TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)

TAI PING

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors of Tai Ping Carpets International Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the comparative figures for 2012, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*3*	**1,433,200**	1,502,645
Cost of sales	*4*	**(782,296)**	(886,356)
Gross profit		**650,904**	616,289
Distribution costs	*4*	**(122,125)**	(122,641)
Administrative expenses	*4*	**(502,117)**	(469,257)
Gain in relation to Thailand flooding – net	*5*	**51,491**	79,059
Gain on disposal of non-current assets held for sale	*6*	**–**	64,975
Other (losses)/gains – net	*7*	**(1,193)**	10,527
Operating profit		**76,960**	178,952
Finance income		**1,932**	288
Finance costs		**(1,847)**	(1,974)
Finance income/(costs) – net		**85**	(1,686)
Share of loss of an associate		**(703)**	(2,779)
Profit before income tax		**76,342**	174,487
Income tax expense	*8*	**(25,995)**	(31,910)
Profit for the year		**50,347**	142,577
Profit attributable to:			
owners of the Company		**46,785**	132,775
non-controlling interests		**3,562**	9,802
		50,347	142,577
Earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted	*9*	**22.05**	62.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**50,347**	142,577
Other comprehensive income:		
Items that will not be reclassified subsequent to profit and loss		
Remeasurement of post-employment benefit obligations	**(2,250)**	–
Deferred tax on remeasurement of post-employment benefit obligation	**450**	–
Items that may be reclassified to profit and loss		
Currency translation differences	**(19,830)**	8,063
Release of reserves attributable to the disposal of non-current assets held for sale	**–**	(57,624)
Other comprehensive income for the year, net of tax	**(21,630)**	(49,561)
Total comprehensive income for the year	**28,717**	93,016
Attributable to:		
owners of the Company	**24,347**	83,193
non-controlling interests	**4,370**	9,823
	28,717	93,016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2013 HK$'000	2012 HK$'000
Assets			
Non-current assets			
Land use rights		**33,667**	1,406
Property, plant & equipment		**291,184**	313,233
Construction in progress		**16,037**	15,903
Intangible assets		**36,339**	33,324
Interest in an associate		**–**	18,970
Deferred income tax assets		**12,108**	15,261
Prepayments	*10*	**2,393**	181
Pledged bank deposits		**474**	1,038
Fixed deposits		**315**	–
		392,517	399,316
Current assets			
Inventories		**238,806**	281,614
Trade & other receivables	*10*	**294,351**	334,441
Financial assets at fair value through profit or loss		**33,235**	556
Current income tax assets		**716**	2,829
Pledged bank deposits		**100**	11,639
Fixed deposits		**96,505**	4,345
Cash & cash equivalents		**306,760**	453,162
		970,473	1,088,586
Non-current asset held for sale	*12*	**17,192**	–
Total assets		**1,380,182**	1,487,902

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Note	2013 HK$'000	2012 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital		**21,219**	21,219
Reserves		**382,561**	403,212
Retained earnings:			
Proposed final dividend		**25,462**	25,462
Others		**446,407**	426,871
		875,649	876,764
Non-controlling interests		**42,370**	58,339
Total equity		**918,019**	935,103
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**219**	123
Retirement benefit obligations		**25,477**	23,271
Other long-term liabilities		**3,015**	3,015
		28,711	26,409
Current liabilities			
Bank borrowings – unsecured		**82,336**	120,916
Trade & other payables	*11*	**339,823**	395,211
Current income tax liabilities		**8,477**	4,212
Derivative financial instruments		**2,816**	1,693
Amounts due to non-controlling shareholders		**–**	4,358
		433,452	526,390
Total liabilities		**462,163**	552,799
Total equity & liabilities		**1,380,182**	1,487,902
Net current assets		**554,213**	562,196
Total assets less current liabilities		**946,730**	961,512

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 and liabilities (including derivative financial instruments) at fair value through profit or loss.

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.

2. CHANGES IN ACCOUNTING STANDARDS

(a) New and amended standards mandatory for the first time for the financial year beginning 1 January 2013 but which have no material impact to the Group

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Forth 2011 annual improvement project	

(b) New standards, amendments and interpretations which have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

The Group has not early adopted the following new and revised standards, amendments and interpretations that are relevant to the Group. These standards have been issued but not yet effective:

HKFRS 7 and HKFRS 9 (Amendment) and transition disclosures[2]	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9
HKFRS 9	Financial Instruments[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities[1]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendment)	Impairment of Assets[1]
HKAS 39 (Amendment)	Novation of Derivatives[1]
HK(IFRIC) – Int 21	Levies[1]

Note:

1 Effective from annual periods beginning on or after 1 January 2014
2 Effective from annual periods beginning on or after 1 January 2015

The Group is assessing the impact of these new standards and amendments, and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. TURNOVER AND SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors which are used to assess performance and allocate resources. The Board of Directors considers the businesses performance review on a geographical basis is a fairer evaluation of the business as the economic and operating environment in each region has its own characteristics. The Board of Directors assesses the performance in the following geographical areas: Asia, Europe, the Middle East and Africa ("EMEA"), North America and South America. The presentation of the segment information has, therefore, changed to geographical areas of business for the year ended 31 December 2013. The comparative figures have also been restated to conform with current year's presentation.

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

The segment information provided to management for the reportable segments for the years ended 31 December 2013 and 2012 is as follows:

For the year ended 31 December 2013

	Asia	EMEA	North America	South America	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	639,238	232,753	540,943	20,266	–	1,433,200
Cost of production[1]	(431,177)	(96,270)	(287,917)	(13,042)	–	(828,406)
Gross margin	208,061	136,483	253,026	7,224	–	604,794
Segment results	34,162	(26,004)	32,220	(8,002)	–	32,376
Unallocated expenses[2]						(6,907)
Gain in relation to Thailand flooding – net	51,491	–	–	–	–	51,491
Operating profit						76,960
Finance income						1,932
Finance costs						(1,847)
Share of loss of an associate	–	–	–	–	(703)	(703)
Profit before income tax						76,342
Income tax expense						(25,995)
Profit for the year						50,347
Non-current assets	260,674	26,266	33,152	3,107	69,318	392,517
Current assets	557,942	96,122	115,697	9,976	190,736	970,473
Non-current assets held for sale	–	–	–	–	17,192	17,192
Total assets						1,380,182
Segment liabilities	174,609	78,526	95,429	5,454	108,145	462,163
Capital expenditure	(39,865)	(5,386)	(2,802)	(23)	(46,926)	(95,002)
Depreciation of property, plant & equipment	(48,229)	(3,754)	(10,015)	(54)	(213)	(62,265)
Amortisation of land use rights	(1,428)	–	–	–	(564)	(1,992)
Amortisation of intangible assets	(644)	–	(130)	–	(5,304)	(6,078)
Impairment of inventories	(2,002)	(2)	(1,542)	–	–	(3,546)
Recovery of impairment/(impairment) of trade receivables	1,236	(14,815)	4,203	46	–	(9,330)
Gain/(loss) on disposal of property, plant & equipment	313	7	(6)	–	(10)	304

For the year ended 31 December 2012

	Asia *HK$'000*	EMEA *HK$'000*	North America *HK$'000*	South America *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Revenue from external customers	650,962	268,725	530,257	52,701	–	1,502,645
Cost of production[1]	(456,228)	(114,949)	(290,461)	(33,912)	–	(895,550)
Gross margin	194,734	153,776	239,796	18,789	–	607,095
Segment results	(26,882)	12,517	8,501	3,152	–	(2,712)
Unallocated expenses[2]						37,630
Gain in relation to Thailand flooding – net	79,059	–	–	–	–	79,059
Gain on disposal of non-current assets held for sale	–	–	–	–	64,975	64,975
Operating profit						178,952
Finance income						288
Finance costs						(1,974)
Share of loss of an associate	–	–	–	–	(2,779)	(2,779)
Profit before income tax						174,487
Income tax expense						(31,910)
Profit for the year						142,577
Non-current assets	284,736	24,472	40,557	2,379	28,202	380,346
Current assets	490,556	118,605	115,163	9,225	355,037	1,088,586
Interest in an associate	–	–	–	–	18,970	18,970
Total assets						1,487,902
Segment liabilities	355,945	74,099	103,997	3,683	15,075	552,799
Capital expenditure	(96,302)	(7,949)	(18,695)	(113)	(10,330)	(133,389)
Depreciation of property, plant & equipment	(45,706)	(3,068)	(10,268)	(67)	(91)	(59,200)
Amortisation of land use rights	(2,102)	–	–	–	–	(2,102)
Amortisation of intangible assets	(281)	–	(1,573)	–	(4,990)	(6,844)
Recovery of impairment of property, plant & equipment	7,143	–	–	–	–	7,143
Impairment of intangible assets	–	(1,213)	–	–	–	(1,213)
Recovery of impairment/(impairment) of inventories	17,444	(273)	590	(37)	–	17,724
(Impairment)/recovery of impairment of trade receivables	(637)	2,246	(2,156)	(72)	–	(619)
Loss on disposal of property, plant & equipment	(3,811)	(1)	(200)	–	–	(4,012)
Gain on disposal of non-current assets held for sale	–	–	–	–	64,975	64,975

Notes:

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

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

No single external customer accounted for more than 10% of the Group's revenue for the years ended 31 December 2013 and 2012.

4. EXPENSES BY NATURE

	2013	2012
	HK$'000	*HK$'000*
Raw materials & consumables used	**397,398**	694,959
Amortisation of intangible assets	**6,078**	6,844
Amortisation of land use rights	**1,992**	2,102
Depreciation of property, plant & equipment	**62,265**	59,200
Employee benefit expenses	**446,804**	471,790
Operating lease charges in respect of		
– Land & buildings	**45,080**	43,067
– Other assets	**2,219**	2,029
Recovery of impairment of property, plant & equipment	**–**	(102)
Intangible assets written off	**313**	1,213
Impairment/(recovery of impairment) of inventories	**2,109**	(15,920)
Inventories written off	**1,943**	704
Impairment of trade receivables	**14,891**	3,616
Bad debts written off	**4,896**	3,162
Auditor's remuneration	**4,448**	4,200
Recovery of impairment of trade receivables previously recognised	**(5,561)**	(2,997)
Research & development costs	**2,946**	2,452

5. GAIN IN RELATION TO THAILAND FLOODING – NET

		2013	2012
	Note	***HK$'000***	*HK$'000*
Gain in relation to Thailand flooding			
– Insurance recoveries	*(a)*	**53,532**	112,191
Loss in relation to Thailand flooding			
– Expenses incurred	*(b)*	**(2,041)**	(33,132)
Gain in relation to Thailand flooding – net		**51,491**	79,059

(a) Insurance recoveries in relation to Thailand flooding

During the year 2012, the Group had received letters of settlement of various claims from the insurance companies, and hence income of 436,000,000 Thai Baht (approximately HK$112,000,000) was recognised based on these letters of settlement.

During the year 2013, all the Group's insurance claims in relation to the flooding were finalised with the insurance companies. Letters of settlement were received from the insurance companies, and hence income of 213,000,000 Thai Baht (approximately HK$54,000,000) was recognised.

(b) Costs in relation to Thailand flooding

The loss in relation to this flooding presented as part of the Group's operating expenses (excluded in Note 4) is as follows:

	2013	2012
	HK$'000	*HK$'000*
Direct labour costs incurred for idle staff	**–**	11,529
Cost of purchasing replacement carpets	**–**	6,323
Impairment/(recovery of impairment) of inventories	**1,437**	(1,804)
Inventories written off	**–**	1,149
Recovery of impairment of property, plant & equipment	**–**	(7,041)
Loss on disposal of property, plant & equipment	**–**	3,837
Repairs & maintenance of property, plant & equipment	**–**	6,391
Freight charges	**–**	9,409
Others	**604**	3,339
	2,041	33,132

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

On 1 August 2012, formal sale and purchase agreements were signed to dispose the Company's entire interests in the three jointly controlled entities namely, Weihai Shanhua Huabao Carpet Co., Ltd., Weihai Shanhua Premier Carpet Co., Ltd. and Weihai Shanhua Weavers Carpet Co., Ltd. ("Disposal Group"). The consideration was RMB280,000,000 (approximately HK$347,000,000) and the total transaction costs amounted HK$28,000,000. The transaction was completed on 7 December 2012.

The gain on disposal of the Disposal Group on the completion date was as follows:

	2013	2012
	HK$'000	*HK$'000*
Consideration of the disposal	**–**	346,991
Less: direct expenses in relation to the disposal	**–**	(27,736)
Net consideration	**–**	319,255
Carrying value of the Disposal Group	**–**	(311,904)
Release of exchange reverses attributable to the Disposal Group	**–**	41,927
Release of capital reserves attributable to the Disposal Group	**–**	15,697
Gain on disposal	**–**	64,975

7. OTHER (LOSSES)/GAINS – NET

	2013	2012
	HK$'000	*HK$'000*
Gain on disposal of financial assets at fair value through profit or loss	**276**	698
Gain/(loss) on disposal of property, plant & equipment	**304**	(175)
(Loss)/gain on change in fair value of derivative financial instruments	**(336)**	260
Net foreign exchange (loss)/gain	**(7,901)**	1,012
Write off of amount due from an associate	**–**	(356)
Write off of amounts due to non-controlling shareholders	**4,358**	9,088
Other	**2,106**	–
	(1,193)	10,527

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
Hong Kong	**5,222**	6,655
Overseas	**18,098**	7,323
Underprovision in prior years	**227**	675
Deferred income tax expense	**2,448**	17,257
Income tax expense	**25,995**	31,910

9. EARNINGS PER SHARE

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

	2013	2012
Profit attributable to owners of the Company (HK$'000)	**46,785**	132,775
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic earnings per share (HK cents)	**22.05**	62.57

As the Group had no dilutive potential ordinary shares outstanding during the years ended 31 December 2013 and 2012, diluted earnings per share is the same as basic earnings per share.

10. TRADE & OTHER RECEIVABLES

Group

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**203,332**	248,902
Less: provision for impairment of trade receivables	**(21,614)**	(13,788)
Trade receivables – net	**181,718**	235,114
Prepayments	**30,763**	25,252
Value added tax receivables	**2,200**	8,849
Rental deposits	**8,633**	7,746
Insurance recoveries receivables	**57,795**	47,614
Other receivables	**15,635**	10,047
	296,744	334,622

Other receivables included in non-current assets amounted to HK$2,393,000 (2012:HK$181,000).

The trade receivables approximate fair values as at 31 December 2013 and 2012. 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 are as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**113,384**	124,240
31 to 60 days	**35,505**	45,731
61 to 90 days	**14,354**	22,056
91 to 365 days	**24,676**	46,626
More than 365 days	**15,413**	10,249
	203,332	248,902

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

	2013	2012
	HK$'000	*HK$'000*
Amounts past due but not impaired:		
Less than 30 days past due	**55,677**	51,585
31 to 60 days past due	**12,092**	19,231
61 to 90 days past due	**4,669**	10,204
91 to 365 days past due	**17,372**	33,502
More than 365 days past due	**224**	3,768
	90,034	118,290

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

As at 31 December 2013, trade receivables of approximately HK$90,034,000 (2012: HK$118,290,000) were past due but not impaired. The balances were related to a number of customers that have a good track record with the Group. Based on past experience, management estimates that the carrying amounts should be fully recovered.

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

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**13,788**	15,362
Impairment of trade receivables	**14,891**	3,616
Recovery of impairment previously recognised	**(5,561)**	(2,997)
Receivables written off as uncollectible	**(2,105)**	(2,426)
Exchange difference	**601**	233
At 31 December	**21,614**	13,788

11. TRADE & OTHER PAYABLES

Group

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**56,970**	69,566
Deposits received in advance	**120,583**	149,614
Accrued expenses	**104,659**	127,049
Other payables	**57,611**	48,982
	339,823	395,211

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

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**43,818**	49,772
31 days to 60 days	**7,730**	11,264
61 days to 90 days	**664**	1,745
More than 90 days	**4,758**	6,785
	56,970	69,566

12. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's interest in an associate. Accordingly, management reclassified all the Group's interest in an associate as non-current asset held for sale as at 31 December 2013, as the carrying value would be recovered principally through sale, the interest in an associate is available for immediate sale at their present conditions and such sale is considered highly probable.

DIVIDEND

No interim dividend was paid during the year. The Directors recommend a final dividend of HK12 cents per share (2012: HK12 cents), totalling HK$25,462,000 (2012: HK$25,462,000) for the year ended 31 December 2013. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company on 23 May 2014, 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 3 June 2014.

CHAIRMAN'S STATEMENT

The first half of the year was characterised by lower turnover, but a strong performance in the second half of the year, combined with an overall improvement in margin and control of expenses, allowed us to increase operating profit before certain one-off, non-recurring items compared with the previous year.

Our Industry business had its strongest year since the start of the global recession in 2008 and reported record profits based on a very strong performance in Asia. Our business in Thailand delivered very strong results for the year and has fully recovered from the flood.

Our high-end Artisan businesses had a more difficult year as our residential business in Europe faced declining demand. We restructured our European operations to bring overhead costs and support infrastructure back in line with the lower turnover versus our longer-term plans. Turnover in the US residential sector increased and the business is now close to break-even after years of investment in showrooms and collateral.

We managed to further increase our share in the Aviation sector through our dedicated sales, design and customer service teams and the specialised systems for processing Aviation orders at our Nanhai factory.

We are pleased to report that we settled our claims relating to the losses sustained as a result of the flood in Thailand in October 2011 with our underwriters. Last year we settled our claim related to damaged inventories and this year we settled the claims related to business interruption losses and property damage. In total we recovered HK$166 million to compensate for the losses incurred as a result of the flood.

We decided to consider our options regarding the minority shareholding in the Philippines Carpet Manufacturing Corporation ("PCMC") and intend to sell this stake in the company over the next 12-18 months.

Throughout the year we undertook several new marketing initiatives, of which the most important is the creation of a new brand, Vicara, which will encompass our line of hand-knotted rugs sourced from Nepal.

Over the past decade, the Board has encouraged significant investment to develop the Tai Ping brand, geographical spread and product range. As a result, sales and margins have grown and a firm business base has been established, which enabled the Group to perform even amid adverse market conditions and recover very robustly and rapidly from the Thailand flood. However, operating costs have also increased substantially in the course of this expansion and therefore we have initiated a global profit improvement process throughout the Group. This is taking a critical look at the size of our infrastructure and support organisation and we are analysing opportunities to reduce the global cost base significantly to boost overall profitability.

Land was purchased for a new Artisan workshop in Xiamen, PRC, focused on the production of high-end custom handmade products, with completion due in mid 2015.

In 2014 we are also looking forward to the opening of our first showroom in Mainland China in Shanghai, the formal launch of our Vicara hand-knotted brand identity, the redesign of our flagship showroom in New York and the rollout of Cogolin products into the United States and Asia.

On behalf of all the members of the Board, I would like to thank Tai Ping management and staff for their achievements and dedication to the business this year. I would also like to thank the Directors for their continued support and advice.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's consolidated turnover for the year ended 31 December 2013 was HK$1,433 million, down HK$70 million or 5% compared to the previous year.

Gross margin rose by 4 percentage point to 45%. Operating expenses increased by 5% to HK$624 million and the Group recorded an operating profit of HK$25 million before one-off, non-recurring items.

One-off, non-recurring items mainly include income of HK$54 million related to the insurance recovery of flood related losses in relation to the flooding of our factory in Pathumthani, Thailand in 2011, bringing the total amount recovered to HK$166 million.

Operating profit after one-off, non-recurring items amounted to HK$77 million and net profit attributable to the equity holders to HK$47 million, a decrease of HK$86 million versus the previous year. The decrease was mainly as the previous year included a profit of HK$65 million related to the disposal of jointly controlled entities and a higher insurance recovery of flood related losses.

CARPET OPERATIONS

Turnover of the carpet operations decreased by 5% to HK$1,395 million in 2013 mainly due to a 13% decrease in turnover in Europe.

Asia remains our largest region, generating 46% of turnover, followed by North America at 36%, with Europe and South America making up the remainder at 17% and 1% respectively.

The gross profit margin increased 2 percentage points to 43%, with all regions contributing to the improvement. Margins in Asia improved by 3% following the restructuring of our operations in India in the previous year and a refocus on higher margin products. Margins in Europe and the Americas improved by almost 2%.

The Americas

Turnover in the Americas decreased by 6% to HK$523 million. While turnover in North America grew, turnover in South America decreased significantly compared with high sales in the previous year due to a backlog of orders, which had been delayed because of the flood in Thailand.

The Artisan businesses had a good year, with turnover growing 10% to HK$209 million and margins increasing. Coming off a very strong performance in the prior year the Aviation sector, through focus on key customers, increased turnover by another 10%. Our customer service remains unrivalled in the industry and we started to develop a stock rug programme for the completion centres that focus on the refurbishment of private planes.

On the residential side we secured a global contract to supply Tiffany's retail stores worldwide and landed several high-end contracts for renowned private residences.

The U.S. hospitality business had a good year. Turnover declined slightly from a strong prior year, which had been boosted by backlogged orders after the Thailand flood and we exited some unprofitable segments, but margins improved and profits rose. The Marriott hotel group remains our largest customer, and we extended our stock programme for Marriott CFRST properties (Courtyard, Fairfield Inn, Residence Inn, Spring Hill Suites and Town Place Suites).

Our business in Latin America had a poor year, pulling down the overall performance of the Americas as turnover declined sharply as a result of the poor economic conditions and strong sales in the prior year. The order book going into 2014 is a lot stronger and the outlook is modestly positive.

Gross margin in the Americas increased by 2% to 48% due to the higher percentage of Aviation sector sales in the mix and improving margins in industry sectors. Segment profit for North America and South America doubled to HK$22 million over prior year.

Asia

Turnover in Asia decreased slightly by 2% to HK$639 million, mainly due to the effect of 2011 Thailand flood-related back-logged orders being recorded in 2012. On a like-for-like basis turnover improved.

Thailand showed a very strong performance with turnover increasing by 3% to HK$430 million. The domestic market, the export market and the automotive market all delivered a strong improvement in turnover, at higher margins and overall the business delivered a significant increase in operating profits. The political unrest in Thailand had no significant impact on our business throughout the year, but local management has contingency plans to deal with disruption and other eventualities.

Industry sector turnover in the rest of Asia decreased by 10% to HK$183 million, as we exited unprofitable segments, leading to a strong improvement in margins.

In 2012 we downsized our operations in India and refocused the business on our own, in-house manufactured high-end "1956 by Tai Ping" industry brand and residential products, rather than low-priced locally produced products. The strategy has paid off and the entity recorded higher sales and is now profitable once again.

Our Asian Artisan business managed out of Hong Kong had a soft year and sales decreased by 9% compared with the previous year. The business recorded an operating loss, as we are investing in the high-end residential business in Mainland China, but the business is getting closer to break-even. Construction of our new showroom in Shanghai, designed by Belgian-born architect Ramy Fischler is almost completed, with a formal opening scheduled in March 2014.

Before one-off, non-recurring items, the region generated operating segment profit of HK$34 million, an improvement of HK$61 million compared with the previous year. After one-off, non-recurring items the region recorded operating segment profit of HK$86 million.

Europe, the Middle East and Africa

Our businesses in Europe and the Middle East had a disappointing year as turnover decreased by 13% compared with prior year to HK$233 million.

Our businesses in the UK and France saw a strong decline in demand, while our newly established entity in Dubai underperformed versus expectations. The Yacht sector continued to perform well, but turnover decreased versus an exceptionally strong prior year as fewer high-end yachts were scheduled for completion. La Manufacture Cogolin managed to increase its turnover.

Gross margin increased by 2 percentage points to 59% compared to the previous year, but this improvement was not sufficient to offset the loss in turnover and the region generated operating segment loss of HK$26 million for the year.

We have implemented a restructuring programme to reduce the cost base in Europe and align it with longer-term business expectations.

Manufacturing Operations

Our manufacturing operations focused strongly on employee efficiency and environmental development.

At our Nanhai factory in China we experienced some labour shortages, although the labour market is not as overheated as it has been in recent years and we have made good progress in increasing our retention rate by offering production incentives and good secondary benefits. The new package dyeing facility is now fully operational, consuming 65% less water and incurring 50% less overall cost than traditional dyeing technologies.

At our Pathumthani factory in Thailand a combination of restructuring and non-replacement of leavers reduced non-productive staff headcount and direct labour significantly. Strengthening environmental credentials continued to be a priority, and we moved closer to "Green Industry" status with the penultimate CSR award granted by the Industry Ministry CSR in September.

We completed the land purchase for our new Artisan workshop in Xiamen, PRC and have received all the necessary government and regulatory approvals to start construction. Conceived by the renowned French architect Jean-Marc Sandrolini, the new facility will become the production heart of our Artisan business. We have established a temporary workshop in Xiamen to recruit and train artisan tufters for the new facility, which currently employs 23 tufters. Opening of the new facility is foreseen in mid 2015.

Overall headcount at our manufacturing operations reduced by 97 to 2,404.

Human Resources

The number of employees decreased by 78 to 3,100, predominantly due to establishment reductions in our factories in China and Thailand. The rollout of our global HR administrative information system was completed, giving us easy access to employee statistics, historical and current payroll data. We prepared for the extension of our global work-level classification system to non-management levels, which will be completed in 2014.

Information Technology

Oracle ERP was rolled out into Europe and work was started to link Carpets Inter Thailand and feed Oracle directly through the ERP system in Hong Kong, allowing for future opportunities for centralised scheduling. We delayed the scheduled implementation of Oracle system into our main factories in China & Thailand as we are refocusing on increasing the efficiency of the existing ERP system in the sales entities.

Quantum, our in-house developed design software, was further enhanced with new features and extended with the creation of Annex which makes changes in coloration and scale of designs much more efficient.

Design & Marketing

Our global brand strategy was revamped with six brands organised under two categories: Artisan and Industry. Tai Ping, Edward Fields, La Manufacture Cogolin and our newest brand, Vicara, represent the Artisan brands, and 1956 by Tai Ping and Carpets Inter, the Industry brands.

Each of these brands have a unique positioning in our portfolio and will allow us to sell a full range of rug-making techniques for all project types from homes, boutiques, yachts and jets with our distinctive Artisan luxury offering to hotels, offices and public spaces with our Industry appropriate products. Geographically, we continue to evaluate and optimise our existing showrooms and sales force to take full advantage of this unique, robust house of carpet brands.

Every year we seek new design collaborations that raise international awareness for the brands. For Tai Ping, we collaborated with emerging Brooklyn-based designers Chen Chen and Kai Williams on a series of elaborate and innovative tapestries exhibited during Art Basel/Design Miami, which will continue to be exhibited in other high profile exhibitions around the world. In Hong Kong, our first pop-up shop was launched on Tai Ping Shan Street, giving us great direct exposure to new potential customers and fresh buzz for the brand. And in Paris our work with Sam Baron and the Fabrica team presented a thought-provoking exhibition of carpet as art objects.

1956 by Tai Ping introduced the Design Collective at Hospitality Design show in Las Vegas. Created by three emerging artists from across the globe, this series explored the traditional boundaries of Axminster design. In addition to setting us apart from the competition in the hospitality sector, the press welcomed the new and edgy designs in publications worldwide.

Edward Fields worked with the Raymond Loewy foundation to re-introduce five limited edition rugs from the archive by the renowned 1950's industrial designer that were extremely welcome in the design community with its new found appreciation for all things mid-century American.

La Manufacture Cogolin launched its first hand-knotted collection made in Nepal, based on the original Henri Gonse designs from the 1930's under the Cogolin et les Main du Monde label which will distinguish this from the made-in-France product sold under the Cogolin brand.

Developments for our newly created brand, Vicara, included a new visual identity and first collections of hand-knotted rugs from Nepal to be sold through our own multi-branded showrooms and third party points of distribution. Vicara will launch the first global collection, Earth & Sky, in 2014.

Carpets Inter highlights included the launch of the Pop Culture carpet tile collection and the Sanctuary broadloom tufted collection with a greater focus on the Thai domestic market. The development of Zero Flow with an impervious backing system, engineered for use in healthcare facilities, was very well received and will help us augment market share in Australia in this particular sector.

Construction of our first showroom in Mainland China was substantially completed by the end of the year. Conceived by Belgium-born designer Ramy Fischler, who also designed our flagship showroom in Paris, our new showroom in Shanghai will help us to attract new customers for our luxury Artisan rugs brands, with a focus on Tai Ping, La Manufacture Cogolin and Vicara. Formal opening is scheduled for March 2014.

"The Thread", our in-house developed digital application, was launched in the U.S., Europe and Hong Kong. Well received by our sales teams, the rollout continues to impress the design communities it serves as an innovative new tool for login access to Tai Ping's full breadth of resources in showrooms and remotely.

The first phase of our new website went live in September with a well-received, artful film. It represents all six brands in a new and dynamic format with clear concise site map. The complete site will be launched in the second quarter of 2014 with a more robust, customer-friendly interface and clarity on our broad product offering for all six brands.

NON-CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's U.S.-based yarn-dyeing facilities, recovered strongly and delivered healthy profits for the year, after several years of poor results, due to the economic downturn in the Dalton, Georgia carpet industry.

Turnover increased by 40% to HK$38 million. The outlook for the coming year is positive, with the carpet industry further recovering.

Asset Held for Sale

We decided to evaluate our options regarding our minority shareholding in PCMC and subsequently reclassified the shareholding as an asset held for sale. An independent valuation of the business is in progress and results are expected to be available in the first quarter of 2014. We intend to sell our shareholdings in the next 12 to 18 months.

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 2013, the Group had total cash and bank balances amounting to HK$307 million (2012: HK$453 million).

As at 31 December 2013, the Group also held financial assets at fair value through profit or loss of HK$33 million (2012: HK$1 million).

EMPLOYEE & REMUNERATION POLICIES

As at 31 December 2013, the Group employed 3,100 employees (as at 31 December 2012: 3,178 employees). Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as an annual incentive to reward and motivate individual performance.

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.

CORPORATE GOVERNANCE

The Board and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013, other than code provision A.4.1 of the CG code.

The Company's Non-Executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, at annual general meeting of the Company (the "AGM") on 24 May 2013, in order to be more consistent with code provision A.4.1 of the CG Code, the relevant Bye-law of the Company was amended to ensure that every Director would retire by rotation at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company (the "Tai Ping Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code throughout the year ended 31 December 2013.

FINANCIAL REPORTING & INTERNAL CONTROLS

The consolidated financial statements of the Company for the year ended 31 December 2013 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 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, the associate might not fully follow the Group's internal control system. The Group is not involved in routine operational decisions and does not play an active role in running the businesses of the associate, 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 associate's 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.

AUDIT COMMITTEE

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

During the year under review, the Audit Committee held three 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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to attend and vote at the forthcoming AGM, the transfer books and the register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014 (both days inclusive), during such period, no transfer of shares will be effected. In order to establish the right to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 20 May 2014.

For determining the entitlements to the proposed final dividend for the year ended 31 December 2013, the transfer books and the register of members of the Company will be closed from Thursday, 29 May 2014 to Tuesday, 3 June 2014 (both days inclusive), during such period, no transfer of shares will be effected. To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the AGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Wednesday, 28 May 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.taipingcarpets.com). The 2013 Annual Report of the Company containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By order of the Board

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

Hong Kong, 21 March 2014

The names of Directors as at the date hereof are: Chairman and Non-executive Director – Mr. Nicholas T. J. Colfer; Chief Executive Officer and Executive Director – Mr. James H. Kaplan; Independent Non-executive Directors – Mrs. Yvette Y. H. Fung, Mr. Roderic N. A. Sage, Mr. Lincoln C. K. Yung, Mr. Aubrey K. S. Li; Non-executive Directors – Mr. Ian D. Boyce, Mr. David C. L. Tong, Mr. John J. Ying, Mr. Nelson K. F. Leong.