TAI PING

Tai Ping Carpets International Limited
Annual Report 2010

Incorporated in Bermuda with Limited Liability
Stock Code: 146

TAI PING

VISION

Tai Ping will be a world leader in the creation and distribution of exceptional products and services for interiors, acting through a constellation of prestigious products and brands. Tai Ping will be a vibrant, well-respected, innovative company with an ambitious and realistic strategy for continued long-term prosperity.

We will build our carpet businesses by extending our geographic reach, expanding our product offering, strengthening our brand positions and continuing to set the bar for quality and design excellence. We will also seek our new opportunities in related product categories, thereby leveraging our relationships and expertise into the broaden realm of interior design.

We will focus on a sophisticated, international clientele, which we will serve through an array of brands, each representing the Tai Ping standard of excellence.

In attaining our vision, we will hold steadfast to our ideals and to the well-being of our employees.

Boheme Collection

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Tai Ping at-a-Glance

Tai Ping is Asia's premier carpet manufacturer and a leader in the international custom carpet industry. The Company was founded in 1956 by a group of visionary businessmen and has been publicly traded since 1973. The Company's shares are traded under stock code 146 on The Stock Exchange of Hong Kong Limited.

The Company has grown from a small cottage industry making traditional Chinese knotted rugs to a vertically integrated, full-service manufacturer of hand tufted, machine woven and tufted carpets with myriad variety and sales in over 100 countries.

Tai Ping offers its customers access to a full range of quality floorcovering products, from luxury to affordable, appropriate for every commercial and residential environment. The Company's global network attends to customer needs with unparallelled attention to detail, providing a full service from custom design through post-installation services. With its superior design and manufacturing capabilities, Tai Ping can transform the most complicated custom design into a work of art for the most discerning buyer.

Financial Highlights

In thousands of Hong Kong dollar except per share amounts

		2010	2009 (As restated)
Per share	Net worth per share (HK$)	**4.94**	4.83
	Basic (loss)/earnings per share (HK cents)	**(6.16)**	18.44
	Final dividend declared per share (HK cents)	**9.0**	9.0
For the year	Turnover	**1,221,548**	1,117,673
	(Loss)/profit for the year	**(11,808)**	39,353
	(Loss)/profit attributable to owners of the parent	**(13,063)**	39,134
	Earnings before interest, tax, depreciation & amortisation	**82,065**	123,029
	Additions to property, plant & equipment, construction in progress and intangible assets (other than goodwill)	**49,956**	32,604
As at 31 December	Capital & reserves attributable to the owners of the parent	**1,002,504**	986,167
	Shares in issue (in thousands)	**212,187**	212,187
Ratio	Return on capital and reserves attributable to owners	**–1.3%**	4.0%

Five-year Consolidated Financial Summary

Year ended 31 December

Assets & Liabilities

	2010 HK$'000	2009 HK$'000 (As restated)	2008 HK$'000 (As restated)	2007 HK$'000	2006 HK$'000
Total assets	**1,362,535**	1,276,540	1,294,669	1,205,305	1,047,655
Total liabilities	**315,013**	250,810	298,739	271,146	240,590
Total equity	**1,047,522**	1,025,730	995,930	934,159	807,065

Consolidated Income Statement

	2010 HK$'000	2009 HK$'000 (As restated)	2008 HK$'000	2007 HK$'000	2006 HK$'000
(Loss)/profit attributable to:					
Owners of the parent	**(13,063)**	39,134	83,465	89,169	32,694
Non-controlling interests	**1,255**	219	688	4,802	4,326
	(11,808)	39,353	84,153	93,971	37,020

Andre Fu Collection

Chairman's Statement

It is naturally disappointing to record a net loss for the year, which has been principally due to impairment charges and provisions relating to J.S.L. Carpet Corporation ("JSL"), our U.S. wholesale business, which was acquired in 2008. The wholesale sector was severely affected by the downturn in the U.S., which necessitated a write-down of related goodwill and non-current assets. However, as JSL also performs a valuable sourcing role for a portfolio of top-end hand-knotted and woven rugs, a slimmed-down entity is being integrated more closely into our core operations.

Nevertheless, despite such one-off charges, the underlying business continued to perform well in challenging circumstances, and our consolidated statement of financial position and cash position remain strong.

While the adverse effect of the global recession on our businesses in the first half of 2010 caused us to issue a profit warning, actual performance in the second half of the year was good. For the full year, revenue increased by 9%, with year-on-year growth reaching 23% in the second half of the year, and the overall profitability of the underlying base business improved. Order bookings were strong throughout 2010, and we enter 2011 with a significantly improved position in that regard.

We completed a company-wide strategic planning exercise to map out our growth targets over the coming years and have taken the first steps towards its implementation. The deliberate realignment of our global brand architecture resulted in the creation of a new product line specifically targeting the hospitality sector. Called "1956 by Tai Ping", it will be rolled out globally during the second quarter of 2011.

Our RBC Division had an exceptional 2010, with 15% sales growth over the prior year in residential, boutique hotels, retail, aviation, and yacht sectors. In May, we completed the acquisition of Manufacture des Tapis de Cogolin ("Cogolin"). This world-famous, hand-woven French luxury brand enhances our already strong portfolio. In line with our strategic intent to grow our residential, yacht and aviation business in Asia, we developed our first Asian luxury collection. Created by Andre Fu, Hong Kong-based designer, the collection was previewed in our Paris showroom during Maison & Objet and will see its global launch in Hong Kong in spring 2011.

The Commercial Division did well despite the decline in the hospitality sector in the U.S. We are poised for expansion in 2011 due to the anticipated recovery of the hospitality sector and the implementation of strategic growth initiatives in recent months. In 2010, we proudly completed the installation of the Marina Bay Sands resort in Singapore, one of the largest hospitality projects in the world.

Our manufacturing operations in China and Thailand had a successful year, managing to increase operational efficiencies despite civil unrest in Thailand and labour shortages in the Pearl River Delta area. We have improved our retention of top-skilled employees through targeted programmes of wage increases, improved secondary benefits, and training and development.

In order to deliver premium quality carpets and rugs to our customers around the world, we continue to focus our strategy on our portfolio of top quality brands, excellent design, world-class manufacturing, and outstanding customer service.

Based on improving market conditions and our current order book, 2011 should be a positive year for Europe and Asia. We also see signs of recovery in the United States in our targeted sectors. In 2011 we will continue to strengthen our brand portfolio and global infrastructure.

On behalf of the other members of the Board, I would like to thank Tai Ping management and staff for their contributions. I would also like to thank the Directors for their support and advice during the year.

Nicholas T. J. Colfer
Chairman

Hong Kong, 7 April 2011

Management Discussion & Analysis

The Group's consolidated turnover for the year ended 31 December 2010 was HK$1,222 million, a year-on-year increase of 9% or HK$104 million. All regions contributed to the increase, but most notable was the performance of the business in Europe, which saw sales grown by more than 27%. The gross margin, however, decreased by 2 percentage points to 42% in 2010, which was mainly attributable to increased wages and increased raw material costs at our factories, and price pressure in the hospitality sector, only partly offset by a favourable product mix and improved production efficiencies.

The Group recorded an operating loss of HK$21 million in 2010, a decrease of HK$43 million compared to operating profit of HK$22 million in 2009. The drop in operating profit is caused by continued losses in our Wholesale Division, including a HK$16 million impairment charge, losses in foreign exchange due to the weakness of the Euro throughout the year and additional provisions at the global level partly offset by growing profits in our RBC Division.

Operating expenses growth was contained to 9% due to increasing synergies at our manufacturing operations and global support functions.

Share of profits of the jointly controlled entities which mainly reflects our 49% interest in the carpet manufacturing operations of Weihai Shanhua in China was HK$33 million in 2010, a drop of 19% or HK$8 million compared to 2009 as Shanhua operates exclusively in the more price and economy sensitive hospitality sector.

Despite the operating losses our earnings before interest, tax, depreciation and amortisation (EBITDA) at HK$82 million remained strong, although it declined from HK$123 million in the previous year.

As a result, loss attributable to owners amounted to HK$13 million, a decrease of HK$52 million, as compared with profit of HK$39 million in 2009.

CARPET OPERATIONS

Turnover of the carpet operations increased by 9%, or HK$101 million, to HK$1,187 million in 2010, which was mainly attributable to the excellent performance of the RBC Division, but also helped by increased sales in the Commercial Division, offset by a decrease in the Wholesale Division.

Our turnover is getting more and more equally divided over our three regions with the Americas accounting for 32% of total carpet turnover in 2010, while Asia and Europe, Middle East and Africa ("EMEA") accounted for 47% and 21% respectively. In 2009, the corresponding shares of total carpet turnover by the Americas, Asia and EMEA were 44%, 33% and 23% respectively.

The gross profit margin in 2010 declined by 2 percentage points to 42%, despite a continued improvement in mix with RBC sales growing faster than Commercial sales. The operating results of the carpet operations decreased by HK$42 million, to a loss of HK$20 million year-on-year.

The Americas

Results in the Americas were disappointing with Carpet turnover decreasing to HK$380 million, a 14% decrease year-on-year. The decrease is attributable to the continued weakness of the hospitality and casino sectors in the U.S., which were especially affected by changes in the global economy, albeit that the second half of the year showed signs of an improvement.

Turnover of the U.S. commercial business dropped by 24% to HK$181 million and the business returned a HK$3 million loss for the year, a decrease of HK$32 million versus 2009, when the business reported a profit of HK$29 million.

Despite a continued strong performance of the aviation sector the U.S., the residential business saw a decline in sales. Turnover in 2010 was HK$156 million, a decrease of 9% compared to 2009. Profitability was equally affected with operating profit reducing to HK$12 million.

JSL, a U.S.-based wholesale distributor of high-end custom carpets and rugs, was acquired by the Group in 2008. JSL has seen a decline of turnover in the last couple of years and we decided to integrate the business into our mainline operations to reduce operating expenses. JSL's turnover was HK$19 million, a decrease of 39% compared to the previous year. The operation returned an operating loss of HK$28 million. The Group has taken a HK$16 million impairment charge in 2010 to reflect the reduced value of the intangibles associated with the wholesale business.

Asia

Asia is becoming ever more important for the Group. Turnover in Asia increased from HK$447 million by HK$118 million or 26% to HK$565 million mainly due to strong performances of the businesses in Hong Kong and Thailand. Carpets International Thailand Public Company Limited ("Carpets Inter"), the Group's subsidiary in Thailand managed to increase its sales by 26%, primarily due to a strong performance of the automotive and carpet tile divisions. Sales from Hong Kong were also strong, driven by sales into Macau and Southern China. The Marina Bay Sands resort in Singapore, one of the largest hospitality projects in the world, was completed in 2010 with Tai Ping delivering all room and public area carpets.

Gross margins declined slightly, but operating profit increased strongly compared to previous year.

EMEA

EMEA continued its strong growth performance of the last couple of years and delivered turnover of HK$242 million, up HK$51 million or 27% compared with previous year. This exceptional growth was delivered through Europe's focus on key growth sectors like boutique hotels, European luxury retail, high-end yachts and aviation. Performance in the yacht sector was especially strong with turnover growing by more than 60%. The Group was awarded the world-wide contract for the Louis Vuitton boutiques and also received an order for a private airport terminal in Doha from the government of Qatar. Results of the Commercial Division in Europe were disappointing. Overall margins in the region decreased slightly, but operating profits strongly increased due to the strong growth in turnover.

In May, the Group completed the acquisition of Cogolin, which brought to fruition a much-coveted opportunity to add to Tai Ping's portfolio of luxury brands. Founded in 1924, La Manufacture still operates from its original factory in the south of France and produces a traditional range of hand-woven luxury carpets.

Jointly Controlled Entities

Combined turnover of the three jointly controlled entities in China was up to HK$1,001 million in 2010. In 2010 the Group's share of the profit after income tax expenses and the Hong Kong Financial Reporting Standards ("HKFRS") accounting adjustments of the jointly controlled entities amounted to HK$33 million, which was 19% lower compared with the previous year, mainly due to the adjustments to HKFRS made in 2010 compared to 2009.

Manufacturing Operations

Our manufacturing operations in Nanhai and Bangkok managed to improve their output and operating efficiency, despite significant labour shortages in China and civil unrest in Bangkok. The Nanhai factory addressed the labour shortages by increasing wages and salaries and offering better secondary benefits, which has re-established Tai Ping as an employer of choice for the industry in the region. We continued our investments towards sustainable practices and applied for an upgrade from NSF/ANSI Silver to Gold status on two product platforms for our factory in Thailand and we are preparing the application for the Nanhai factory. We relaunched our innovation management process and have taken further steps to harmonise working practices between the two manufacturing operations.

Human Resources

We increased our number of employees by 100 to 3,300. In 2010 we took initiatives to increase the quality of secondary benefits for our factory workers at our Nanhai and Bangkok operations to increase retention of key skilled staff. We also introduced a new company wide, work-level classification, performance evaluation and bonus system for all our management.

Design & Marketing

Design and Marketing worked together on key growth initiatives such as preparations for a new acquisition and branding initiatives to clarify our brand and product positioning in the hospitality and residential market sectors.

The acquisition of Cogolin was supported through a carefully crafted, locally issued press release about our intention to preserve "La Manufacture", which has helped to ensure a positive buzz and continued excitement in the months following the acquisition. During 2011, the re-named "La Manufacture Cogolin" will be launched with an all-new visual identity and an updated product line.

To better clarify our product offering for the high-volume hospitality business, the team conceived the "1956 by Tai Ping" concept as a new product line. Scheduled to launch in 2011 with a new visual identity that will help customers clearly distinguish commercial products from residential, "1956 by Tai Ping" will help develop sales for machine-made Axminster and commercial-grade hand-tufted product specifically destined for application in hotels, casinos, Convention Centres and other large-scale, high traffic areas.

We completed the development of our first upscale collection for the Asian home market with Andre Fu, a renowned Hong Kong-based designer. Known for an urbane style with a local flavour, Andre Fu is a sophisticated spokesman for the Tai Ping brand and will help reinforce our plans to reposition Tai Ping for the growing residential sector in Asia.

Quintessentials, a new pass-tufted collection, was created to provide a less expensive alternative to Tai Ping's hand-tufted products when simple stripes and textures are needed. Projected to develop incremental sales, this program has been extremely well received by our sales representatives and clients.

To support growth in one of our key targeted sectors we launched Passport, our first dedicated collection for the aviation market.

NON-CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc. ("PYD"), which operates the Group's U.S.-based yarn-dyeing facilities, had a good year as turnover recovered from a decline in 2009. Turnover increased by HK$3 million or 10% to HK$34 million. Operating profit rose to HK$3 million.

Other Operations

In November 2010 we agreed to sell the 26th floor of Regent Centre, Hong Kong, the current home of our corporate headquarters, to a wholly-owned subsidiary of Winsor Properties Holdings Limited which is a Hong Kong based developer for a total consideration of HK$32 million. The disposal will be completed in September 2011. We will move our staff into a new corporate head-office in the third quarter of 2011.

Capital Expenditure

Capital expenditure in the form of property, plant & equipment, construction in progress and intangible assets (other than goodwill) incurred by the Group totalled HK$50 million in 2010 (2009: HK$33 million). As at 31 December 2010, the aggregate net book value of the Group's property, plant & equipment, investment properties, land use rights, construction in progress and intangible assets (other than goodwill) amounted to HK$316 million (2009: HK$345 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 2010, the Group had total cash and bank balances amounted to HK$87 million (2009: HK$100 million).

As at 31 December 2010, the Group also held financial assets at fair value through profit or loss of HK$133 million (2009: HK$87 million).

Details of Charges on the Group's Assets

The Group had charges on bank deposits of HK$3 million (2009: HK$10 million) made to a bank to secure banking facilities granted to the Group.

Exposure to Foreign Exchange Risks

The Group has overseas operations in the U.S., Europe, Thailand, the PRC, Singapore, India, Bangladesh 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, Euro and Pound Sterling. The operations in Singapore, India, Bangladesh and Argentina are not significant in terms of the Group's results.

The Group recorded net exchange loss of HK$4 million, arising from overseas operations in 2010, which related mostly to Europe.

It is expected that the exchange market may continue to be highly volatile in 2011, and the Group will closely monitor the exchange rate movements and take appropriate action to manage any material exposure that may arise.

Contingent Liabilities

As at 31 December 2010, the Group's total contingent liabilities amounted to HK$33 million (see Note 38 to the consolidated financial statements for full disclosure) (2009: HK$40 million).

James H. Kaplan
Chief Executive Officer

Hong Kong, 7 April 2011


Marina Bay Sands, Singapore

Board of Directors

Chairman & Non-executive Director

Nicholas T. J. Colfer: aged 51; Chairman since 2005; Non-executive Director since 2003. Member of Executive Committee.

Mr. Colfer is a Director of Sir Elly Kadoorie & Sons Limited, a Non-executive Director of The Hongkong and Shanghai Hotels, Limited and serves on several other corporate boards in Hong Kong. He holds a Master of Arts Degree from the University of Oxford.

Chief Executive Officer & Executive Director

James H. Kaplan: aged 55; Executive Director and Chief Executive Officer since 2003. Member of Executive Committee.

Prior to joining the Company, Mr. Kaplan was Divisional Vice-President of the high-end global furniture manufacturer Knoll International. He holds a Bachelor of Arts Degree from Lafayette College.

Non-executive Directors

Ian D. Boyce: aged 66; Non-executive Director since 1999.

Mr. Boyce is Chairman of Sir Elly Kadoorie & Sons Limited, a Non-executive Director of CLP Holdings Limited and Deputy Chairman of The Hongkong and Shanghai Hotels, Limited. He is a Chartered Accountant with extensive investment banking experience.

Lincoln K. K. Leong: aged 50; Non-executive Director since 1997.

Mr. Leong is the Finance and Business Development Director of MTR Corporation Limited and a Non-executive Director of Hong Kong Aircraft Engineering Company Limited. He is a Chartered Accountant and holds a Master of Arts Degree from the University of Cambridge. He is the elder brother of Mr. Nelson K. F. Leong.

Nelson K. F. Leong: aged 47; Alternate Director to his brother Lincoln K. K. Leong since 1998. Member of Executive Committee.

Mr. Leong is a Director of a number of companies involved in real estate in Hong Kong and North America. He holds a Master of Business Administration Degree from the University of Toronto and a Bachelor of Arts Degree from Brown University.

David C. L. Tong: aged 40; Non-executive Director since 1997. Member of Executive Committee and Remuneration Committee.

Mr. Tong is a Director of Sir Elly Kadoorie & Sons Limited and serves on several other corporate boards in Hong Kong. He is a Chartered Engineer and holds a Bachelor of Engineering Degree from the University of London.

John J. Ying: aged 48; Non-executive Director since 1999. Member of Executive Committee and Audit Committee.

Mr. Ying is the Managing Director of Peak Capital, an established private equity firm focused on investments in Greater China, Chairman of Sateri Holdings Limited, Vice Chairman of Mecox Lane Limited, Chairman of The Hong Kong Ballet and a Director Emeritus of the Graduate Executive Board of the Wharton School. He holds a Master of Business Administration Degree from the Wharton School, a Master of Arts Degree from the University of Pennsylvania and a Bachelor of Science Degree from the Massachusetts Institute of Technology.

Independent Non-executive Directors

Yvette Y. H. Fung: aged 49; Independent Non-executive Director since 2004. Member of Remuneration Committee.
Mrs. Fung is a Director of Hsin Chong International Holdings Limited, an Independent Non-executive Director of Fountain Set (Holdings) Limited, a Member of the Public Affairs Forum (Home Affairs Bureau), a Council Member of the Hong Kong University of Science and Technology and the Hong Kong Society for the Deaf. She holds a Juris Doctor Degree and a Bachelor of Arts Degree from Stanford University and a Master of Business Administration Degree from the University of California Los Angeles.

Roderic N. A. Sage: aged 58; Independent Non-executive Director since 2005. Chairman of Remuneration Committee and Audit Committee.
Mr. Sage is Chief Executive Officer of a specialist tax, corporate services and trust consultancy. He is a Chartered Accountant and was until 2003 a Senior Partner and member of the management board of KPMG in Hong Kong.

Lincoln C. K. Yung, JP: aged 65; Independent Non-executive Director since 2004, and previously a Non-executive Director (1980-2004).
Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is currently Deputy Managing Director of Nanyang Holdings Limited, Chairman and Non-executive Director of Shanghai Commercial Bank Limited and Paofoong Insurance Company (Hong Kong) Limited and; a Director of The Shanghai Commercial & Savings Bank, Limited, and Vice-Chairman of Shanghai Sung Nan Textile Company Limited. He is an economics graduate from the Cornell University and received a Master of Business Administration Degree in accounting and finance from the University of Chicago.

Aubrey K. S. Li: aged 61; Independent Non-executive Director since 2010. Member of Audit Committee.
Mr. Li is the Chairman of MCL Partners Limited, a Hong Kong-based financial advisory and investment group, and has over 35 years' experience in merchant banking and commercial banking. He is a Non-executive Director of The Bank of East Asia, Limited and an Independent Non-executive Director of Café de Coral Holdings Limited, China Everbright International Limited, Kunlun Energy Company Limited, Kowloon Development Company Limited and Pokfulam Development Company Limited. He is also a Non-executive Director of Affin Bank Berhad, Atlantis Investment Management (Ireland) Limited, Dalton Capital (Guernsey) Limited, Melchior Global Macro Fund Limited and Melchior Global Macro (Master) Fund Limited. Within the past three years, he had been an Independent Non-executive Director of ABC Communications (Holdings) Limited and a Non-executive Chairman of Atlantis Asian Recovery Fund plc. He has a Master of Business Administration from Columbia University and a Bachelor of Science in Civil Engineering from Brown University.

Corporate Governance

Corporate Governance Practices

The Board and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company codified its corporate governance practices by reference to the Code on Corporate Governance Practices (the "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"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code throughout the year ended 31 December 2010.

Directors' Securities Transactions

The Company has 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 year ended 31 December 2010 and up to the date of publication of this Annual Report.

Board of Directors

The Board of Directors is accountable to the shareholders for the leadership and management and control of the business of the Company. The Board delegates to the Chief Executive Officer and his management team day-to-day management of the Company's business, including the preparation of annual and interim financial statements and implementation of internal controls, in accordance with the strategy, policies and programmes approved by the Board.

The Board currently consists of 11 members. Among them, 1 is Executive Director, 6 are Non-executive Directors (including one alternate director) and 4 are Independent Non-executive Directors.

Board Meetings

The Board of Directors held a total of five Board meetings during the year ended 31 December 2010. Of these, two meetings were held to approve the 2009 final results and 2010 interim results of the Group; the other meetings were held to consider financial and operating performances of the Group. The Group Chief Financial Officer and the Company Secretary attended Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

The attendance of individual Directors during the year ended 31 December 2010 is set out in the table below. All businesses transacted at the Board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

	No. of meetings attended
Chairman & Non-executive Director	
Nicholas T. J. Colfer	5/5
Chief Executive Officer & Executive Director	
James H. Kaplan	5/5
Non-executive Directors	
Ian D. Boyce	5/5
Lincoln K. K. Leong	2/5
Nelson K. F. Leong (Alternate Director to Lincoln K. K. Leong)	5/5
David C. L. Tong	5/5
John J. Ying	5/5
Independent Non-executive Directors	
Yvette Y. H. Fung	5/5
Michael T. H. Lee[1]	3/3
Aubrey K. S. Li[2]	1/1
Roderic N. A. Sage	3/5
Lincoln C. K. Yung	3/5

Notes:

1 Mr. Michael T. H. Lee did not seek for re-election as Director at the annual general meeting of the Company held on 18 June 2010.

2 Mr. Aubrey K. S. Li was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 20 October 2010.

The proceedings of the Board of Directors at its meetings are conducted by the Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to Directors to speak, express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board of Directors and the decisions reached. The draft minutes of each Board meeting are sent to all Directors for comments.

Chairman & Chief Executive Officer

The posts of Chairman and Chief Executive Officer ("CEO") are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman of the Board is Mr. Nicholas T. J. Colfer and the CEO is Mr. James H. Kaplan. To comply with code provision A.2.1 of the Code, the division of responsibilities between the Chairman and the Chief Executive Officer was formally set out in writing at the Board meeting on 23 September 2005. Essentially, the Chairman takes the lead to oversee the Board functions while the CEO, supported by his management team, is responsible for the day-to-day management of the business of the Company.

Non-executive Directors

The Company's Non-executive Directors are not appointed for specific terms as required by code provision A.4.1 of the Code. However, at the Company's annual general meeting on 10 June 2005, in order to be more consistent with code provision A.4.1, the relevant Bye-law of the Company was amended to ensure that every Director other than any Executive Chairman or Managing Director would retire by rotation at least once every three years. The Executive Chairman or Managing Director cannot be required to retire by rotation in the Bye-laws as pursuant to the Tai Ping Carpets International Limited Company Act 1990 of Bermuda. Notwithstanding this, the Directors intend to comply with code provision A.4.1 by asking any Executive Chairman or Managing Director to voluntarily retire by rotation at least once every three years.

Mr. Lincoln K. K. Leong and Mr. Nelson K. F. Leong (being Alternate Director to Mr. Lincoln K. K. Leong) are brothers. Save for this relationship, to the best knowledge of the Company, there are no other financial, business, family or other material or relevant relationships among members of the Board.

The Company considers that its Non-executive Directors and Independent Non-executive Directors bring to the Board a good mix of expertise and experience in the fields of accounting, investment and business. At least one of the Independent Non-executive Directors has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Pursuant to the requirements of the Listing Rules, each Independent Non-executive Director has given the Company an annual confirmation of his/her independence.

The Company considers all the Independent Non-executive Directors to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

Board Committees

The Company currently has three Board committees, namely, Executive Committee, Remuneration Committee and Audit Committee.

1. Executive Committee

The Executive Committee was established in August 2005 and operates as an executive management committee under the Board to monitor and control the financial and operational performance of the Group.

During the year under review, it held six meetings and the attendances of the members were:

	No. of meetings attended
Nicholas T. J. Colfer	6/6
James H. Kaplan	6/6
David C. L. Tong	4/6
John J. Ying	5/6
Nelson K. F. Leong	4/6

2. Remuneration Committee

Written terms of reference for the Remuneration Committee in line with code provision B.1.3 of the Code were adopted at the Board meeting on 23 September 2005 and the majority of its members are Independent Non-executive Directors, as required by code provision B.1.1 of the Code.

The roles and functions of the Remuneration Committee under its terms of reference are to:

- Make recommendation on the Company's policy and structure for remuneration of the Directors and senior executives
- Determine remuneration of all Executive Directors and senior executives
- Review and approve performance-based remuneration
- Review and approve compensation in connection with any loss or termination of office or appointment of any Executive Directors and senior executives

The committee evaluates the remuneration packages of the Executive Director and the senior executives by linking their performance against corporate objectives, the profits of the Group and their potential contribution to the development of the Group. The fees for the Non-executive Directors and the Independent Non-executive Directors are determined on the basis of experience, demand for their services and market practice.

The members of the Remuneration Committee and their attendances at the meetings of the committee are set out below:

	No. of meetings attended
Roderic N. A. Sage (Chairman)	2/2
Yvette Y. H. Fung	2/2
David C. L. Tong	2/2

3. Audit Committee

Written terms of reference of the Audit Committee in line with code provision C.3.3 of the Code were adopted at the Board meeting on 23 September 2005.

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.

During the year under review, the Audit Committee held four meetings with management and the representatives of the external auditor for reviewing the interim and annual reports before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of work of both external auditor and internal auditor, and discussing issues arising from the audits including internal controls and financial reporting.

The composition of the Audit Committee and the attendances of the members at the meetings are as follows:

	No. of meetings attended
Roderic N. A. Sage (Chairman)	4/4
Michael T. H. Lee[1]	1/2
John J. Ying	4/4
Aubrey K. S. Li[2]	1/1
Lincoln C. K. Yung[3]	1/2

Notes:

1 Mr. Michael T. H. Lee did not seek for re-election as Director at the annual general meeting of the Company held on 18 June 2010.

2 Mr. Aubrey K. S. Li was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 20 October 2010.

3 Mr. Lincoln C. K. Yung was appointed as a member of the Audit Committee on 18 June 2010 and resigned such position on 10 December 2010.

Nomination of Directors

The Company has not established a Nomination Committee for the time being. By virtue of the Company's Bye-laws, the Board has power from time to time to appoint any person as a Director. However, any Director so appointed shall hold office until the next general meeting and shall then be eligible for re-election. In considering the nomination of a new Director, the Board will review the Board composition and evaluate the candidate's qualifications and experience before appointing him/her as a member of the Board.

During the year, Mr. Michael T. H. Lee did not seek for re-election at the annual general meeting of the Company held on 18 June 2010. Mr. Aubrey K. S. Li was appointed as an Independent Non-executive Director on 20 October 2010.

Auditor's Remuneration

At the special general meeting held on 19 July 2010, PricewaterhouseCoopers was appointed as auditor of the Company in place of the resigned auditor, BDO Limited. For the year under review, the fees charged to the financial statements of the Company and its subsidiaries by the Group's external auditor, PricewaterhouseCoopers and/or other member firms under PricewaterhouseCoopers, for services provided are analysed as follows:

PricewaterhouseCoopers:	HK$'000
Audit services	2,680
Non-audit services	459

Financial Reporting & Internal Controls

The consolidated financial statements of the Company for the year ended 31 December 2010 have been reviewed by the Audit Committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and they are not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The independent auditor's report is on pages 38 and 39.

The Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. The internal control system of the Group is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the consolidated financial statements, and ensure compliance with relevant legislation and regulations. However, associate and jointly controlled entities might not fully follow the Group's internal control system. The Group is not involved in routine operational decisions or does not play an active role in running the businesses of the associate and jointly controlled entities, and an audit or certain review procedures are performed on their annual financial results. Major business decisions and challenges, including key policies, capital expenditure, regulatory and financing issues, would be presented and considered through regular Board meetings. Such practices provide reasonable, but not absolute, assurance against material mis-statement or loss and manage rather than eliminate risks associated with the business activities.

The independent internal audit function has written terms of reference and reports directly to the Audit Committee. Internal Audit conducts reviews of the effectiveness of the Group's internal control system based on the internal audit plan and ad hoc requests from the Audit Committee and senior management. The annual internal audit plan is developed based on an assessment of the various business and operational risks of the Group and is approved by the Audit Committee. The Audit Committee reviews the findings and opinion of Internal Audit in respect of the effectiveness of the Group's internal control system periodically, and reports annually to the Board the key findings of such reviews.

Aman, New Delhi

Marriott, Puerto Vallarta

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2010.

Principal Activities & Geographical Analysis of Operations

The principal activities of the Company and its subsidiaries (the "Group") consist of manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

An analysis of the Group's performance for the year by segments is set out in Note 5 to the consolidated financial statements.

Results & Appropriations

The results for the year are set out on page 40.

No interim dividend was paid during the year. The Directors recommend a final dividend of HK9 cents per share, totaling HK$19,097,000 for the year ended 31 December 2010. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 19 May 2011.

Five-year Consolidated Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of the annual report.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 29 to the consolidated financial statements.

Donations

During the year, donations made by the Group for charitable purposes amounted to HK$436,000.

Intangible Assets

Details of the movement in intangible assets during the year is set out in Note 16 to the consolidated financial statements.

Property, Plant & Equipment

Details of the movement in property, plant & equipment during the year are set out in Note 15 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 28 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2010, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK$302,511,000.

Principal Subsidiaries, an Associate & Jointly Controlled Entities

Particulars of the principal subsidiaries are set out on pages 109 to 110.

Purchase, Sales or Redemption of the Company’s Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

Pre-emptive Rights

No shareholder pre-emptive rights exist in the jurisdiction in which the Company was incorporated.

Share Options

The existing share option scheme (“2002 Share Option Scheme” or the “Scheme”) was approved by the shareholders of the Company at the annual general meeting held on 23 May 2002. The details of the Scheme (which fully complies with Chapter 17 of the Listing Rules) are as follows:

1. **Purpose**

   – To provide participants (see the definition below) with the opportunity to acquire proprietary interests in the Company.
   – To encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

2. **Participants**

   Any employee of the Group (whether full time or otherwise, including any Executive Director, Non-executive Director and Independent Non-executive Director of the Group) and any consultant of the Group who has contributed or will contribute to the Group.

3. **Maximum number of shares available for issue under the 2002 Share Option Scheme together with the percentage of share capital it represents as at the date of the annual report**

   20,401,980 shares (representing 9.6% of issued share capital of the Company as at the date of this Directors’ Report).

4. Maximum entitlement of each participant

1% of the shares in issue in any 12-month period up to the date of further grant.

5. The period within which the shares must be taken up under an option

As specified by Directors, which shall not be more than 10 years from the date of grant.

6. The minimum holding period before an option can be exercised

Generally none, but subject to Directors' discretion on a case-by-case basis.

7. Amount payable on application or acceptance of the option and the periods within which payments must or may be made or loans made for such purposes must be repaid

HK$10, payable upon acceptance of the offer of the grant of option which shall be made within 30 days of the offer.

8. Basis of determining the exercise price

Determined by the Directors being at least the highest of

- the closing price of a share as stated on the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the date of grant;
- the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- the nominal value of a share.

9. The remaining life of the 2002 Share Option Scheme

The Scheme is valid and effective for a period of 10 years from 23 May 2002. As at the date of this Directors' Report, there were no outstanding share options under the 2002 Share Option Scheme.

Directors

The names of the Directors at the date of this Report are set out on pages 18 and 19.

In accordance with the Company's Bye-laws, Mr. Ian D. Boyce, Mrs. Yvette Y. H. Fung, Mr. Roderic N. A. Sage and Mr. Aubrey K. S. Li shall retire at the forthcoming annual general meeting. Mr. Ian D. Boyce, Mrs. Yvette Y. H. Fung, Mr. Roderic N. A. Sage and Mr. Aubrey K. S. Li, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Independent Non-executive Directors

The Company has received from Mrs. Yvette Y. H. Fung, Mr. Aubrey K. S. Li, Mr. Roderic N. A. Sage and Mr. Lincoln C. K. Yung, Independent Non-executive Directors, written confirmations of independence pursuant to Rule 3.13 of the Listing Rules.

The Company considers all the Independent Non-executive Directors to be independent.

Biographical Details of Directors & Senior Management

Brief biographical details of Directors and senior management are set out on pages 18 to 19 and 111 respectively.

Directors' Interests in Competing Business

None of the Directors of the Company have any interest in any business which may compete with the business of the Group.

Directors' Interests in Equity Securities

As at 31 December 2010, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK$0.10 each in the Company

No. of ordinary shares held (long position)

Name	Beneficial owner	Interests of controlled corporation	Aggregate % of the share capital
Ian D. Boyce	831,371	–	0.392%
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Lincoln K. K. Leong[1]	–	2,000,000	0.943%
Nelson K. F. Leong[1] (Alternate Director to Lincoln K. K. Leong)	–	2,000,000	0.943%
John J. Ying[2]	–	32,605,583	15.366%
Aubrey K. S. Li	100,000	–	0.047%
James H. Kaplan	522,000	–	0.246%

Notes:

1 Mr. Nelson K. F. Leong is interested in the same shares as disclosed by Mr. Lincoln K. K. Leong. The shares are held through a company which is controlled by Mr. Lincoln K. K. Leong and Mr. Nelson K. F. Leong.

2 The shares are held through Peak Capital Partners I, L.P. of which Mr. John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Save for the Directors' interests as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to hold any interests in the shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2010, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following interests, being 5% or more in the issued ordinary share capital of the Company.

Name	No. of ordinary shares held in the Company of HK$0.10 each (long position)	Aggregate % of the share capital
Acorn Holdings Corporation[1]	40,014,178	18.858%
Bermuda Trust Company Limited[1]	40,014,178	18.858%
Harneys Trustees Limited[1]	77,674,581	36.607%
Lawrencium Holdings Limited[1]	77,674,581	36.607%
The Mikado Private Trust Company Limited[1]	77,674,581	36.607%
The Hon. Sir Michael Kadoorie[1]	77,674,581	36.607%
Peak Capital Partners I, L.P.[2]	32,605,583	15.366%

Notes:

1 Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is interested. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 77,674,581 shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those shares.

2 Mr. John J. Ying (a Non-executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers & Suppliers

During the year, the Group sold less than 30% of its goods and services to its five largest customers and purchased less than 30% of its goods and services from its five largest suppliers.

Connected Transactions

1. Significant related party transactions entered into by the Group during the year ended 31 December 2010, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in Note 39 to the consolidated financial statements.

2. Other related party transactions entered into by the Group in 2010 and up to the date of this Directors' Report, which fall under the definition of "connected transactions" or "continuing connected transactions" and not exempted under Rule 14A.31 and Rule 14A.33 of the Listing Rules, are as follows:

   The Company's subsidiaries have been from time to time supplying products, and providing related ancillary services to The Hongkong and Shanghai Hotels, Limited ("HSH") and its subsidiaries. These transactions fall under the definition of continuing connected transactions under the Listing Rules by virtue of the fact that The Mikado Private Trust Company Limited, a substantial shareholder of the Company, is also interested in more than 30% voting power of HSH. In accordance with the requirements of the Listing Rules, the Company entered into a master supply agreement with HSH on 9 May 2008 ("Master Supply Agreement") for the supply of carpets and floor coverings and provision of ancillary services to HSH and its subsidiaries on normal commercial terms for a period of three years from 22 March 2008 to 21 March 2011 subject to an annual cap of HK$8,500,000 for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010. An announcement in this respect was made on 9 May 2008. For the year ended 31 December 2010, the total order amount and invoiced value of these transactions ("HSH Transactions") amounted to HK$4,595,000 and HK$5,658,000 respectively.

   The Directors, including all the Independent Non-executive Directors, have reviewed the HSH Transactions and confirmed that they have been entered into:

   i. in the ordinary and usual course of business of the Group;

   ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

   iii. in accordance with the master supply agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

   The Company's auditor has reported to the Directors in their letter that based on their work performed:

   i. the HSH Transactions have been approved by the Company's Board of Directors;

   ii. the HSH Transactions have been entered into in accordance with the pricing policies of the Group and the relevant agreements or order contracts governing the transactions; and

   iii. the amounts on the HSH Transactions in 2010 have not exceeded the relevant cap amount.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions.

As the Master Supply Agreement had expired on 21 March 2011, the Company and HSH entered into a new master supply agreement on 22 March 2011 ("New Master Supply Agreement") for a term of 3 years from 22 March 2011 to 21 March 2014. Details of the terms and conditions of the New Master Supply Agreement have been disclosed in the announcement of the Company dated 22 March 2011.

Public Float

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

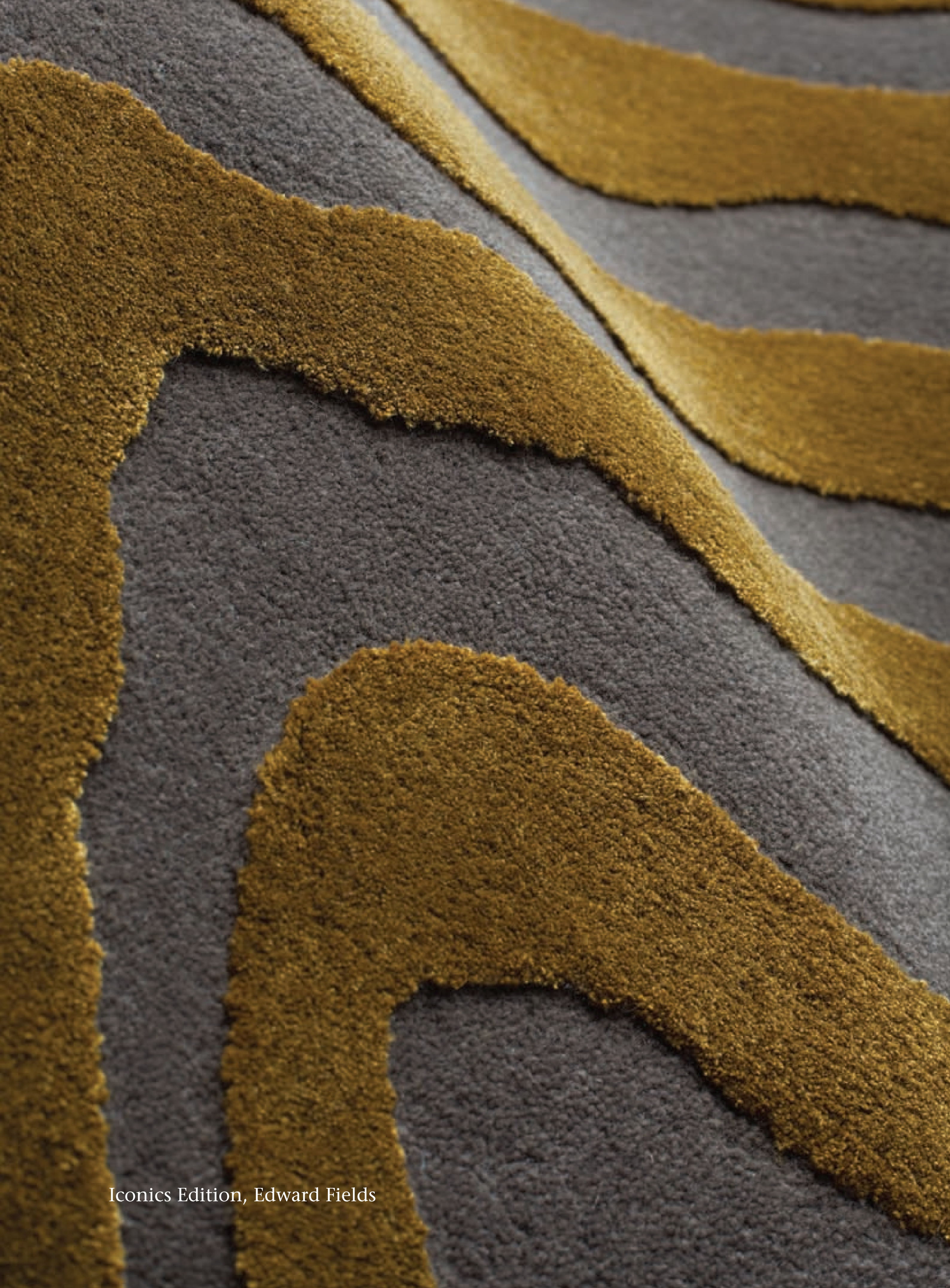
Auditor

During the year, BDO Limited resigned and PricewaterhouseCoopers was appointed as auditor of the Company. BDO Limited had been the auditor of the Company in the preceding two years.

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board
James H. Kaplan
Chief Executive Officer

Hong Kong, 7 April 2011


Iconics Edition, Edward Fields


Sketchbook Collection, Wool Tile

Financial Section

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To the shareholders of Tai Ping Carpets International Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tai Ping Carpets International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 108, which comprise the consolidated and company statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but ask for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 April 2011

Consolidated Income Statement

For the year ended 31 December

	Note	2010 HK$'000	2009 HK$'000 (As restated)
Revenue	5	**1,221,548**	1,117,673
Cost of sales	7	**(707,010)**	(621,753)
Gross profit		**514,538**	495,920
Distribution costs	7	**(102,562)**	(83,700)
Administrative expenses	7	**(416,302)**	(393,468)
Impairment of intangible assets	16	**(15,533)**	–
Other (losses)/gains, net	6	**(845)**	2,966
Operating (loss)/profit		**(20,704)**	21,718
Finance income	9	**197**	147
Finance costs	9	**(374)**	(670)
Finance costs – net	9	**(177)**	(523)
Share of (loss)/profit of:			
an associate	19	**(1,335)**	(1,670)
jointly controlled entities	20	**33,313**	41,075
Profit before income tax		**11,097**	60,600
Income tax expense	10	**(22,905)**	(21,247)
(Loss)/profit for the year		**(11,808)**	39,353
(Loss)/profit attributable to:			
owners of the parent		**(13,063)**	39,134
non-controlling interests		**1,255**	219
		(11,808)	39,353
(Loss)/earnings per share for (loss)/profit attributable to the owners of the parent (expressed in HK cents per share)			
Basic	12	**(6.16)**	18.44

	Note	2010 HK$'000	2009 HK$'000
Dividend	13	**19,097**	19,097

The notes on pages 47 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2010 HK$'000	2009 HK$'000 (As restated)
(Loss)/profit for the year	**(11,808)**	39,353
Other comprehensive income:		
currency translation differences	**49,326**	9,369
Total comprehensive income for the year	**37,518**	48,722
Total comprehensive income for the year attributable to:		
owners of the parent	**35,434**	48,354
non-controlling interests	**2,084**	368
	37,518	48,722

The notes on pages 47 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2010 HK$'000	2009 HK$'000 (As restated)	As at 1 January 2009 HK$'000 (As restated)
Assets				
Non-current assets				
Land use rights	14	**5,359**	7,122	9,064
Property, plant & equipment	15	**278,886**	319,955	343,199
Investment properties		**–**	–	6,800
Construction in progress	15	**6,036**	2,301	10,896
Intangible assets	16	**25,661**	29,934	25,333
Interest in an associate	19	**17,489**	18,824	20,494
Interests in jointly controlled entities	20	**322,078**	297,192	258,067
Deferred income tax assets	30	**11,771**	13,820	11,702
Pledged bank deposits	25	**1,359**	5,105	–
Bank deposits	26	**439**	1,194	2,385
		669,078	695,447	687,940
Current assets				
Inventories	21	**192,535**	163,922	196,489
Trade & other receivables	22	**232,754**	197,907	215,241
Derivative financial instruments	23	**1,109**	92	169
Amount due from an associate	19	**403**	–	1,808
Amounts due from jointly controlled entities	20	**19,495**	19,755	15,642
Financial assets at fair value through profit or loss	24	**133,065**	87,328	59,170
Current income tax assets		**–**	1,177	–
Pledged bank deposits	25	**1,988**	5,106	901
Cash & cash equivalents	26	**86,697**	99,006	111,614
		668,046	574,293	601,034
Non-current asset classified as held for sale	27	**25,411**	6,800	5,695
		693,457	581,093	606,729
Total assets		**1,362,535**	1,276,540	1,294,669

The notes on pages 47 to 108 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2010 HK$'000	2009 HK$'000 (As restated)	As at 1 January 2009 HK$'000 (As restated)
Equity				
Equity attributable to owners of the parent				
Share capital	28	**21,219**	21,219	21,219
Reserves	29	**445,390**	396,893	387,673
Retained earnings:				
Proposed final dividend	13	**19,097**	19,097	19,097
Others		**516,798**	548,958	528,921
		1,002,504	986,167	956,910
Non-controlling interests		**45,018**	39,563	39,020
Total equity		**1,047,522**	1,025,730	995,930
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	30	**5,597**	6,194	4,823
Retirement benefit obligations	31	**18,281**	15,454	13,592
Other long-term liabilities	32	**837**	1,865	3,655
		24,715	23,513	22,070
Current liabilities				
Bank borrowings – unsecured	33	**5,989**	2,206	–
Trade & other payables	34	**256,137**	199,685	240,378
Current income tax liabilities		**13,698**	10,932	18,646
Other long-term liabilities – current portion	32	**1,028**	1,028	4,199
Amounts due to non-controlling interests shareholders	18	**13,446**	13,446	13,446
		290,298	227,297	276,669
Total liabilities		**315,013**	250,810	298,739
Total equity & liabilities		**1,362,535**	1,276,540	1,294,669
Net current assets		**377,748**	346,996	324,365
Total assets less current liabilities		**1,072,237**	1,049,243	1,018,000

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

The notes on pages 47 to 108 are an integral part of these consolidated financial statements.

Company Statement of Financial Position

As at 31 December

	Note	2010 HK$'000	2009 HK$'000 (As restated)
Assets			
Non-current assets			
Investments in subsidiaries	17	**242,800**	242,800
Current assets			
Amount due from an indirectly held associate	18	**343**	343
Amounts due from subsidiaries	18	**198,811**	183,689
Other receivables	22	**102**	55
Cash & cash equivalents	26	**330**	367
		199,586	184,454
Total assets		**442,386**	427,254
Equity			
Equity attributable to owners of the parent			
Share capital	28	**21,219**	21,219
Reserves	29	**277,467**	277,467
Retained earnings:			
Proposed final dividend	13	**19,097**	19,097
Others		**5,947**	12,149
Total equity		**323,730**	329,932
Liabilities			
Current liabilities			
Amounts due to subsidiaries	18	**117,189**	96,668
Other payables	34	**1,467**	654
Total liabilities		**118,656**	97,322
Total equity & liabilities		**442,386**	427,254
Net current assets		**80,930**	87,132
Total assets less current liabilities		**323,730**	329,932

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

The notes on pages 47 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to owners of the parent						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2009, as previously reported	21,219	189,699	197,792	557,673	966,383	39,020	1,005,403
Correction of prior period error	–	–	182	(9,655)	(9,473)	–	(9,473)
Balance at 1 January 2009, as restated	21,219	189,699	197,974	548,018	956,910	39,020	995,930
Profit for the year	–	–	–	39,134	39,134	219	39,353
Other comprehensive income							
Currency translation differences	–	–	9,220	–	9,220	149	9,369
Total comprehensive income	–	–	9,220	39,134	48,354	368	48,722
Transactions with owners							
Dividend relating to 2008	–	–	–	(19,097)	(19,097)	–	(19,097)
Disposal of a subsidiary	–	–	–	–	–	911	911
Dividend paid to non-controlling interests	–	–	–	–	–	(736)	(736)
Total transactions with owners	–	–	–	(19,097)	(19,097)	175	(18,922)
Balance at 31 December 2009	21,219	189,699	207,194	568,055	986,167	39,563	1,025,730
Balance at 1 January 2010, as previously reported	21,219	189,699	207,523	578,544	996,985	39,563	1,036,548
Correction of prior period error	–	–	(329)	(10,489)	(10,818)	–	(10,818)
Balance at 1 January 2010, as restated	21,219	189,699	207,194	568,055	986,167	39,563	1,025,730
Loss for the year	–	–	–	(13,063)	(13,063)	1,255	(11,808)
Other comprehensive income							
Currency translation differences	–	–	48,497	–	48,497	829	49,326
Total comprehensive income	–	–	48,497	(13,063)	35,434	2,084	37,518
Transactions with owners							
Dividend relating to 2009	–	–	–	(19,097)	(19,097)	–	(19,097)
Dividend paid to non-controlling interests	–	–	–	–	–	(611)	(611)
Dissolution of subsidiaries[1]	–	–	–	–	–	3,982	3,982
Total transactions with owners	–	–	–	(19,097)	(19,097)	3,371	(15,726)
Balance at 31 December 2010	21,219	189,699	255,691	535,895	1,002,504	45,018	1,047,522

Note:

1 Non-controlling interests included the share of losses of subsidiaries in excess of capital contribution therefore have resulted in a deficit balance in prior years.

The notes on pages 47 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**88,713**	92,344
Income tax paid		**(17,510)**	(30,544)
Interest paid		**(374)**	(670)
Net cash generated from operating activities		**70,829**	61,130
Cash flows from investing activities			
Purchases of property, plant & equipment and construction in progress	15	**(35,226)**	(25,756)
Acquisition of intangible assets	16	**(17,525)**	(6,848)
Proceeds from disposal of property, plant & equipment	35(b)	**1,042**	9,004
Proceeds from disposal of investment properties	35(b)	**7,161**	–
Proceeds from disposal of a subsidiary	35(d)	**–**	3,189
(Advance to)/loan repayment received from an associate		**(403)**	1,808
Repayment from/(advance to) jointly controlled entities		**260**	(4,113)
Proceeds from disposal of financial assets at fair value through profit or loss		**288,592**	531,261
Purchase of financial assets at fair value through profit or loss		**(333,201)**	(555,718)
Payment of other long-term liabilities		**(1,028)**	(4,961)
Dividend received from jointly controlled entities		**14,449**	1,950
Interest received		**197**	147
Net cash used in investing activities		**(75,682)**	(50,037)
Cash flows from financing activities			
Proceeds from borrowings		**3,783**	2,206
Decrease/(increase) in pledged bank deposits		**6,864**	(9,310)
Decrease in bank deposits		**755**	1,191
Dividend paid to the Company's shareholders		**(19,097)**	(19,097)
Dividend paid to non-controlling interests		**(611)**	(736)
Net cash used in financing activities		**(8,306)**	(25,746)
Net decrease in cash & cash equivalents		**(13,159)**	(14,653)
Cash & cash equivalents at beginning of year		**99,006**	114,120
Exchange gains/(losses) on cash & cash equivalents		**850**	(461)
Cash & cash equivalents at end of the year	26	**86,697**	99,006

The notes on pages 47 to 108 are an integral part of these consolidated financial statements.

1. General Information

Tai Ping Carpets International Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in the manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, P.O. Box HM 1179, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at 26/F, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 7 April 2011.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Tai Ping Carpets International Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Correction of prior period error

During the year ended 31 December 2010, the Group has discovered an error in its consolidated financial statements for the year ended 31 December 2009. The error was related to the recognition of the liabilities for Carpets International Thailand Public Company Limited, the Group's subsidiary in Thailand, under the Legal Severance Pay Plan (the "Plan") for its employees in Thailand, amounting to HK$15,454,000 as at 31 December 2009 (2008: HK$13,592,000). The Group has never recognised any liability in respect of this plan in its consolidated financial statements for the year ended 31 December 2009. In accordance with HKAS 19 "Employee Benefits", such liability meets the definition of employee benefit liability and should have been recognised in the Group's consolidated financial statements. In connection with the recognition of the liability, a corresponding deferred tax asset amounting to HK$4,636,000 (2008: HK$4,119,000) is recognised. The effects of correction of error on the Group's consolidated financial statements for the year ended 31 December 2009 are summarised as follows:

Consolidated income statement

	For the year ended 31 December 2009	
	(As previously reported)	(As restated)
	HK$'000	HK$'000
Administrative expenses	392,277	393,468
Operating profit	22,909	21,718
Profit before income tax	61,791	60,600
Income tax expense	21,604	21,247
Profit for the year	40,187	39,353
Profit attributable to owners of the parent	39,968	39,134

Consolidated statement of comprehensive income

	For the year ended 31 December 2009	
	(As previously reported)	(As restated)
	HK$'000	HK$'000
Total comprehensive income for the year	50,067	48,722
Total comprehensive income for the year attributable to owners of the parent	49,699	48,354

Consolidated statement of financial position

	As at 31 December 2009	
	(As previously reported)	(As restated)
	HK$'000	HK$'000
Deferred tax assets	9,184	13,820
Total assets	1,271,904	1,276,540
Retirement benefit obligations	–	15,454
Total liabilities	235,356	250,810
Reserves	397,222	396,893
Retained earnings after proposed final dividend	559,447	548,958
Total equity	1,036,548	1,025,730
Total equity & liabilities	1,271,904	1,276,540
Total assets less current liabilities	1,044,607	1,049,243

The effects of correction of error on the Group's consolidated statement of financial position as at 1 January 2009 are summarised as follows:

Consolidated statement of financial position

	As at 1 January 2009	
	(As previously reported)	(As restated)
	HK$'000	HK$'000
Deferred tax assets	7,583	11,702
Total assets	1,290,550	1,294,669
Retirement benefit obligations	–	13,592
Total liabilities	285,147	298,739
Reserves	387,491	387,673
Retained earnings after proposed final dividend	538,576	528,921
Total equity	1,005,403	995,930
Total equity & liabilities	1,290,550	1,294,669
Total assets less current liabilities	1,013,881	1,018,000

2.3 Changes in accounting policy & disclosures

a. New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain land use rights from operating lease to finance lease.

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
Decrease in land use rights	–	10,869	11,159
Increase in property, plant & equipment	–	10,869	11,159

HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

HKFRS 5 (amendment), 'Non-current assets held for sale & discontinued operations'. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

b. New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

HKAS 24 (revised)	Related party disclosures[1]
HKAS 1 (amendment)	Limited exemption from corporation HKFRS 7 disclosures for first time adopters[1]
HKAS 12 (amendment)	Income taxes[2]
HKFRS 9	Financial instruments[3]

Note:
1 Effective from annual periods beginning on or after 1 January 2011
2 Effective from annual periods beginning on or after 1 January 2012
3 Effective from annual periods beginning on or after 1 January 2013

The Group is assessing the impact of these new standards and amendments. The adoption of these new 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 consolidated financial statements.

2.4 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for deemed cost at directors' valuation less impairment (Note 2.12).

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income (Note 2.11).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

(c) Jointly controlled entities

Jointly controlled entities are all entities which there are contractual arrangements whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), which is the Company's functional and the Group's presentation currency.

(b) Transactions & balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'Other (losses)/gains, net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.7 Property, plant & equipment

Buildings comprise mainly factories, retail outlets and offices. They are stated at cost or valuation less accumulated depreciation & impairment losses. Certain buildings were at valuation which was carried out prior to 30 September 1995. Under transitional provision in paragraph 80A of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16.

Leasehold land classified as financial lease and other property, plant & equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 30-40 years or useful life
Buildings	2%-18%
Plant & machinery	8%-20%
Leasehold improvement	Shorter of lease term or useful life
Furniture, fixtures & equipment	6%-25%
Motor vehicles	18%-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other (losses)/ gains, net' in the consolidated income statement.

2.8 Construction in progress

Construction in progress represents machinery, furniture, fixture and equipment, and buildings on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction in progress until the construction work is completed. On completion, the construction in progress is transferred to appropriate categories of property, plant & equipment and depreciated in accordance with the policy stated in Note 2.7.

2.9 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 30 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.10 Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation and not occupied by the Group. Investment properties are carried at fair value. Changes in fair value are recognised in the consolidated income statement.

2.11 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Vendor relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The vendor relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of five years.

(c) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 5 years.

2.12 Impairment of investments in subsidiaries, an associate, jointly controlled entities & non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amount due from an associate', 'amounts due from jointly controlled entities' and 'cash and cash equivalents' in the consolidated statement of financial position.

2.14.2 Recognition & measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'Other (losses)/gains, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.15 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade & other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade & other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.18 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Subsequent change in the fair value of these derivatives is recognised immediately in the consolidated income statement.

2.19 Cash & cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.20 Share capital

Ordinary shares are classified as equity.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 Financial liabilities

(a) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

(b) Consideration payable arising from the acquisition of subsidiaries

Acquisition contract that contain an obligation for the Group to pay the render or seller for cash or other financial assets give rise to financial liabilities. Such liabilities are classified as other long-term liabilities in the consolidated statement of financial position.

Financial liabilities are initially recognised at fair value, net of directly attributable transaction costs incurred and are subsequently measured at amortised cost using the effective interest method. The accretion of the discount on the financial liability is recognised as a finance charge in the consolidated income statement.

2.24 Current & deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets & liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associate and jointly controlled entities, except for the deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Employee leave entitlements

Provision for paid annual leave and the cost of other benefits to the Group are recognised for each reporting period.

(b) Profit sharing & bonus plans

The Group recognises a liability and an expense for bonus and profit-sharing where the Group is contractually obliged or there is a past practice that created a constructive obligation.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured as the amounts expected to be paid when they are settled.

(c) Pension obligations

The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculation. The Group has both defined benefit and defined contribution plans.

The Group operates various pension schemes around the world. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of services and compensation.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group contributes on a monthly basis to various defined contribution schemes, organised by relevant municipal and provincial governments in The People's Republic of China ("PRC") for all its employees in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these schemes are expensed as incurred.

The Group also sponsored the Legal Severance Pay Plan, which is organised by the Thailand Government for all its employees in Thailand. The Plan is an unfunded defined benefit plan. When the actual benefit payment is made, the actual amount will directly reduce the net liability in consolidated statement of financial position.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

2.26 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

As of 31 December 2010 and 2009, there was no outstanding share option under this plan.

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.29 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from sale of carpets, yarns, underlays and interior furnishings

Revenue from sale of carpets, yarns, underlays and interior furnishings is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Revenue from installation of carpets

Revenue from installation of carpets is recognised in the accounting period in which the installation services are rendered.

(iii) Rental income

Rental income from investment properties is recognised on a straight-line basis over the lease terms.

(iv) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant & equipment. Leases of property, plant & equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant & equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk and liquidity risk.

Risk management is carried out by a central finance team lead by the Chief Financial Officer (Group CFO). Group CFO identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United State dollar ("US$") and Hong Kong dollar ("HK$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's principal net foreign currency exposure relate to the Thai Baht, Euro and to a lesser extent, British Pound Sterling. Such foreign currency exposure arises from the U.S. dollar denominated financial assets/liabilities in the Group's operations covering Thailand, Europe and the United Kingdom. To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and from time to time enters into foreign currency forward contracts for a portion of the remaining exposure relating to these forecasted transactions.

At 31 December 2010, if Thai Baht strengthened/weakened by 5% (2009: 5%) against the U.S. dollar with all other variables held constant, post-tax profit for the year would have been HK$344,000 (2009: HK$400,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of That Baht denominated receivables.

At 31 December 2010, if Euro strengthened/weakened by 5% (2009: 5%) against the U.S. dollar with all other variables held constant, post-tax profit for the year would have been HK$118,000 (2009: HK$39,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Euro denominated receivables.

At 31 December 2010, if British Pound Sterling strengthened/weakened by 5% (2009: 5%) against the U.S. dollar with all other variables held constant, post-tax profit for the year would have been HK$894,000 (2009: HK$355,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Sterling denominated receivables.

Taking into the account the exposures of other currencies, the Group considers its exposure to exchange rate movements in 2010 is manageable and will continue to monitor exchange rate movements closely to ascertain if any material exposure may arise.

(b) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including trade receivables, amounts due from related companies and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's bank deposits are placed in banks and financial institutions which are independently rated with a minimum rating of "Baa2" are accepted. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The Group has no significant concentrations of credit risk as the Group has a large number of customers, internationally dispersed. Sales to retail customers are made in cash or via major credit cards. For project sales, the Group will request the customers for initial deposits and will accept orders only from those customers with an appropriate credit standing or history. The Group also performs periodic assessment of the trade receivables and believes that adequate provision for uncollectible receivables has been made.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held cash and cash equivalents of HK$86,697,000 (2009: HK$99,006,000) (note 26) and trade receivables of HK$190,210,000 (2009: HK$157,060,000) (note 22) that are expected to readily generate cash inflows for managing liquidity risk. In addition, the Group holds treasury bonds which are traded on active markets of HK$133,065,000 (2009: HK$87,328,000) (note 24), which could be readily realised to provide a further source of cash if the need arose.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table is the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

2010	**Less than 1 year HK$'000**	**Between 1 & 2 years HK$'000**	**Between 2 & 5 years HK$'000**	**Total HK$'000**
Trade & other payables	**162,492**	**–**	**–**	**162,492**
Other long term liabilities	**1,341**	**1,151**	**–**	**2,492**
Bank borrowing – unsecured	**5,989**	**–**	**–**	**5,989**
Amount due to non-controlling interests shareholders	**13,446**	**–**	**–**	**13,446**
Trading & gross settled derivative financial instruments (foreign currency forward contract)	**54,467**	**–**	**–**	**54,467**
	237,735	**1,151**	**–**	**238,886**

2009	Less than 1 year HK$'000	Between 1 & 2 years HK$'000	Between 2 & 5 years HK$'000	Total HK$'000
Trade & other payables	120,803	–	–	120,803
Other long term liabilities	1,341	1,341	1,151	3,833
Bank borrowing – unsecured	2,206	–	–	2,206
Amount due to non-controlling interests shareholders	13,446	–	–	13,446
Trading & gross settled derivative financial instruments (foreign currency forward contract)	56,127	–	–	56,127
	193,923	1,341	1,151	196,415

The Company's financial liabilities, other than ''other long-term liabilities'' mature in less than one year and are repayable on demand.

(d) Cash flow & fair value interest rate risk

The Group's interest rate risk arises from investments held by the Group and classified on the consolidated statement of financial position at fair value through profit or loss.

At 31 December 2010, if the price of fixed income funds rose/fell by 3% (2009: 3%) with all other variables held constant, the post-tax profit will be increased/decreased by HK$3,992,000 (2009: HK$2,620,000).

Apart from the cash at banks, bank deposits, bank borrowings and financial assets at fair value through profit or loss which carry interest at market rates, the Group has no significant interest-bearing assets or liabilities. The interest income and expenses derived there from are relatively insignificant to the Group's operations; therefore its income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by maintaining a net cash position throughout the year. The management of the Group monitors the utilisation of borrowings and ensures full compliance with loan covenants during the year and at the end of each reporting period.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010 **HK$'000**	2009 HK$'000
Total bank borrowings (Note 33)	**5,989**	2,206
Less: cash & cash equivalents (Note 26)	**(86,697)**	(99,006)
Net debt	**–**	–
Total equity	**1,047,522**	1,025,730
Total capital	**1,047,522**	1,025,730
Gearing ratio	**0.0%**	0.0%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset & liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets that are measured at fair value at 31 December 2010.

2010	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets at fair value through profit or loss:				
Treasury bonds	**133,065**	**–**	**–**	**133,065**
Derivative financial instruments:				
Foreign currency forward contracts	**–**	**–**	**1,109**	**1,109**
Total assets	**133,065**	**–**	**1,109**	**134,174**

The following table presents the Group's assets that are measured at fair value at 31 December 2009.

2009	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss:				
Treasury bonds	87,328	–	–	87,328
Derivative financial instruments:				
Foreign currency forward contracts	–	–	92	92
Total assets	87,328	–	92	87,420

The fair value of treasury bonds which are traded in active markets is based on quoted market prices at the year end date of the consolidated statement of financial position. The fair value measurement for these treasury bonds held by the Group is the current bid price and classified as level 1.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4. Critical Accounting Estimates & Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Dividends derived from the Company's subsidiaries around the world are subject to withholding tax at the local prevailing tax rates. On an annual basis, the Group would reassess its needs to make distributions out of its subsidiaries. As a result, withholding income tax has been provided for the dividends already distributed during the year and unremitted earnings to the extent they are expected to be distributed in the future. As of 31 December 2010, the Group does not have any plan to distribute unremitted earnings beyond the amounts which have already been distributed, and as a result, deferred income tax liabilities have not been recognised for withholding tax and other taxes that would be payable on unremitted earnings.

(b) Useful lives of property, plant & equipment & intangible assets (other than goodwill)

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant & equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant & equipment, and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

(c) Impairment of property, plant & equipment & intangible assets (other than goodwill)

Property, plant & equipment, leasehold land & land use rights and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on fair value less cost to sell calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(d) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 16).

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

(f) Trade & other receivables

The Group's management determines the provision for impairment of trade & other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(g) Impairment of investments in an associate & jointly controlled entities

The Group's management determines the impairment on its interests in an associate & jointly controlled entities based on an assessment of the recoverable amounts of the investments.

(h) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 31.

5. Revenues & Segment Information

(a) Revenues

	2010 HK$'000	2009 HK$'000
Sale of carpets	**1,089,811**	1,002,418
Sale of underlays	**16,786**	12,922
Installation of carpets	**39,889**	44,797
Interior furnishings	**25,988**	16,031
Sale of yarns	**34,498**	31,202
Sale of raw materials	**12,534**	7,448
Other	**2,042**	2,855
	1,221,548	1,117,673

(b) 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 four major business segments: Commercial, Residential Boutique Contract ("RBC"), Wholesale and Others (including manufacturing and trading of yarn and property holding).

The Commercial division designs for hotels and large-scale projects such as airports, ballrooms convention centres and other large public spaces. RBC projects are those in which concepts of private and public space intersect. Wholesale is a resourcing and product development division, which sources new and innovative products for the residential market.

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

The segment information provided to the management for the reportable segments for the year ended 31 December 2010 and 2009 is as follows:

For the year ended 31 December 2010

	Commercial	RBC	Wholesale	Total carpet	Others	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	806,513	361,382	19,123	1,187,018	34,530	–	1,221,548
Segment results	26,037	50,012	(28,049)	48,000	(770)	–	47,230
Unallocated expenses[1]				(67,934)	–	–	(67,934)
Operating loss[2]				(19,934)	(770)	–	(20,704)
Finance costs							(374)
Finance income							197
Share of (loss)/profit of:							
an associate	(1,335)	–	–	(1,335)	–	–	(1,335)
jointly controlled entities	33,208	–	105	33,313	–	–	33,313
Profit before income tax							11,097
Income tax expense							(22,905)
Loss for the year							(11,808)
Segment assets	761,847	189,706	7,039	958,592	43,546	932	1,003,070
Interest in an associate	17,892	–	–	17,892	–	–	17,892
Interests in jointly controlled entities	341,573	–	–	341,573	–	–	341,573
Total assets							1,362,535
Segment liabilities	209,222	60,078	13,047	282,347	12,128	20,538	315,013
Capital expenditure	26,434	7,842	6	34,282	–	15,674	49,956
Depreciation of property, plant & equipment	50,157	2,661	104	52,922	–	9,106	62,028
Amortisation of land use rights	–	–	–	–	–	2,152	2,152
Amortisation of intangible assets	–	39	2,324	2,363	–	4,051	6,414
Impairment of intangible assets	–	–	15,533	15,533	–	–	15,533
Impairment of inventories	–	301	–	301	–	–	301
Recovery of impairment of trade & other receivables	(2,373)	(654)	(42)	(3,069)	–	–	(3,069)
Gain/(loss) on disposal of investment properties/property, plant & equipment	485	–	–	485	361	(85)	761

For the year ended 31 December 2009, as restated

	Commercial HK$'000	RBC HK$'000	Wholesale HK$'000	Total carpet HK$'000	Others HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	741,744	313,045	31,177	1,085,966	31,707	–	1,117,673
Segment results	57,241	31,184	(9,024)	79,401	1,357	–	80,758
Unallocated expenses[1]				(59,040)	–	–	(59,040)
Operating profit				20,361	1,357	–	21,718
Finance costs							(670)
Finance income							147
Share of (loss)/profit of							
an associate	(1,670)	–	–	(1,670)	–	–	(1,670)
jointly controlled entities	39,321	–	1,754	41,075	–	–	41,075
Profit before income tax							60,600
Income tax expense							(21,247)
Profit for the year							39,353
Segment assets	656,719	202,713	30,251	889,683	38,976	12,110	940,769
Interest in an associate	18,824	–	–	18,824	–	–	18,824
Interests in jointly controlled entities	316,947	–	–	316,947	–	–	316,947
Total assets							1,276,540
Segment liabilities	159,531	50,472	13,510	223,513	2,250	25,047	250,810
Capital expenditure	24,432	4,984	32	29,448	–	3,156	32,604
Depreciation of property, plant & equipment	39,029	8,426	86	47,541	145	9,883	57,569
Amortisation of land use rights	–	–	–	–	–	1,943	1,943
Amortisation of intangible assets	–	–	2,247	2,247	–	–	2,247
Impairment of inventories	1,097	(291)	485	1,291	–	–	1,291
(Recovery of impairment)/ impairment of trade & other receivables	(480)	1,847	(2,610)	(1,243)	–	–	(1,243)
Gain/(loss) on disposal of property, plant & equipment	1,424	(696)	–	728	870	(70)	1,528

Notes:

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

[2] Included gain on disposal of investment properties.

Analysis of revenue and non-current assets other than financial instruments, deferred income tax assets and post-employment benefit costs by the location in which the sales originated is as follows:

For the year ended 31 December 2010

	Revenue HK$'000	Non-current assets HK$'000
Hong Kong	50,790	17,361
Macau	17,704	–
Mainland China	25,430	358,340
Thailand	252,437	186,542
Singapore	47,773	685
Malaysia	12,542	–
Japan	13,548	–
Korea	8,634	–
India	23,122	1,446
Australia	74,852	–
Middle East	91,322	–
France	81,445	12,597
Germany	46,188	2,697
UK	39,809	1,361
USA	383,128	58,652
Argentina	31,799	137
Others	21,025	17,489
	1,221,548	657,307

For the year ended 31 December 2009

	Revenue HK$'000	Non-current assets HK$'000
Hong Kong	48,669	31,266
Macau	14,676	–
Mainland China	23,966	339,053
Thailand	204,646	192,186
Singapore	31,942	417
Malaysia	2,479	–
Japan	4,705	–
Korea	6,693	–
India	24,456	1,381
Australia	43,291	–
Middle East	56,468	–
France	69,357	7,115
Germany	37,518	3,179
UK	27,500	1,318
North America	509,034	85,599
Argentina	3,983	1,289
Others	8,290	18,824
	1,117,673	681,627

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 31 December 2010 and 2009.

Reportable segments' assets are reconciled to total non-current assets as follows:

	2010 HK$'000	2009 HK$'000
Segment assets for reportable segments	**657,307**	681,627
Unallocated:		
Deferred income tax assets	**11,771**	13,820
Total non-current assets per consolidated statement of financial position	**669,078**	695,447

6. Other (Losses)/Gains, Net

	2010 HK$'000	2009 HK$'000 (As restated)
Gain on disposal of financial assets at fair value through profit or loss	**1,128**	752
Gain on disposal of property, plant & equipment	**400**	1,528
Gain on disposal of investment properties (Note 27)	**361**	–
Gain/(loss) on change in fair value of derivative financial instruments	**1,017**	(77)
Net foreign exchange (losses)/gains	**(3,865)**	1,235
Others	**114**	(472)
	(845)	2,966

7. Expenses by Nature

	2010 HK$'000	2009 HK$'000 (As restated)
Raw materials & consumables used	**340,782**	252,660
Changes in inventories of finished goods & work in progress	**8,044**	19,640
Amortisation of intangible assets (Note 16)	**6,414**	2,247
Amortisation of land use rights (Note 14)	**2,152**	1,943
Depreciation of property, plant & equipment (Note 15)	**62,028**	57,569
Employee benefit expenses (Note 8)	**332,211**	374,351
Operating lease charges		
– Land & buildings	**25,582**	25,069
– Plant & machinery	**490**	1,569
Impairment of inventories	**301**	1,291
Bad debts written off	**1,960**	–
Director's fees (Note 8)	**576**	590
Auditor's remuneration	**3,481**	2,777
Recovery of impairment previously recognised	**(3,069)**	(1,243)
Loss on dissolution of subsidiaries (Note)	**3,982**	–
Research & development costs	**2,652**	2,265

Note:
During the year ended 31 December 2010, two subsidiaries of the Group were deregistered. As the cumulative non-controlling interests balance included the share of losses of these subsidiaries in excess of the capital contribution, a loss amounting to HK$3,982,000 was recognised in the Group's consolidated income statement upon the deregistration of these two subsidiaries.

8. Employee Benefit Expenses

	2010 HK$'000	2009 HK$'000
Wages & salaries (including Directors' emoluments)	**319,795**	361,063
Pension costs – defined benefit plan (Note 31)	**2,107**	1,809
Retirement benefit costs – defined contribution schemes (including Directors' emoluments)	**10,309**	11,479
	332,211	374,351

(a) Retirement benefit costs – defined contribution schemes

Unvested benefits totaling Nil (2009: HK$3,000) were used during the year to reduce future contributions. As at 31 December 2010, unvested benefits totaling HK$1,054,000 (2009: HK$623,000) were available for use by the Group to reduce future contributions.

(b) Directors' emoluments

The emoluments of each Director for the year ended 31 December 2010 are set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Others HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Nicholas T. J. Colfer	50	–	–	–	–	50
Ian D. Boyce	50	–	–	–	–	50
Lincoln K. K. Leong[1]	–	–	–	–	–	–
Nelson K. F. Leong[2]	50	–	–	–	–	50
David C. L. Tong	70	–	–	–	–	70
John J. Ying	70	–	–	–	–	70
Yvette Y. H. Fung[3]	70	–	–	–	–	70
Michael T. H. Lee[3]	32	–	–	–	–	32
Roderic N. A. Sage[3]	110	–	–	–	–	110
Lincoln C. K. Yung[3]	60	–	–	–	–	60
Aubrey K. S .Li	14	–	–	–	–	14
James H. Kaplan	–	5,950	2,730	279	–	8,959
	576	5,950	2,730	279	–	9,535

The emoluments of each Director for the year ended 31 December 2009 are set out below:

Name of Directors	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000	Others HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Nicholas T. J. Colfer	50	–	–	–	–	50
Ian D. Boyce	50	–	–	–	–	50
Lincoln K. K. Leong[1]	–	–	–	–	–	–
Nelson K. F. Leong[2]	50	–	–	–	–	50
David C. L. Tong	70	–	–	–	–	70
John J. Ying	70	–	–	–	–	70
Yvette Y. H. Fung[3]	70	–	–	–	–	70
Michael T. H. Lee[3]	70	–	–	–	–	70
Roderic N. A. Sage[3]	110	–	–	68[4]	–	178
Lincoln C. K. Yung[3]	50	–	–	–	–	50
James H. Kaplan	–	4,508	1,961	379	75	6,923
	590	4,508	1,961	447	75	7,581

Notes:

1 Mr. Lincoln K.K. Leong's director fee was paid to his alternate Mr. Nelson K.F. Leong

2 Alternate Director to Mr. Lincoln K.K. Leong

3 Independent Non-executive Directors

4 During the year ended 31 December 2009, the Company has entered into a consultancy agreement with Mr. Roderic N.A. Sage, an Independent Non-executive Director, to facilitate the selection of the service provider in relation to the implementation of the transfer pricing review for the Group. Subject to an annual cap of HK$1,000,000, Mr. Sage will be remunerated based on hourly rate of HK$4,000. The consultancy agreement stated above was negotiated at arm's length and on normal commercial terms and constitutes a de minimis connected transaction of the Company which is exempt from the reporting, announcement and independent shareholders' approval requirement in accordance with Rule 14A.31(2) of the Listing Rules.

The bonuses for both years are determined with reference to the performance against corporate objectives, the profits of the Group and the achievement of individual performance targets.

No Directors waived any emoluments for the years ended 31 December 2010 and 2009.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2009: one) Director whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining four (2009: four) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, bonus, housing & other allowances	9,772	11,216
Contributions to retirement schemes	109	55
	9,881	11,271

The emoluments fell within the following bands:	No. of Individuals	
	2010	2009
Emolument bands		
HK$2,000,001 – HK$2,500,000	2	2
HK$2,500,001 – HK$3,000,000	2	–
HK$3,000,001 – HK$3,500,000	–	2

9. Finance Costs – Net

	2010 HK$'000	2009 HK$'000
Finance costs		
– Interest on bank loans and overdrafts wholly repayable within five years	(61)	(43)
– Amortised interest costs from other long term liabilities	(313)	(627)
	(374)	(670)
Finance income – interest income from banks	197	147
Finance costs – net	(177)	(523)

10. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010 HK$'000	2009 HK$'000
Current income tax		
Hong Kong	3,806	3,258
Overseas	16,474	16,643
Underprovision in prior years	2,576	1,395
Deferred income tax (Note 30)	49	(49)
Income tax expenses	22,905	21,247

Share of income tax expenses of an associate of HK$180,000 (2009: HK$36,000) and share of income tax expenses of jointly controlled entities of HK$14,698,000 (2009: HK$12,678,000) respectively are included in the share of (loss)/profit of an associate and jointly controlled entities.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2010	2009
	HK$'000	HK$'000
		(As restated)
Profit before income tax	**11,097**	60,600
Less: Share of net profit of an associate & jointly controlled entities	**(31,978)**	(39,405)
(Loss)/profit before income tax of the Company & subsidiaries	**(20,881)**	21,195
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(4,532)**	10,722
Income not subject to tax	**(1,886)**	(3,991)
Expenses not deductible for tax purposes	**5,130**	1,614
Utilisation of previously recognised tax losses	**(3,206)**	(3,948)
Tax losses for which no deferred income tax asset was recognised	**24,053**	15,455
Underprovision in prior years	**2,576**	1,395
Others	**770**	–
Income tax expense	**22,905**	21,247

The weighted average applicable tax rate was 22% (2009: 51%). The decrease is caused by a change of profitability of the Group's subsidiaries in the respective countries.

11. Profit/(Loss) Attributable to Owners of the Parent

The profit/(loss) attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$12,895,000 (2009: loss of HK$5,236,000).

12. (Loss)/Earnings Per Share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

	2010	2009
(Loss)/profit attributable to owners of the parent (HK$'000)	**(13,063)**	39,134
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic (loss)/earnings per share (HK cents)	**(6.16)**	18.44

The Group had no outstanding share options as at 31 December 2010 and 2009. As a result, diluted per share is not presented.

13. Dividend

	2010 HK$'000	2009 HK$'000
Proposed final dividend of HK9 cents per share (2009: HK9 cents)	**19,097**	19,097

At the Board of Directors meeting held on 25 March 2011, the Directors declared a final dividend of HK9 cents per share amounting to a total dividend of HK$19,097,000, is to be proposed at the annual general meeting on 19 May 2011. This proposed final dividend is not reflected as a dividend payable in the consolidated financial statements, but is reflected as an appropriation of retained earnings for the year ended 31 December 2010.

The dividends proposed during 2010 and 2009 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

14. Land Use Rights

Group

The Group's interests in land use rights represent prepaid operating lease payments and their new net book values are analysed as follows:

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Outside Hong Kong, held on leases of between 10 to 50 years	**5,359**	7,122	9,064

	2010 HK$'000	2009 HK$'000 (restated)
At 1 January, as previously reported	**17,991**	20,223
Effect of adoption of HKAS 17 (Amendment)	**(10,869)**	(11,159)
At 1 January, as restated	**7,122**	9,064
Exchange differences	**389**	1
Amortisation of land use rights	**(2,152)**	(1,943)
At 31 December	**5,359**	7,122

15. Property, Plant & Equipment and Construction in Progress

Group

	Land HK$'000	Buildings HK$'000	Leasehold improvement HK$'000	Machinery HK$'000	Furniture, fixture & equipment HK$'000	Motor vehicles HK$'000	Property, plant & equipment total HK$'000	Construction in progress HK$'000
At 1 January 2009								
Cost or valuation, as previously reported	–	182,137	4,789	488,877	128,620	10,240	814,663	10,896
Effect of adoption of HKAS 17 (Amendment)	12,200	–	–	–	–	–	12,200	–
Cost or valuation, as restated	12,200	182,137	4,789	488,877	128,620	10,240	826,863	10,896
Accumulated depreciation, as previously reported	–	(76,248)	(2,030)	(331,166)	(64,540)	(8,639)	(482,623)	–
Effect of adoption of HKAS 17 (Amendment)	(1,041)	–	–	–	–	–	(1,041)	–
Accumulated depreciation, as restated	(1,041)	(76,248)	(2,030)	(331,166)	(64,540)	(8,639)	(483,664)	–
Net book amount, as restated	11,159	105,889	2,759	157,711	64,080	1,601	343,199	10,896
Year ended 31 December 2009								
Opening net book amount, as previously reported	–	105,889	2,759	157,711	64,080	1,601	332,040	10,896
Effect of adoption of HKAS 17 (Amendment)	11,159	–	–	–	–	–	11,159	–
Opening net book amount, as restated	11,159	105,889	2,759	157,711	64,080	1,601	343,199	10,896
Exchange differences	–	3,104	53	3,006	1,235	18	7,416	34
Additions	–	–	678	4,985	5,975	357	11,995	13,761
Transfer from construction in progress	–	393	212	20,294	1,491	–	22,390	(22,390)
Disposals	–	(5,249)	(696)	(985)	(546)	–	(7,476)	–
Depreciation	(290)	(8,238)	(742)	(32,539)	(15,316)	(444)	(57,569)	–
Closing net book amount	10,869	95,899	2,264	152,472	56,919	1,532	319,955	2,301
At 31 December 2009								
Cost or valuation, as previously reported	–	181,671	5,036	516,177	136,775	10,615	850,274	2,301
Effect of adoption of HKAS 17 (Amendment)	12,200	–	–	–	–	–	12,200	–
Cost or valuation, as restated	12,200	181,671	5,036	516,177	136,775	10,615	862,474	2,301
Accumulated depreciation, as previously reported	–	(85,772)	(2,772)	(363,705)	(79,856)	(9,083)	(541,188)	–
Effect of adoption of HKAS 17 (Amendment)	(1,331)	–	–	–	–	–	(1,331)	–
Accumulated depreciation, as restated	(1,331)	(85,772)	(2,772)	(363,705)	(79,856)	(9,083)	(542,519)	–
Net book amount, as restated	10,869	95,899	2,264	152,472	56,919	1,532	319,955	2,301

15. Property, Plant & Equipment and Construction in Progress

	Land HK$'000	Buildings HK$'000	Leasehold improvement HK$'000	Machinery HK$'000	Furniture, fixture & equipment HK$'000	Motor vehicles HK$'000	Property, plant & equipment total HK$'000	Construction in progress HK$'000
Year ended 31 December 2010								
Opening net book amount, as previously reported	–	95,899	2,264	152,472	56,919	1,532	309,086	2,301
Effect of adoption of HKAS 17 (Amendment)	10,869	–	–	–	–	–	10,869	–
Opening net book amount, as restated	10,869	95,899	2,264	152,472	56,919	1,532	319,955	2,301
Exchange differences	–	2,391	12	14,132	(1,080)	(116)	15,339	182
Additions	–	–	3,478	7,727	7,460	1,833	20,498	14,380
Acquisition of a subsidiary (Note 35 (c))	–	–	–	–	–	348	348	–
Transfer from construction in progress	–	–	–	4,625	6,202	–	10,827	(10,827)
Transfer to non-current asset held for sale	(10,869)	(14,542)	–	–	–	–	(25,411)	–
Disposals	–	–	–	(30)	(612)	–	(642)	–
Depreciation	–	(8,545)	(4,774)	(30,194)	(17,926)	(589)	(62,028)	–
Closing net book amount	–	75,203	980	148,732	50,963	3,008	278,886	6,036
At 31 December 2010								
Cost or valuation	–	168,234	8,526	542,631	148,745	12,680	880,816	6,036
Accumulated depreciation	–	(93,031)	(7,546)	(393,899)	(97,782)	(9,672)	(601,930)	–
Net book amount	–	75,203	980	148,732	50,963	3,008	278,886	6,036

Depreciation expenses of HK$38,038,000 (2009: HK$36,109,000) and HK$23,990,000 (2009: HK$21,460,000) have been charged in the cost of sales and administrative expenses respectively.

Certain of the Group's buildings were revalued on an open market basis at 31 December 1989 by independent professional valuers, Jones Lang Wootton (now Jones Lang LaSalle) and W. Lamar Pinson, Inc. The revaluation was carried out prior to 30 September 1995. Under transitional provisions in paragraph 80A of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16. The carrying amount of such revalued buildings would have been HK$5,255,000 (2009: HK$5,362,000) had it been stated at cost less accumulated depreciation.

The analysis of the cost or valuation of property, plant and equipment and construction in progress is as follows:

Group

	Land HK$'000	Buildings HK$'000	Other assets HK$'000	Total HK$'000
At cost	–	156,555	724,261	880,816
At valuation – 1989	–	11,679	–	11,679
At 31 December 2010	–	168,234	724,261	892,495
At cost	12,200	169,992	680,282	862,474
At valuation – 1989	–	11,679	–	11,679
At 31 December 2009	12,200	181,671	680,282	874,153

16. Intangible Assets

Group

	Goodwill HK$'000	Vendor relationships HK$'000	Computer software HK$'000	Brands HK$'000	Design library HK$'000	Other intangible assets HK$'000	Total HK$'000
At 1 January 2009							
Cost	13,957	7,215	1,490	–	4,751	–	27,413
Accumulated amortisation	–	(1,443)	–	–	(637)	–	(2,080)
Net book amount	13,957	5,772	1,490	–	4,114	–	25,333
Year ended 31 December 2009							
Opening net book amount	13,957	5,772	1,490	–	4,114	–	25,333
Additions	576	–	6,272	–	–	–	6,848
Amortisation	–	(1,443)	–	–	(804)	–	(2,247)
Closing net book amount	14,533	4,329	7,762	–	3,310	–	29,934
At 31 December 2009							
Cost	14,533	7,215	7,762	–	4,751	–	34,261
Accumulated amortisation	–	(2,886)	–	–	(1,441)	–	(4,327)
Net book amount	14,533	4,329	7,762	–	3,310	–	29,934
Year ended 31 December 2010							
Opening net book amount	14,533	4,329	7,762	–	3,310	–	29,934
Additions	–	–	12,606	–	–	2,472	15,078
Amortisation	–	(1,563)	(4,090)	–	(761)	–	(6,414)
Acquisition of a subsidiary (note 35(c))	–	–	–	2,447	–	–	2,447
Impairment	(14,533)	–	–	–	(1,000)	–	(15,533)
Exchange differences	–	–	75	37	–	37	149
Closing net book amount	–	2,766	16,353	2,484	1,549	2,509	25,661
At 31 December 2010							
Cost	–	7,215	20,554	2,484	1,950	2,509	34,712
Accumulated amortisation & impairment	–	(4,449)	(4,201)	–	(401)	–	(9,051)
Net book amount	–	2,766	16,353	2,484	1,549	2,509	25,661

Other intangible assets include customer relationships and non-compete agreements.

Amortisation expenses of HK$6,414,000 (2009: HK$2,247,000) have been charged in the administrative expenses.

Impairment test of goodwill

Goodwill arose from the acquisition of J.S.L. Carpet Corporation ("JSL") and its 50% interest in Weavers Guild LLC ("WG") in 2008. It is classified as one of the business segments, wholesale segment of the Group for impairment testing.

During the year ended 31 December 2010, owing to the deteriorating results of JSL, the Group's Wholesale Division in the United States of America, management has decided to restructure the wholesale business and as a result, recorded an impairment charge over the goodwill and intangible assets arising from the acquisition JSL, amounting to HK$15,533,000.

At 31 December 2009, the recoverable amount of the goodwill related to JSL was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a period to 2015.

The key assumptions used for value-in-use calculations in 2009 and 2010 were as follows:

a. Budgeted earnings were based on past performance.

b. Annual growth rates of 33%-50% (2009: 2.7% to 29%) were used to extrapolate cash flows.

c. The discount rate applied to cash flows was 16% (2009: 16%) which reflected the specific risks relating to the relevant segment. The discount rate was adjusted to reflect the risk profile equivalent to those that the Group expected to derive from the assets acquired.

17. Investments in Subsidiaries

Company

	2010	2009
	HK$'000	HK$'000
Unlisted shares at Directors' valuation in 1990	**242,800**	242,800

Details of principal subsidiaries are set out on page 109.

18. Amount due from/(to) an Indirectly Held Associate/Non-controlling Interests Shareholders/Subsidiaries

The amounts due from/(to) are unsecured, interest-free, denominated in Hong Kong dollars, and repayable on demand.

19. Interest in an Associate

Group

	2010	2009
	HK$'000	HK$'000
At 1 January	**18,824**	20,494
Share of loss	**(1,335)**	(1,670)
At 31 December	**17,489**	18,824

No dividend income was received from the associate during the year (2009: Nil).

The amount due from an associate is unsecured, interest-free, denominated in United States dollar and repayable on demand.

Share of the associate's income tax expenses amounted to HK$180,000 (2009: HK$36,000). Details of the associate, which is unlisted, are set out on page 110.

An extract of the operating results and consolidated financial position of the associate, Philippine Carpet Manufacturing Corporation, which is based on its consolidated financial statements as adjusted to conform with HKFRS for the years ended and as at 31 December 2010 and 2009, is as follows:

	2010	2009
	HK$'000	HK$'000
Group's share of operating results		
Turnover	**14,593**	8,856
Group's share of loss for the year	**(1,335)**	(1,670)
Group's share of financial position		
Non-current assets	**14,718**	11,682
Current assets	**18,691**	15,029
Non-current liabilities	**(7,653)**	(4,205)
Current liabilities	**(8,267)**	(3,682)
Group's share of net assets	**17,489**	18,824

20. Interests in Jointly Controlled Entities

Group

	2010 HK$'000	2009 HK$'000
At 1 January	**297,192**	258,067
Share of profit	**33,313**	41,075
Dividend received	**(14,449)**	(2,298)
Exchange difference	**6,022**	348
At 31 December	**322,078**	297,192

The amounts due from jointly controlled entities are unsecured, interest-free, denominated in Renminbi and repayable on demand.

Share of jointly controlled entities' income tax expenses amounted to HK$11,638,000 (2009: HK$6,212,000).

Details of the principal jointly controlled entities, which are unlisted, are set out on page 110.

An extract of the share of operating results and financial position of the Group's jointly controlled entities, which is based on their financial statements as adjusted to conform with HKFRS for the years ended and as at 31 December 2010 and 2009, is as follows:

	2010 HK$'000	2009 HK$'000
Group's share of operating results		
Turnover	**478,874**	427,160
Profit for the year	**33,313**	41,075
Group's share of financial position		
Non-current assets	**210,944**	205,591
Current assets	**270,686**	398,748
Non-current liabilities	**(13,653)**	(7,764)
Current liabilities	**(145,551)**	(299,035)
Group's share of net assets	**322,426**	297,540
Provision for impairment	**(1,575)**	(1,575)
Goodwill	**1,227**	1,227
Group's share of net assets less impairment	**322,078**	297,192

21. Inventories

Group

	2010 HK$'000	2009 HK$'000
Raw materials	**77,593**	77,519
Work in progress	**24,453**	24,141
Finished goods	**80,869**	57,140
Consumable stores	**9,620**	5,122
	192,535	163,922

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$340,782,000 (2009: HK$262,660,000).

22. Trade & Other Receivables

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Trade receivables	**203,822**	176,730	**–**	–
Less: provision for impairment of trade receivables	**(13,801)**	(19,670)	**–**	–
Trade receivables, net	**190,021**	157,060	**–**	–
Prepayment	**25,898**	21,808	**–**	–
Value added tax receivables	**6,320**	4,351	**–**	–
Rental deposits	**2,611**	2,979	**–**	–
Other receivables	**7,904**	11,709	**102**	55
	232,754	197,907	**102**	55

The amounts approximated to their respective fair values as at 31 December 2010 and 2009. 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:

	2010 HK$'000	2009 HK$'000
0 to 30 days	**141,941**	86,723
31 to 60 days	**20,776**	34,023
61 to 90 days	**10,018**	14,702
91 to 365 days	**15,385**	18,426
More than 365 days	**1,901**	3,186
	190,021	157,060

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

	2010	2009
	HK$'000	HK$'000
Amount past due at the reporting date but not impaired:		
Less than 30 days past due	**44,653**	42,809
31 to 60 days past due	**14,339**	11,425
61 to 90 days past due	**7,798**	4,612
91 to 365 days	**11,291**	16,907
More than 365 days past due	**1,600**	2,659
	79,681	78,412

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

As at 31 December 2010, trade receivables of approximately HK$79,681,000 (2009: HK$78,412,000) 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.

Movements on the Group's provision for impairment of trade receivables are as follows:

	2010	2009
	HK$'000	HK$'000
At 1 January	**19,670**	26,360
Recovery of impairment previously recognised	**(3,069)**	(1,243)
Receivables written off during the year as uncollectible	**(2,800)**	(5,447)
At 31 December	**13,801**	19,670

The creation of provision for impairment of trade receivables has been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group and the Company does not hold any collateral as security.

The carrying amounts of the Group and the Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar	**102,963**	83,207	**–**	–
Hong Kong dollar	**12,703**	15,424	**102**	55
Euro	**31,502**	27,625	**–**	–
Pound Sterling	**5,839**	6,507	**–**	–
Renminbi	**13,230**	8,532	**–**	–
Thai Baht	**39,138**	35,558	**–**	–
Macau Patacas	**9,336**	4,821	**–**	–
Other	**18,043**	16,233	**–**	–
	232,754	197,907	**102**	55

23. Derivative Financial Instruments

Group

	2010	2009
	HK$'000	HK$'000
Foreign currency forward contracts	**1,109**	92

The fair value of the Group's foreign currency forward contracts is based on the foreign currency rates at each reporting date.

The notional principal amounts of outstanding forward foreign exchange contracts at 31 December 2010 were HK$54,467,000. (2009: HK$56,127,000).

24. Financial Assets at Fair Value Through Profit or Loss

Group

	2010	2009
	HK$'000	HK$'000
Treasury bonds in overseas	133,065	87,328

The treasury bonds are traded on active liquid markets and the fair value is based on their current bid prices in an active market at each reporting date.

25. Pledged Bank Deposits

Group

	2010	2009
	HK$'000	HK$'000
Pledged bank deposits	3,347	10,211
Less: non-current pledged bank deposits	(1,359)	(5,105)
	1,988	5,106

Pledged bank deposits represented deposits made to a bank for the performance guarantees (the "Guarantee") issued by the bank to the Group's customers. The Guarantee will be expired on 30 June 2011.

As at 31 December 2010, the effective interest rate on Group's pledged bank deposit is 0.12% (2009: 0.5%) and these deposits had an average maturity of 18 days (2009: 31 days).

The carrying values of the Group's pledged bank deposits are denominated in the following currencies:

	2010	2009
	HK$'000	HK$'000
Euro	1,988	–
United States dollar	–	10,211
Other	1,359	–
	3,347	10,211

26. Bank Deposits and Cash & Cash Equivalents

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank & on hand	**86,697**	99,006	**330**	367
Bank deposits	**439**	1,194	**–**	–
	87,136	100,200	**330**	367
Less: bank deposits – non-current portion	**(439)**	(1,194)	**–**	–
Cash & cash equivalents	**86,697**	99,006	**330**	367

The amounts approximated to their respective fair values as at 31 December 2010 and 2009.

The carrying values of the Group and Company's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**12,469**	22,006	**283**	320
Renminbi	**22,974**	21,085	**–**	–
United States dollar	**30,902**	40,003	**47**	47
Euro	**8,977**	11,750	**–**	–
Sterling	**4,998**	825	**–**	–
Other	**6,816**	4,531	**–**	–
	87,136	100,200	**330**	367

As at 31 December 2010, the Group's cash and bank balances included HK$22,974,000 (2009: HK$21,085,000) placed with certain banks in the PRC by certain subsidiaries of the Group. These balances are subject to exchange controls.

As at 31 December 2010, the effective interest rate on Group's bank deposit is 1.02% (2009: 0.5%) and these deposits had an average maturity of 530 days (2009: 370 days).

27. Non-current Assets Held for Sale

On 2 November 2010, Hong Kong Carpet (Holdings) Limited, a subsidiary of the Company, has entered into an agreement to dispose of a property with a carrying value of approximately HK$25,411,000 for a consideration of HK$31,699,000. Such property has been presented as non-current assets held for sale following the approval of the Group's management on 17 September 2010. The completion date for the transaction is on or before 15 September 2011.

On 21 December 2009 and 24 December 2009, the Group entered into sale and purchase agreements with independent third parties to dispose of all investment properties situated in Hong Kong for a cash consideration of HK$7,161,000. The transactions were completed in February 2010 and have resulted in a gain on disposal of approximately HK$361,000 (Note 6).

28. Share Capital

Group & Company

	No. of shares	HK$'000
Authorised – Ordinary shares of HK$0.10 each:		
At 31 December 2009 & 2010	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK$0.10 each:		
At 31 December 2009 & 2010	212,187,488	21,219

29. Other Reserves

Group

	Share premium HK$'000	Capital reserve HK$'000	Other properties revaluation reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
Balance at 1 January 2009, as previously reported	189,699	71,625	4,161	16,000	106,006	387,491
Correction of prior period error	–	–	–	–	182	182
Balance at 1 January 2009, as restated	189,699	71,625	4,161	16,000	106,188	387,673
Differences	–	–	–	–	9,220	9,220
Balance as at 31 December 2009	189,699	71,625	4,161	16,000	115,408	396,893
Balance at 1 January 2010, as previously reported	189,699	71,625	4,161	16,000	115,737	397,222
Correction of prior period error	–	–	–	–	(329)	(329)
Balance at 1 January 2010, as restated	189,699	71,625	4,161	16,000	115,408	396,893
Difference	–	–	–	–	48,497	48,497
Balance at 31 December 2010	189,699	71,625	4,161	16,000	163,905	445,390

Note: The capital reserve represents statutory reserve funds set up by subsidiaries in the PRC. According to the relevant laws and financial regulations, upon approval by the Board, the statutory reserve funds may be used to make up prior years losses, if any, and to increase the capital of such subsidiaries. In addition, as stipulated by the relevant laws and financial regulations, the subsidiaries is required to appropriate an amount of not less than 10% of profit after income tax to its statutory reserve fund. As the accumulated total of the statutory reserves reach 50% of the registered capital of the subsidiaries, it will not be required to make any further appropriation.

Company

	Share premium HK$'000	Contributed surplus HK$'000	Total HK$'000
Balance at 1 January 2009, 31 December 2009, 1 January 2010 & 31 December 2010	189,699	87,768	277,467

The contributed surplus of the Company represents the excess of the consolidated net assets of a subsidiary acquired over the nominal amount of the Company's shares issued for the acquisition, as a result of the Group reorganisation in 1990. Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to members of the Company.

30. Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2010	2009
	HK$'000	HK$'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**11,771**	13,820
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(5,597)**	(6,194)
Deferred tax assets, net	**6,174**	7,626

The gross movement on the Group's deferred income tax account is as follows:

	2010	2009
	HK$'000	HK$'000
		(As restated)
At 1 January, as previously reported	**2,990**	2,760
Correction of prior period error	**4,636**	4,119
At 1 January, as restated	**7,626**	6,879
Exchange differences	**(1,501)**	796
Credited/(charged) to the consolidated income statement (Note 10)	**49**	(49)
At 31 December, as restated	**6,174**	7,626

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same taxation jurisdiction, is as follows:

Deferred tax liabilities

	Accelerated tax depreciation allowance		**Revaluation of properties**		**Others**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**507**	1,103	**117**	117	**5,570**	3,603	**6,194**	4,823
(Credited)/charged to the consolidated income statement	**(507)**	(596)	**–**	–	**(92)**	1,966	**(599)**	1,370
Exchange differences	**–**	–	**–**	–	**2**	1	**2**	1
At 31 December	**–**	507	**117**	117	**5,480**	5,570	**5,597**	6,194

Deferred tax assets

	Impairment of assets		Tax losses		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January, as previously reported	**6,641**	6,178	**2,543**	1,405	**–**	–	**9,184**	7,583
Correction of prior period error	**–**	–	**–**	–	**4,636**	4,119	**4,636**	4,119
At 1 January, as restated	**6,641**	6,178	**2,543**	1,405	**4,636**	4,119	**13,820**	11,702
(Charged)/credited to the consolidated income statement	**(6,641)**	206	**3,485**	1,213	**2,606**	(98)	**(550)**	1,321
Exchange differences	**–**	257	**19**	(75)	**(1,518)**	615	**(1,499)**	797
At 31 December, as restated	**–**	6,641	**6,047**	2,543	**5,724**	4,636	**11,771**	13,820

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$24,052,000 (2009: HK$36,361,000) in respect of tax losses of approximately HK$360,392,000 (2009: HK$298,766,000) that can be carried forward against future taxable income. There is no expiry date for the tax losses of the subsidiaries.

Deferred income tax liabilities of HK$47,598,000 (2009: HK$42,908,000) have not been recognised for the witholding tax that would be payable on the unremitted earnings of certain subsidiaries totaled approximately HK$482,734,000 (2009: HK$432,314,000).

31. Retirement Benefit Obligations

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
		(As restated)	(As restated)
Balance sheet obligations for:			
Pension benefits plan (a)	**18,281**	15,454	13,592

The defined benefit plan is a final salary defined plan in Thailand, which is valued by qualified actuary annually using the project unit credit method. The defined benefit plan is valued by Team Excellence Consulting Co. Ltd.

(a) Pension benefits

The Group operates defined benefit pension plans in Thailand based on employee pensionable remuneration and length of service. The plan is unfunded. The amounts recognised in the consolidated statement of financial position are determined as follows:

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
		(As restated)	(As restated)
Present value of unfunded obligation	**18,281**	15,454	13,592
Liabilities on the consolidated statement of financial position	**18,281**	15,454	13,592

The movement in defined benefit obligation is as follow:

	2010	2009
	HK$'000	HK$'000
		(As restated)
As 1 January	**15,454**	13,592
Current service cost	**1,397**	1,220
Interest cost	**710**	589
Exchange differences	**1,014**	671
Benefit paid	**(294)**	(618)
At 31 December	**18,281**	15,454

	As at 31 December		As at 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
		(As restated)	(As restated)
The amounts recognised in the consolidated statement of financial position were determined as follows:			
Present value of defined benefit obligation	**18,281**	15,454	13,592
Fair value of plan assets at end of the period	**–**	–	–
Present value of defined obligations	**18,281**	15,454	13,592
Liabilities on the consolidated statement of financial position	**18,281**	15,454	13,592

	2010	2009
	HK$'000	HK$'000
The amount recognised in the consolidated income statements are as follows:		
Current service costs	**1,397**	1,220
Interest cost	**710**	589
Total, included in employee benefit expenses (Note 8)	**2,107**	1,809

The principal actuarial assumptions were as follows:

	31 December 2010	31 December 2009	1 January 2009
Discount rate	**4.2%**	4.2%	4.2%
Inflation rate	**3%**	3%	3%
Expected return on plan asset	**N/A**	N/A	N/A
Future salary increase	**N/A**	N/A	N/A
Future pension increases			
Monthly:			
Per annum for age prior to 30	**8%**	8%	8%
Per annum for age 30 to 39	**7%**	7%	7%
Per annum for age 40 to 54	**6%**	6%	6%
Per annum for age 55 onwards	**3%**	3%	3%
Daily:			
Per annum for age prior to 55	**5%**	5%	5%
Per annum for age 55 onwards	**3%**	3%	3%
Turnover rates			
Monthly:			
Per annum for age prior to 30	**10%**	10%	10%
Per annum for age 30 to 39	**4%**	4%	4%
Per annum for age 40 to 54	**2%**	2%	2%
Per annum for age 55 onwards	**0%**	0%	0%
Daily:			
Per annum for age prior to 55	**22%**	22%	22%
Per annum for age 55 onwards	**12%**	12%	12%
Per annum for age prior to 30	**10%**	10%	10%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in Thailand. Mortality assumptions for Thailand are based on post-retirement mortality tables, Thailand TMO97 Table normal retirement age.

32. Other Long-term Liabilities

Group

	2010 HK$'000	2009 HK$'000
Non-current portion		
Repayable between 1 & 2 years	**837**	1,028
Repayable between 2 & 5 years	**–**	837
	837	1,865
Current portion	**1,028**	1,028
	1,865	2,893

Other long-term liabilities represent discounted defined consideration and to the sellers in respect of the acquisition of JSL in 2008. The amounts, being unsecured and interest free, were calculated to the fair value as at 31 December 2010 and 2009. The discount rate used to measure the fair value was 16% (2009: 16%).

The Group is required to make additional payments to the sellers of JSL based on the net profits of JSL (as defined in the Company's circular dated 20 February 2008) for the period from 1 January 2008 to 31 December 2011. The amounts of such additional payments are set out below provided that the aggregate additional amounts payable to the sellers shall not exceed US$6,000,000 (equivalent to HK$46,800,000):

	Additional amounts payable to the sellers
1 January 2008 to 31 December 2008	35% of the net profits
1 January 2009 to 31 December 2009	20% of the net profits
1 January 2010 to 31 December 2010	13% of the net profits
1 January 2011 to 31 December 2011	6% of the net profits

The contingent consideration payable for 2008 amounting to HK$1,287,000 is included in the above calculation of the contingent consideration, while the actual amount paid was HK$1,863,000. The cash outlay was made during the year ended 31 December 2009. As a result, the additional consideration paid with an amount of HK$576,000 was recognised as goodwill for the year ended 31 December 2009. No contingent consideration was accrued or paid for the year ended 31 December 2010 and 2009 because of the expected loss position of JSL. The additional consideration payable for 2011 has not reflected the above additional payments because of the deteriorating results of JSL.

33. Bank Borrowings – Unsecured

Group

	2010	2009
	HK$'000	HK$'000
Current		
Outstanding bills payables repayable within 60 days	**5,989**	2,206

The amounts approximate their respective fair values as at 31 December 2010 and 2009. The amounts are unsecured, interest free and denominated in United States dollar.

34. Trade & Other Payables

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**65,667**	46,258	**–**	–
Deposits received in advance	**93,645**	78,882	**–**	–
Accrued expenses	**67,032**	67,281	**–**	–
Other payables	**29,793**	7,264	**1,467**	654
	256,137	199,685	**1,467**	654

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

	2010	2009
	HK$'000	HK$'000
0 to 30 days	56,302	41,373
31 days to 60 days	7,606	3,489
61 days to 90 days	642	60
More than 90 days	1,117	1,336
	65,667	46,258

The carrying amounts of the Group's and Company's trade and other payables are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollar	27,238	31,516	1,467	654
United States dollar	101,857	66,884	–	–
Renminbi	12,043	11,510	–	–
Thai Baht	55,613	34,694	–	–
Pound sterling	10,317	11,086	–	–
Euro	31,617	32,637	–	–
Other	17,452	11,358	–	–
	256,137	199,685	1,467	654

35. Notes to the Consolidated Statement of Cash Flows

(a) Cash generated from operations

	2010 HK$'000	2009 HK$'000 (As restated)
Profit before income tax	**11,097**	60,600
Adjustments for:		
Amortisation of intangible assets (Note 16)	**6,414**	2,247
Amortisation of land use rights (Note 14)	**2,152**	1,943
Bad debts written off (Note 7)	**1,960**	–
Retirement benefit obligation	**2,827**	1,862
Loss on dissolution of subsidiaries	**3,982**	–
Depreciation of property, plant & equipment (Note 15)	**62,028**	57,569
Gain on disposal of property, plant & equipment (Note 6)	**(400)**	(1,528)
Gain on disposal of investment properties (Note 27)	**(361)**	–
Share of losses/(profits) of		
– an associate (Note 19)	**1,335**	1,670
– jointly controlled entities (Note 20)	**(33,313)**	(41,075)
Recovery of impairment of trade & other receivables (Note 7)	**(3,069)**	(1,243)
Impairment of intangible assets (Note 16)	**15,533**	–
Impairment of inventories (Note 7)	**301**	1,291
Gain on disposal of financial assets at fair value through profit or loss (Note 6)	**(1,128)**	(752)
(Gain)/loss on change in fair value of derivative financial instruments (Note 6)	**(1,017)**	77
Finance costs (Note 9)	**374**	670
Finance income (Note 9)	**(197)**	(147)
Operating profit before changes in working capital	**68,518**	83,184
Inventories	**(7,453)**	31,276
Trade & other receivables	**(23,377)**	18,577
Trade & other payables	**51,025**	(40,693)
Cash generated from operations	**88,713**	92,344

(b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment and investment properties comprise:

	2010		2009	
	Investment properties HK$'000	**Property, plant & equipment HK$'000**	Investment properties HK$'000	Property, plant & equipment HK$'000
Net book amount	**6,800**	**642**	–	7,476
Gain on disposal	**361**	**400**	–	1,528
Proceeds from disposal	**7,161**	**1,042**	–	9,004

(c) On 4 May 2010, the Group set up a new subsidiary, namely Manufacture des Tapis de Cogolin SAS, and acquired intangible assets, inventories and motor vehicles from Manufacture des Tapis de Cogolin, a carpet design and manufacturing company in France, for Euro 280,000 (equivalent to HK$2,898,000). At that date, the fair value of these assets equalled HK$2,898,000. As a result of the acquisition, the Group is expected to increase its presence in the luxury hand-woven market in Europe. It also expects to reduce costs through economies of scale.

None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the consideration paid for Manufacture des Tapis de Cogolin and the amounts of the assets acquired.

Consideration:
At 4 May 2010

	2010
	HK$'000
Cash	**2,898**

Recognised amounts of identifiable assets acquired

	2010
	HK$'000
Intangible assets	**2,447**
Motor vehicles	**348**
Inventories	**103**
Total identified net assets	**2,898**

(d) On 27 February 2009, the Group entered into a share transfer agreement to sell the entire capital of Suzhou Shuilian Mattress Co. Ltd., one of the then subsidiaries of the Company, at a consideration of RMB5,500,000 (equivalent to HK$6,318,000). The transaction was completed on 12 June 2009. The net assets at the date of disposal were as follows:

	HK$'000
Property, plant & equipment	576
Inventories	2,114
Trade & other receivables	4,330
Cash & cash equivalents	2,506
	9,526
Trade & other payables	(4,262)
Non-controlling interests	911
Impairment	(480)
Assets classified as held for sale	5,695
Satisfied by	
Cash	6,232
Costs directly attributable to disposal paid	(537)
	5,695
Net cash inflow arising from disposal	
Cash consideration	6,232
Costs directly attributable to the disposal paid	(537)
Cash & cash equivalent disposed	(2,506)
	3,189

An impairment loss of HK$480,000 on the measurement of the disposal to fair value less cost had been recognised in the consolidated income statement for the year ended 31 December 2008. This division did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

36. Operating Lease Commitments

The Group has entered into a number of operating leases agreements on properties, plant and equipment. The terms of such leases vary from country to country, and some of them may have annual escalation and early termination clauses. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group

	2010	**2010**	2009	2009
	Property	**Other assets**	Property	Other assets
	HK$'000	**HK$'000**	HK$'000	HK$'000
Not later than one year	**20,068**	**1,371**	19,527	1,773
Later than one year and not later than five years	**53,912**	**2,854**	50,800	2,205
Later than five years	**10,999**	**–**	14,302	–
	84,979	**4,225**	84,629	3,978

37. Capital Commitments

Group

	2010	2009
	HK$'000	HK$'000
Authorised but not contracted for in respect of property, plant & equipment	4,057	549

The Group's share of capital commitments of the jointly controlled entities not included in the above was as follows:

Authorised but not contracted for in respect of property, plant & equipment	–	6,845

38. Contingent Liabilities

Group

	2010	2009
	HK$'000	HK$'000
Performance bonds issued by banks	**23,719**	30,693
Standby letter of credit issued by banks	**9,280**	9,396
	32,999	40,089

39. Related Party Transactions

The Mikado Private Trust Company Limited ("MPTCL") is a substantial shareholder of the Company and MPTCL is also deemed to be interested in more than 30% of the voting power of The Hongkong and Shanghai Hotels, Limited.

The ultimate parent of the Group is Tai Ping Carpets International Limited (incorporated in Bermuda).

The following transactions were carried out with related parties:

(a) Sale of goods & services

	2010	2009
	HK$'000	HK$'000
Sale of carpets:		
an associate[1]	**1,644**	4,224
The Hongkong and Shanghai Hotels, Limited ("HSH")[2]	**5,658**	332
	7,302	4,556

Notes:

[1] Sales to an associate were conducted in the normal course of business and at mutually agreed prices between the parties.

[2] By virtue of the fact that HSH is under common control with the Company, the Company's transactions with HSH and its subsidiaries are related party transactions.

(b) Purchase of goods

	2010	2009
	HK$'000	HK$'000
Purchase of goods:		
jointly controlled entities[1]	**21,473**	42,372
an associate[1]	**820**	–
	22,293	42,372

Note:

[1] Purchases from an associate and jointly controlled entities were conducted in the normal course of business and at mutually agreed prices between the parties.

(c) Key management compensation

Key management includes Chairman, Executive Director and senior management as disclosed on page 21. The compensation paid or payable to key management for employee service is shown below:

	2010	2009
	HK$'000	HK$'000
Salaries & other short-term employee benefits	**33,658**	36,672

(d) Year-end balances arising from sale/purchase of goods/services

	2010	2009
	HK$'000	HK$'000
Trade receivables from related parties:		
HSH	**2,174**	67
Trade payables to related parties:		
jointly controlled entities	**1,523**	6,239

Principal Subsidiaries, an Associate & Jointly Controlled Entities

The table lists below the subsidiaries, an associate and jointly controlled entities of the Group as at 31 December 2010 which, in the opinion of the Directors, principally affected the results or financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Country of incorporation & operations	Principal activities	Issued & paid-up capital	Percentage of equity attributable to the Group
Subsidiaries				
Costigan Limited	British Virgin Islands/ Hong Kong	Investment holding	100 shares of US$1 each	100%[1]
Luard Enterprises Limited	British Virgin Islands/ Hong Kong	Investment holding	1 share of US$1	100%[1]
Carpets International Thailand Public Company Limited	Thailand	Carpet manufacturing	10,000,000 shares of Baht 10 each	99%[2]
Edward Fields, Inc.	United States of America	Carpet trading	US$100,000	100%[2]
Foshan Nanhai Tai Ping Carpets Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$5,000,000	80%[2]
Premier Yarn Dyers, Inc.	United States of America	Yarn dyeing	1,100 shares of US$100 each	100%[2]
Tai Ping Carpets Americas, Inc.	United States of America	Carpet trading	220,000 shares of US$1 each	100%[2]
Tai Ping Carpets Europe	France	Carpet trading	Euro 603,341	100%[2]
Tai Ping Carpets India Private Limited	India	Carpet trading	Rupees 10,000,000	100%[2]
Tai Ping Carpets Interieur GmbH	Germany	Carpet trading	Euro 511,292	100%[2]
Tai Ping Carpets Latin America S.A.	Argentina	Carpet trading	Pesos 1,818,530	100%[2]
Tai Ping Carpets Limited	Hong Kong	Carpet trading	2,000,000 shares of HK$10 each	100%[2]
TPC Macau Limitada	Macau	Carpet trading	MOP25,000	100%[2]
Tai Ping Carpets (S) Pte. Limited	Singapore	Carpet trading	S$5,000,000	100%[2]
J.S.L. Carpet Corporation	United States of America	Carpet trading	100 shares of US$23,400 each	100%[2]
Manufacture des Tapis de Cogolin SAS	France	Carpet trading	Euro 200,000	100%[2]

Name	Country of incorporation & operations	Principal activities	Issued & paid-up capital	Percentage of equity attributable to the Group
Associate				
Philippine Carpet Manufacturing Corporation	The Philippines	Carpet manufacturing	1,017,581 shares of PHP100 each	33%
Jointly controlled entities				
Weihai Shanhua Huabao Carpet Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$15,090,000	49%
Weihai Shanhua Premier Carpet Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$5,400,000	49%
Weihai Shanhua Weavers Carpet Company Limited[3]	The People's Republic of China	Carpet manufacturing	US$6,000,000	49%
Weavers Guild LLC	United States of America	Carpet trading	N/A	50%

Notes:

[1] Directly held by the Company

[2] Indirectly held by the Company

[3] Registered as foreign equity joint ventures under PRC Law.

[4] None of the subsidiaries had issued any debt securities at the end of the year.

Senior Management

Name	Position held	Age[1]	Joined Group	Business Experience
Mr. Olivier S. Arzel	Managing Director, RBC, Asia	46	2010	Sales & business development
Mr. Eric A. S. Cooper	Vice-President Technical Operations, R&D & Sustainability	59	2005	Carpet manufacturing
Mr. Philip A. Decker	General Manager, Contract Division	42	2007	Sales & business development
Mr. Jack S. Gates	President, Premier Yarn Dyers, Inc.	71	1983	Carpet & textiles manufacturing
Mr. John P. Goggin	Managing Director, Commercial, U.S.	57	2004	Sales & business development
Mr. Parkpoom Jarnyaharn	Managing Director, Carpets Inter	57	2004	Carpet manufacturing, sales & business development
Mr. Daniel S. Kasakoff	Managing Director, Commercial, Latin America	63	2007	Sales & business development
Mr. Marcel G. J. Lebon	Chief Financial Officer & Human Resources Director	49	2009	Financial management & human resource management
Mr. Alan S. Millstein	Global Managing Director, RBC	64	2008	Sales & business development
Mr. Richard N. Morris	Managing Director, Commercial, Asia	47	2004	Sales & business development
Mr. Anthony T. Mott	Managing Director, RBC, Americas	46	2004	Sales & business development
Mr. William J. Palmer	Global Managing Director, Commercial	49	1999	Sales & business development
Mr. Alan Porto	Chief Information Officer	45	2009	Information technology
Ms. Simone S. Rothman	Chief Marketing Officer	51	2004	Marketing, PR & business development
Ms. Catherine Vergez	Managing Director, RBC, Europe	48	1991	Sales & business development
Mr. Mark S. Worgan	Senior Vice President, Global Operations	47	2008	Carpet manufacturing & logistics

Note:
[1] Age as at 25 March 2011

Corporate Information

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Certified Public Accountants
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Central, Hong Kong

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Standard Chartered Bank
Shanghai Commercial Bank Limited
Chong Hing Bank Limited

Company Secretary
Wong Wing Cheung

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