)
Administrative expenses	5	(140,354)	(158,484)
Gain on disposal of non-current asset held for sale	6	11,089	–
Other gains – net	7	<u>2,396</u>	<u>8,351</u>
Operating loss		<u>(4,864)</u>	<u>(42,928)</u>
Finance income		81	507
Finance costs		<u>(3,958)</u>	<u>(43)</u>
Finance (costs)/income – net	8	<u>(3,877)</u>	<u>464</u>
Loss before income tax		(8,741)	(42,464)
Income tax expense	9	<u>(1,237)</u>	<u>(947)</u>
Loss for the period/year		<u><u>(9,978)</u></u>	<u><u>(43,411)</u></u>
Loss attributable to:			
Owners of the Company		(8,457)	(34,136)
Non-controlling interests		<u>(1,521)</u>	<u>(9,275)</u>
		<u><u>(9,978)</u></u>	<u><u>(43,411)</u></u>
Loss per share attributable to the owners of the Company during the period/year (expressed in HK cents per share)			
Basic/diluted	11	<u><u>(3.99)</u></u>	<u><u>(16.09)</u></u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months period/year ended 31 December

	(Unaudited) 2019 HK\$'000	(Audited) 2018 HK\$'000 (Note)
Loss for the period/year	(9,978)	(43,411)
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations	–	(329)
Item that may be reclassified to profit or loss		
Release of reserves attributable to the disposal of non-current asset held for sale	(14,743)	–
Currency translation differences	(9,878)	(12,734)
	<u>(24,621)</u>	<u>(13,063)</u>
Other comprehensive loss for the period/year, net of tax		
	<u>(24,621)</u>	<u>(13,063)</u>
Total comprehensive loss for the period/year	<u>(34,599)</u>	<u>(56,474)</u>
Attributable to:		
Owners of the Company	(32,673)	(45,729)
Non-controlling interests	(1,926)	(10,745)
	<u>(34,599)</u>	<u>(56,474)</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		(Unaudited)	(Audited)
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Note)</i>
Assets			
Non-current assets			
Land use rights		25,943	27,138
Property, plant & equipment		255,704	267,574
Construction in progress		100,430	107,893
Intangible assets		10,649	15,064
Prepayments	12	5,263	5,816
Other receivable	12	4,887	–
Right-of-use assets		68,095	–
Lease receivables		1,859	–
		472,830	423,485
Current assets			
Inventories		67,699	83,646
Trade & other receivables	12	83,334	111,936
Lease receivables		3,469	–
Current income tax assets		3,013	3,787
Pledged bank deposits		398	393
Cash & cash equivalents		109,939	93,008
		267,852	292,770
Non-current asset held for sale		–	17,192
		267,852	309,962
Total assets		740,682	733,447

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	<i>Note</i>	(Unaudited) 2019 <i>HK\$'000</i>	(Audited) 2018 <i>HK\$'000</i> <i>(Note)</i>
Equity			
Equity attributable to owners of the Company			
Share capital		21,219	21,219
Reserves		251,483	275,699
Retained earnings		<u>133,228</u>	<u>141,669</u>
		405,930	438,587
Non-controlling interests		<u>18,342</u>	<u>20,268</u>
Total equity		<u>424,272</u>	<u>458,855</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		2,427	2,225
Retirement benefit obligations		3,446	3,460
Lease liabilities		<u>50,311</u>	<u>–</u>
		56,184	5,685
Current liabilities			
Trade & other payables	13	144,675	183,687
Contract liabilities – Deposits received in advance		84,446	83,164
Derivative financial instruments		107	251
Current income tax liabilities		1,777	1,805
Lease liabilities		<u>29,221</u>	<u>–</u>
		260,226	268,907
Total liabilities		<u>316,410</u>	<u>274,592</u>
Total equity & liabilities		<u>740,682</u>	<u>733,447</u>
Net current assets		<u>7,626</u>	<u>41,055</u>
Total assets less current liabilities		<u>480,456</u>	<u>464,540</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

On 19 August 2019, the Board of Directors of the Company has resolved to change the financial year end date of the Company from 31 December to 30 June. The change is to align the Company's financial year end date with that of certain major subsidiaries of the Company, in order to facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the current interim financial period covers a twelve months period from 1 January 2019 to 31 December 2019 with the comparative financial period from 1 January 2018 to 31 December 2018.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the twelve months period ended 31 December 2019 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 consolidated financial statements for the year ended 31 December 2018, 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.

3. 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 2018.

The HKICPA has issued a new HKFRS, HKFRS 16 "Leases" and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16 "Leases", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim results announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 "Leases" and the related interpretations, HK(IFRIC) 4 "Determining whether an arrangement contains a lease", HK(SIC) 15 "Operating leases – incentives", and HK(SIC) 27 "Evaluating the substance of transactions involving the legal form of a lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach to measure the right-of-use assets at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Therefore, the adoption of HKFRS 16 does not result in an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Upon adoption of HKFRS 16 on 1 January 2019, the Group recognised right-of-use assets of HK\$100 million and current and non-current lease liabilities amounting to HK\$34 million and HK\$80 million, respectively.

4. 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 America.

The segment results represent the operating profit/loss of each business segment and the effects of income/expenditure which are considered relevant in assessing the segment’s performance.

For the twelve months period ended 31 December 2019

(Unaudited)	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	112,206	209,752	225,760	–	547,718
Cost of production ¹	<u>(52,756)</u>	<u>(94,530)</u>	<u>(97,276)</u>	–	<u>(244,562)</u>
Segment gross margin	<u>59,450</u>	<u>115,222</u>	<u>128,484</u>	–	<u>303,156</u>
Segment results	15,536	5,326	5,693	–	26,555
Unallocated expenses ²					<u>(31,419)</u>
Operating loss					(4,864)
Finance income					81
Finance costs					<u>(3,958)</u>
Loss before income tax					(8,741)
Income tax expense					<u>(1,237)</u>
Loss for the period					<u>(9,978)</u>
Capital expenditure	(5,942)	(2,982)	(4,609)	–	(13,533)
Depreciation of property, plant & equipment	(11,877)	(2,975)	(4,204)	(4,665)	(23,721)
Amortisation of land use rights	(613)	–	–	–	(613)
Amortisation of intangible assets	(4,204)	–	(130)	–	(4,334)
(Allowance for)/recovery of impairment of trade receivables, net	<u>(118)</u>	<u>2,345</u>	<u>(328)</u>	–	<u>1,899</u>

For the year ended 31 December 2018

(Audited)	Asia <i>HK\$'000</i>	EMEA <i>HK\$'000</i>	America <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue from external customers	96,181	202,042	242,709	–	540,932
Cost of production ¹	<u>(47,555)</u>	<u>(96,335)</u>	<u>(114,704)</u>	<u>–</u>	<u>(258,594)</u>
Segment gross margin	<u>48,626</u>	<u>105,707</u>	<u>128,005</u>	<u>–</u>	<u>282,338</u>
Segment results	13,155	4,394	(1,349)	–	16,200
Unallocated expenses ²					<u>(59,128)</u>
Operating loss					(42,928)
Finance income					507
Finance costs					<u>(43)</u>
Loss before income tax					(42,464)
Income tax expense					<u>(947)</u>
Loss for the year					<u>(43,411)</u>
Capital expenditure	(54,329)	(1,558)	(2,456)	–	(58,343)
Depreciation of property, plant & equipment	(13,687)	(2,750)	(4,514)	(66)	(21,017)
Amortisation of land use rights	(640)	–	–	–	(640)
Amortisation of intangible assets	(4,203)	–	(130)	–	(4,333)
Allowance for impairment of trade receivables, net	<u>–</u>	<u>(880)</u>	<u>(855)</u>	<u>–</u>	<u>(1,735)</u>

Notes:

- 1 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.
- 2 Unallocated expenses include corporate expenses and income of the Group.

5. EXPENSES BY NATURE

	(Unaudited) 2019 HK\$'000	(Audited) 2018 HK\$'000 (Note)
Depreciation of right-of-use assets	31,956	–
Depreciation of property, plant & equipment	23,721	21,017
Amortisation of land use rights	613	640
Amortisation of intangible assets	4,334	4,333
(Recovery of)/allowance for impairment of trade receivables, net	(1,899)	1,735
Allowance for/(recovery of) impairment of inventories, net	3,083	(4,351)
Bad debts written off	<u>1,627</u>	<u>402</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

6. GAIN ON DISPOSAL OF NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in 33% equity in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013.

In February 2019, PCMC entered into a sale and purchase agreement to dispose of its principal property asset in Manila (the "disposal") and the transaction was completed in May 2019. In December 2019, PCMC distributed the first installment of the proceeds after the gain on disposal was finalised. The balance of the proceeds should be distributed after PCMC has received all tax clearances for the disposal. As the transaction has been substantially concluded, the Company recorded its share of the gain on disposal of HK\$11 million in December 2019. The balance of the outstanding proceeds of HK\$5 million was recorded as long-term other receivable as at 31 December 2019.

The gain on disposal of non-current asset held for sale is as follows:

	(Unaudited) 2019 HK\$'000
Consideration of the disposal	34,256
Less: Direct expenses in relation to the disposal	<u>(20,718)</u>
Net consideration	13,538
Carrying value of the non-current asset held for sale	(17,192)
Release of reserves attributable to the disposal of non-current asset held for sale	<u>14,743</u>
Gain on disposal	<u><u>11,089</u></u>

7. OTHER GAINS – NET

	(Unaudited) 2019 HK\$'000	(Audited) 2018 HK\$'000 (Note)
Gain from derecognition of right-of-use assets	1,263	–
Net foreign exchange gain	1,524	297
(Loss)/gain on change in fair value of derivative financial instruments	(97)	493
Property, plant and equipment written off	(1,169)	(1,047)
Loss on disposal of property, plant & equipment	(587)	–
Refund of unvested benefits of defined contribution plan	–	148
Others	1,462	8,460
	<u>2,396</u>	<u>8,351</u>

8. FINANCE (COSTS)/INCOME – NET

	(Unaudited) 2019 HK\$'000	(Audited) 2018 HK\$'000 (Note)
Finance income – interest income from banks	81	507
Finance costs – interest expenses for leases, net	(3,862)	–
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	(96)	(43)
	<u>(3,877)</u>	<u>464</u>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	(Unaudited) 2019 HK\$'000	(Audited) 2018 HK\$'000
Current income tax		
Hong Kong	148	1,732
PRC & overseas	884	2,984
Over-provision in prior years	–	(2,595)
Deferred income tax expense/(credit)	<u>205</u>	<u>(1,174)</u>
Income tax expense	<u><u>1,237</u></u>	<u><u>947</u></u>

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period. At the Board meeting held on 21 February 2020, the Board resolved not to declare any dividend for the twelve months period ended 31 December 2019.

11. 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.

	(Unaudited) 2019	(Audited) 2018
Loss attributable to owners of the Company (HK\$'000)	<u>(8,457)</u>	<u>(34,136)</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><u>(3.99)</u></u>	<u><u>(16.09)</u></u>

The Group had no dilutive potential shares outstanding during the period/year ended 31 December 2019 and 2018.

12. TRADE & OTHER RECEIVABLES

	(Unaudited) 2019 <i>HK\$'000</i>	(Audited) 2018 <i>HK\$'000</i>
Trade receivables	61,804	71,986
Less: allowance for impairment of trade receivables	<u>(5,456)</u>	<u>(9,448)</u>
Trade receivables – net	56,348	62,538
Prepayments	8,181	11,934
Value added tax receivables	6,563	23,630
Rental deposits	6,817	5,645
Other receivables	<u>15,575</u>	<u>14,005</u>
	<u>93,484</u>	<u>117,752</u>
Less: Non-current portion prepayments	(5,263)	(5,816)
Less: Non-current portion other receivable	<u>(4,887)</u>	<u>–</u>
	<u><u>83,334</u></u>	<u><u>111,936</u></u>

Other receivables included non-current portion of prepayments and other receivable amounted to HK\$5,263,000 and HK\$4,887,000 (as at 31 December 2018: HK\$5,816,000 and Nil) respectively.

The carrying amounts of trade receivables approximate their fair values as at 31 December 2019 and 31 December 2018. 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/year, the ageing analysis of the trade receivables based on invoice date is as follows:

	(Unaudited) 2019 <i>HK\$'000</i>	(Audited) 2018 <i>HK\$'000</i>
0 to 30 days	38,458	36,197
31 to 60 days	5,035	7,070
61 to 90 days	3,476	4,305
91 to 365 days	9,461	14,608
More than 365 days	<u>5,374</u>	<u>9,806</u>
	<u><u>61,804</u></u>	<u><u>71,986</u></u>

13. TRADE & OTHER PAYABLES

	(Unaudited) 2019 <i>HK\$'000</i>	(Audited) 2018 <i>HK\$'000</i>
Trade payables	23,477	42,301
Accrued expenses	71,633	78,082
Other payables	<u>49,565</u>	<u>63,304</u>
	<u>144,675</u>	<u>183,687</u>

At the end of the financial period/year, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	(Unaudited) 2019 <i>HK\$'000</i>	(Audited) 2018 <i>HK\$'000</i>
0 to 30 days	15,148	12,526
31 days to 60 days	3,700	15,278
61 days to 90 days	1,637	5,021
More than 90 days	<u>2,992</u>	<u>9,476</u>
	<u>23,477</u>	<u>42,301</u>

CORPORATE GOVERNANCE

The Board of Directors and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. 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 twelve months ended 31 December 2019, 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. Roderic N. A. Sage 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 17 May 2019.

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 twelve months ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

The Company has not redeemed any of its shares during the twelve months ended 31 December 2019. 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 twelve months ended 31 December 2019.

DIVIDEND

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

PUBLICATION OF THE SECOND INTERIM RESULTS ANNOUNCEMENT AND THE SECOND INTERIM REPORT 2019

The second interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.taipingcarpets.com). The Second Interim Report 2019 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, 21 February 2020

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.