Tai Ping Carpets International Limited

Annual Report 2016

Incorporated in Bermuda with Limited Liability
Stock Code: 146

TAI PING

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Annual Report 2016

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 broader 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.

Peerless since 1956

Bokeh II, Blur Collection, Tai Ping, Handknotted Rug

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Tai Ping at-a-Glance

Tai Ping is Asia's premier carpet manufacturer and is 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 dollars except per share amounts

		2016	2015
Per share	Net worth per share (HK$)	**3.38**	3.67
	Basic (losses)/earnings per share (HK cents)	**(15.73)**	8.93
	Final dividend declared per share (HK cents)	**3.00**	3.00
For the year	Turnover	**1,320,288**	1,313,007
	(Loss)/profit for the year	**(37,708)**	19,961
	(Loss)/profit attributable to owners of the Company	**(33,372)**	18,958
	Earnings before interest, tax, depreciation & amortisation	**61,605**	103,553
	Additions to land use rights, property, plant & equipment, construction in progress and intangible assets	**97,532**	108,940
As at 31 December	Capital & reserves attributable to owners of the Company	**682,461**	736,915
	Shares in issue (in thousands)	**212,187**	212,187
Ratio	Return on capital & reserves attributable to owners	**(4.9%)**	2.6%

Five-year Consolidated Financial Summary

Year ended 31 December

Assets & Liabilities

	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,245,484**	1,264,446	1,336,532	1,380,182	1,487,902
Total liabilities	**528,367**	485,461	501,053	462,163	552,799
Total equity	**717,117**	778,985	835,479	918,019	935,103

Consolidated Income Statement

	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to:					
Owners of the Company	**(33,372)**	18,958	23,832	46,785	132,775
Non-controlling interests	**(4,336)**	1,003	1,859	3,562	9,802
	(37,708)	19,961	25,691	50,347	142,577

Private Residence, Shenzhen, by Yabu Pushelberg
Varoise, La Manufacture Cogolin

Chairman's Statement

The first half of 2016 was again characterised by lower turnover, but with much stronger performance in the second half, full-year sales were slightly ahead of prior year. The operating profit of Tai Ping's core business was HK$57 million, up 10% on prior year, but HK$56 million in one-off expenses and HK$10 million one-off withholding tax payment resulted in a net loss attributable to owners of the Company of HK$33 million compared to net profit of HK$19 million in 2015.

One-off costs included business streamlining in our South American distribution business, but the most significant item was HK$51 million incurred in closing down hand-made operations in Nanhai and transferring employees, plant and equipment to our new Artisan workshop in Xiamen. This expense was flagged in last year's Annual Report, and the opening of the new workshop constitutes a major milestone for the Company. The transition has not been without its challenges, but the cost incurred is consistent with plan, the project has been well managed, and the projected benefits are now in place.

Our high-end Artisan business delivered sales that were slightly up over prior year. The Board views the Asian Artisan market as a key growth opportunity, so it is pleasing to see the increased investment in this region is starting to deliver results. Equally encouraging is the on-going strengthening of our luxury Yacht business which continues to drive growth in Europe.

Our Commercial business delivered turnover that was also in line with 2015 overall, with a slow-down in the American hospitality sector offset by a resurgent Asia, where hotel and casino demand in Hong Kong, China and Macao was particularly encouraging.

Our dedicated Aviation team experienced a challenging year linked to a slow-down in orders from key customers. However, we still see this market segment providing growth longer term and continue to invest in sales, marketing and new product offerings aimed at increasing our share of the new build and refit business.

In 2017, work will continue to drive Xiamen to capacity, turning our attention to the Artisan business's top-line, and filling the new workshop to maximise its potential. In parallel, as announced in November, an evaluation is underway of strategic options for the Commercial business, focused upon optimising shareholder value.

Although the net result for 2016 was a loss, and while there is continuing focus on cost and cash flow as we proceed with Xiamen Phase 2, the Board is recommending payment of a final dividend of HK3 cents per share.

On behalf of all the members of the Board, I would like to thank Tai Ping management and staff who, in a challenging year, have executed considerable change in the business with minimal disruption. I would also like to thank the Directors for their continued support and advice.

Nicholas T. J. Colfer
Chairman

Hong Kong, 17 March 2017

Management Discussion & Analysis

BUSINESS REVIEW

The Group's consolidated turnover for the year ended 31 December 2016 was HK$1,320 million, compared to HK$1,313 million in 2015, a slight increase of 1%.

Gross margin for the year was 45%, a reduction from 47% in 2015. Distribution costs increased by 2% to HK$328 million and administrative expenses increased by 11% to HK$278 million. Group operating profit was HK$1 million as compared to HK$36 million in 2015.

Net loss attributable to owners of the Company for the year was HK$33 million, compared to net profit of HK$19 million in 2015.

The Group's 2016 result was heavily influenced by non-recurring expenditure of HK$56 million incurred in executing the relocation of its China Artisan supply-chain to the new manufacturing facility in Xiamen, and also streamlining its overseas operations (2015: HK$16 million).

Excepting this one-off impact, the operating profit in Tai Ping's core business was HK$57 million or 10% up compared to the previous year.

In 2016, the Group incurred HK$10 million withholding tax payment in relation to a fund transfer from its Thailand operations to finance the construction of the new manufacturing facility in Xiamen.

CARPET OPERATIONS

Turnover in the year was HK$1,289 million, which was flat compared with the previous year of HK$1,285 million. The Artisan business increased by 0.4% from the previous year and the Commercial business increased by 0.3%.

The overall gross profit margin was 45%, compared with 47% in the previous year. The reduction in gross margin was partially linked to higher fixed manufacturing overheads that could not be effectively utilised during the transition of manufacturing operations in China.

The Americas

Turnover in the Americas was down by 13% to HK$508 million, principally due to softening of the US hospitality sector as well as a number of projects being put on hold by a major Aviation client undergoing restructuring.

The Artisan business was also slightly down, impacted by temporary supply disruption during the transfer of manufacturing operations to the new Xiamen factory through the middle of the year.

Asia

Turnover in Asia was HK$558 million, increasing by 13% from the previous year.

Overall business out of Thailand was down by 8% to HK$281 million, primarily due to weakness in Carpet Tile sales into Australasia. Some of this is linked to changes within the distribution network while market research has also been conducted leading to the refreshment of certain product lines that have not been performing. These shortfalls were partially off-set by an encouraging increase in automotive sales.

Business in the rest of Asia increased sharply, by 48%, to HK$277 million helped by a strong order book carried over from 2015, and largely linked to the strength of the Asia hospitality and gaming sectors.

The Artisan business also showed encouraging growth of 56% to HK$50 million following organisational changes, greater strategic focus, and additional investment in Sales and Marketing.

Europe, the Middle East and Africa

Turnover in Europe and the Middle East was HK$223 million, increased by 6% from the previous year.

Fewer large projects in the year, combined with weakening of the British Pound and the Euro contributed to a reduction in Residential business, but continued strength in the Yacht sector and encouraging growth in Aviation combined to deliver the overall improvement.

Manufacturing Operations

2016 witnessed a transformational change in Tai Ping's Artisan, hand-made operations with its entire supply-chain transferring from its Nanhai facility in Guangdong Province to a new state-of-the-art workshop in Xiamen, Fujian Province.

Xiamen Phase One construction is almost complete and, following fit-out, machine commissioning and trial production began in September. Just under 300 skilled workers agreed to transfer from the old to the new facility with the balance recruited locally. Skills and outputs in Xiamen have since grown rapidly and the transfer and ramp-up of new operations will be completed over the course of 2017.

Phase Two, which will ultimately enable a 50% capacity increase over the old plant, is underway, with construction expected to complete by the end of 2017.

The transfer of Artisan employees, plant and equipment from Nanhai began in the second quarter of 2016 and is on-going. Around 130 employees left the old factory through natural attrition when the transfer was announced, while a further 600 have been or will be offered severance and the opportunity to transfer. As expected, the process led to considerable one-off, non-recurring costs during the year. The transfer will be completed in 2017.

Nanhai continues to operate as part of our Commercial supply-chain although it too is being re-engineered to establish a leaner and more efficient business with around 200 employees. The resulting Axminster output will supplement production from our biggest plant in Pathumthani, Thailand.

The Thai facility had another strong year with a continued focus on driving efficiency in all its forms. Material costs and utilisation showed particular improvement in the year, while indirect and overhead costs continued to reduce. Enhanced responsiveness and flexibility, driven by employee cross-training and new outsourcing arrangements, supported record levels of Commercial production and shipment through the seasonal peak in quarter four.

Overall headcount across the three factories reduced by 96, ending the year at 2,210 employees.

Human Resources

The overall number of employees across the business decreased by 98 to 2,773.

Internal communication continued to be key area of focus during the year and good progress has been made using a new company intranet to share successes and company news, establishing greater cohesiveness across so many time-zones.

Following the restructuring of Marketing and Design at the end of the previous year, 2016 saw changes in Finance where we welcomed a new Chief Financial Officer, Lung Chi Sing Alex, who joined in August. In both areas much emphasis has been placed on improving understanding and integration across the regional teams, as well as getting closer to, and better supporting, key customers in Sales and Operations.

Communication, training and streamlining initiatives will continue in 2017.

Information Technology

The roll-out of the Oracle ERP Sales & Distribution module across the US was completed in 2016, resulting in significantly enhanced reporting, and improved controls.

The last deployment – in Europe – is also largely completed, with only the UK and Germany still currently in progress.

The Datatex factory ERP implementation at the new facility in Xiamen is part completed with support from third-party consultants. The project is scheduled for completion in 2017.

Design and Marketing

Building on the launch of the "House of Tai Ping" brand strategy in 2015, a major focus has been on conducting refresher training in relation to the five core brands for the global sales force and for customers at events hosted in our Hong Kong, Paris and New York flagship showrooms.

The new, better integrated Product Development, Collection Design & Marketing departments have worked closely with the Sales organisation to establish a "global calendar" of product launches, exhibitions and other customer events to promote the Tai Ping brands globally.

In 2016 Tai Ping launched seven new Collections and three innovative new yarn systems, supported by better integrated PR campaigns, resulting in significant global media coverage.

Over the course of the spring, Tai Ping launched its “Bloom” Collection curated by the celebrated American florist Jeff Leatham. This was followed in the autumn by “Edition Two”, the second fast-track delivery, semi-stock offering, containing patterns designed by six established or rising stars of the international design community. Both of these new collections were launched in Asia (Hong Kong and Shanghai), Europe (Paris) and the United States (New York and Los Angeles).

Edward Fields launched “Magnetic”, a collection of ten archive designs from the 1970’s, while Manufacture Cogolin launched “Variamen”, a collection of handwoven rugs by architect Charles Zana.

1956 by Tai Ping collaborated with Californian design studio WrappedLA to launch “Synthesia”, a collection of Hand Tufted and Axminster designs geared for international hospitality markets.

Lastly, three new proprietary Tai Ping yarn systems, “Steele”, “Field” and “Glosilk”, were launched across the brands, providing different aesthetics and textures to our customers. One of them, “Field”, is available in a 100% water-proof product providing luxury for the outdoor lifestyle.

NON CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group’s US-based yarn-dyeing facilities, began processing wool yarns in 2016 in response to a shift in US demand away from synthetics.

While this has put the business in a stronger position moving forwards, the benefit from 2016’s 10% revenue growth was offset by one-off costs incurred to address changes in regulatory and environmental requirements.

ASSET HELD FOR SALE

Our minority shareholding in PCMC continues to be classified as an asset held for sale. The underlying factory site in Manila is currently being marketed for sale by PCMC, after which our intention is to sell or otherwise unwind our shareholding, which we fully expect to happen in the next 12 months.

James H. Kaplan
Chief Executive Officer

Hong Kong, 17 March 2017

Private Residence, Paris, by Dimore Studio
Memorabilia II Quince by Rodolfo Agrella for Tai Ping Edition Two

Board of Directors

Chairman & Non-Executive Director
Nicholas T. J. Colfer: aged 57
Chairman since 2005; Non-Executive Director since 2003; Chairman of the Executive and Nomination Committees

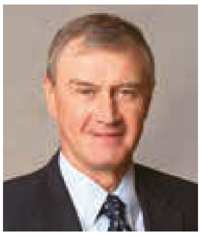
Mr. Colfer is a Director of Sir Elly Kadoorie & Sons Ltd., a Non-Executive Director of The Hongkong and Shanghai Hotels, Ltd. and serves on several other corporate boards in Hong Kong. He holds a Master of Arts degree from the University of Oxford.

Chief Executive Officer & Executive Director
James H. Kaplan: aged 61
Chief Executive Officer and Executive Director since 2003; Member of the Executive Committee

Mr. Kaplan has been with Tai Ping for more than thirteen years. Prior to that, he was the Divisional Vice President of the high-end global furniture manufacturer Knoll International. He holds a Bachelor of Arts degree from Lafayette College.

Non-Executive Director
Nelson K. F. Leong: aged 53
Non-Executive Director since 2012; Member of the Executive Committee

Mr. Leong is an Executive Director of Henry G. Leong Estates Ltd., a Director of Fontana Enterprises Ltd., Gainsborough Associates Ltd. and 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.



Non-Executive Director
Andrew C. W. Brandler: aged 60
Non-Executive Director since 2014

Mr. Brandler is a Director and Chairman of Sir Elly Kadoorie & Sons Ltd., a Non-Executive Director and Deputy Chairman of The Hongkong and Shanghai Hotels, Ltd. and a Non-Executive Director of CLP Holdings Ltd. He was the Group Managing Director and Chief Executive Officer and an Executive Director of CLP Holdings Ltd. in the past three years. He has had an extensive career as an international banker and company executive. He is a Chartered Accountant, and holds Bachelor of Arts and Master of Arts degrees from the University of Cambridge and a Master of Business Administration degree from Harvard Business School.

Non-Executive Director
David C. L. Tong: aged 46
Non-Executive Director since 1997; Member of the Executive and Remuneration Committees

Mr. Tong is a Director of Sir Elly Kadoorie & Sons Ltd., CLP Power Hong Kong Ltd., Hong Kong Business Aviation Centre Ltd. and serves on several other corporate boards in Hong Kong. He retired as an Independent Non-Executive Director of Hong Kong Aircraft Engineering Co., Ltd. in May 2016. He is a Chartered Engineer and holds a Bachelor of Engineering degree from the University of London.

Non-Executive Director
John J. Ying: aged 54
Non-Executive Director since 1999; Member of the Executive and Audit Committees

Mr. Ying is the Managing Director of Peak Capital, a private investment firm focused on investments in Greater China and Chairman of the Asian Republican Coalition. He resigned as Chairman of Bracell Ltd. (formerly Sateri Holdings Ltd.) on 1 November 2016. 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 Director
Yvette Y. H. Fung: aged 55
Independent Non-Executive Director since 2004; Member of the Remuneration and Nomination Committees

Mrs. Fung is a Director of Hsin Chong International Holdings Ltd. and Chair of The Yeh Family Philanthropy Ltd., a member of various boards in the education and non-profit sectors. She holds both a Juris Doctor and a Bachelor of Arts degree from Stanford University and a Master of Business Administration degree from the University of California, Los Angeles.

Independent Non-Executive Director
Roderic N. A. Sage: aged 64
Independent Non-Executive Director since 2005; Chairman of the Remuneration and Audit Committees

Mr. Sage is an Independent Non-Executive of Guoco Group Ltd. and Alpha Real Trust Ltd. listed on London's Specialist Fund Market. He was the Executive Chairman of a specialist tax, corporate services and trust consultancy firm in Hong Kong. Prior to that, he had worked with KPMG Hong Kong for over 20 years as a senior partner and member of the management board. He has been granted fellow status with the Institute of Chartered Accountants in England and Wales and with the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Institute of Taxation in England.

Independent Non-Executive Director
Aubrey K. S. Li: aged 67
Independent Non-Executive Director since 2010; Member of the Audit Committee

Mr. Li is the Chairman of IAM Holdings (Hong Kong) Ltd. (formerly MCL Partners Ltd.), a Hong Kong-based investment group, a Non-Executive Director of The Bank of East Asia, Ltd. and an Independent Non-Executive Director of Café de Coral Holdings Ltd., China Everbright International Ltd., Kunlun Energy Co., Ltd., Kowloon Development Co., Ltd. and Pokfulam Development Co., Ltd. He retired as a Non-Executive Director of AFFIN Bank Berhad on 16 March 2017. He possesses extensive experience in the fields of investment banking, merchant banking and capital markets. He holds a Master of Business Administration degree from Columbia University and a Bachelor of Science degree in Civil Engineering from Brown University.

Independent Non-Executive Director
Lincoln C. K. Yung, JP, FHKIB: aged 71
Independent Non-Executive Director since 2004 and Non-Executive Director (1980-2004); Member of the Nomination Committee

Mr. Yung is currently Deputy Managing Director of Nanyang Holdings Ltd., Honorary Chairman of Shanghai Commercial Bank Ltd., a Director of The Shanghai Commercial & Savings Bank, Ltd., the President of HK Wuxi Trade Association Ltd. and the Executive Vice-chairman of Federation of HK Jiangsu Community Organisations Ltd. He has extensive experience in the textile, banking and investment industries and serves on various committees and boards. He is a Honorary Advisory Vice President and Fellow of The Hong Kong Institute of Bankers and holds a Master of Business Administration degree from the University of Chicago and is a graduate of Cornell University. He was appointed an Adjunct Professor of The Hong Kong Polytechnic University (School of Accounting and Finance).

Corporate Governance

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 applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016, except for the deviation as disclosed in this report.

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 2016.

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 ten members. Among them, one is Executive Director, five are Non-Executive Directors and four are Independent Non-Executive Directors.

The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Group pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set out on pages 20 to 21 in this Annual Report.

The Board considers that its diversity, including gender diversity, is a vital asset to the business. The Board adopted a Board Diversity Policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

During the year, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to Directors. Additionally, training has been attended by all Directors covering a broad range of topics including Directors' duties, updates on the Listing Rules and accounting reporting standards.

The Board has a balance of skills and experience appropriate for the requirements of the businesses of the Group. All Directors have separate and independent access to the advice and services of the senior management and the Company Secretary, with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

BOARD MEETINGS

The Board of Directors held a total of four Board meetings during the year ended 31 December 2016. Of these, two meetings were held to approve the 2015 final results and 2016 interim results of the Group; the other meetings were held to consider financial and operating performances of the Group. The Chief Financial Officer ("CFO") and the Company Secretary, attended all Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial perspectives.

The attendance of individual Directors during the year ended 31 December 2016 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	4/4
Chief Executive Officer & Executive Director	
James H. Kaplan	4/4
Non-Executive Directors	
Nelson K. F. Leong	4/4
David C. L. Tong	4/4
John J. Ying	4/4
Andrew C. W. Brandler	4/4
Independent Non-Executive Directors	
Yvette Y. H. Fung	4/4
Aubrey K. S. Li	3/4
Roderic N. A. Sage	3/4
Lincoln C. K. Yung	4/4

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.

Apart from the above mentioned Board meetings, the Chairman of the Board held a meeting with all the Non-Executive Directors and Independent Non-Executive Directors without the presence of the Executive Director during the year for discussing, amongst other matters, Directors time comments and contribution in performing their responsibilities to the Company, and the Group's strategy.

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 CG Code, the division of responsibilities between the Chairman and the CEO was formally set out in writing. 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 CG Code. However, the relevant Bye-laws of the Company require that every Director would retire by rotation at the annual general meeting of the Company (the "AGM") at least once every three years which is in line with the CG Code.

In respect of code provision A.6.7 of the CG Code, all Non-Executive Directors (including Independent Non-Executive Directors) attended the AGM held on 20 May 2016.

To the best knowledge of the Company, there are no 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, 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, have given the Company annual written confirmations of their 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.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Appropriate directors' and officers' liability insurance has been arranged for the Directors and Officers of the Company during the year.

BOARD COMMITTEES

The Company currently has four Board committees, namely, Executive Committee, Remuneration Committee, Audit Committee and Nomination 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 four meetings and the attendances of the members at the meetings are as follows:

	No. of meetings attended
Nicholas T. J. Colfer (Chairman)	4/4
James H. Kaplan	4/4
David C. L. Tong	3/4
John J. Ying	3/4
Nelson K. F. Leong	3/4

2. Remuneration Committee

The Company has set up a Remuneration Committee on 23 September 2005 and the terms of reference of Remuneration Committee are aligned with the CG Code. Detailed terms of reference of Remuneration Committee are accessible on the Company's website. Given below are main duties of the Remuneration Committee:

– to make recommendation on the Company's policy and structure for remuneration of the Directors and senior executives
– to determine remuneration of all Executive Directors and senior executives
– to review and approve performance-based remuneration
– to 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 market benchmarks, experience, responsibilities and workload.

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

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, risk management and internal control systems. Detailed terms of reference of Audit Committee are accessible on the Company's website.

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 financial reporting, risk management and internal control.

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)	3/3
John J. Ying	1/3
Aubrey K. S. Li	3/3

4. Nomination Committee

The Company has set up a Nomination Committee on 31 March 2012 and the terms of reference of Nomination Committee are aligned with the CG Code. Detailed terms of reference of Nomination Committee are accessible on the Company's website. Given below are main duties of the Nomination Committee:

– to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
– to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships
– to assess the independence of Independent Non-Executive Directors
– to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive

The members of the Nomination Committee and their attendances at the meeting of the committee are set out below:

	No. of meeting attended
Nicholas T. J. Colfer (Chairman)	1/1
Lincoln C. K. Yung	1/1
Yvette Y. H. Fung	1/1

AUDITOR'S REMUNERATION

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 other member firms under PricewaterhouseCoopers, for services provided are analysed as follows:

	HK$'000
PricewaterhouseCoopers:	
Audit service	4,420
Non-audit services	1,199

COMPANY SECRETARY

Mr. Yip Wai Wan ("Mr. Yip") resigned and Mr. Lung Chi Sing Alex ("Mr. Lung") has been appointed as the Company Secretary of the Company with effect from 17 November 2016. Mr. Lung is the CFO of the Company. Prior to joining the Company, Mr. Lung served as a CFO during 2011 to 2016 and Group Finance Director during 2009 to 2011 of Mindray Medical International Limited. Prior to that, Mr. Lung also served as a Corporate Controller of ASAT Holdings Limited and as a Finance Manager of Clipsal Asia Holdings Limited, a subsidiary of Schneider Electric. Mr. Lung has 10 years professional experience at KPMG engaged in auditing, corporate finance and management consulting. Mr. Lung received his bachelor's degree in Mechanical Engineering from Imperial College, London, United Kingdom. He is a fellow member of The Association of Chartered Certified Accountants and is a member of Hong Kong Institute of Certified Public Accountants.

The Company Secretary is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments. Mr. Yip has been in full compliance with the requirements of Rule 3.29 of the Listing Rules during the year up to his resignation on 17 November 2016 and Mr. Lung has also attended relevant professional training during the year since his appointment on 17 November 2016.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2016 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 page 52 to 57.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. The internal control systems of the Group are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. Such systems are designed to manage, rather than eliminate, the risk associated in failing to achieve certain business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems.

The management of the Company monitors the assessment of the risk management and internal controls and has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The internal audit function conducts reviews of the effectiveness of the Group's risk management and internal control systems 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 various business and operational risks of the Group and is approved by the Audit Committee. The Audit Committee reviews the findings and opinion on Internal Audit in respect of the effectiveness of the Group's risk management and internal control systems periodically, and reports annually to the Board the key findings of such review.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit findings and considered that, for the year ended 31 December 2016, the risk management and internal control systems of the Company were effective and adequate. The Audit Committee also reviewed the adequacy of resources, qualifications, experience and training programme of the Group's Internal Audit staff and accounting and financial reporting staff and considered that the staffing was adequate and the staffs were competent to carry out their roles and responsibilities.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has in place a policy on handling and dissemination of inside information. The Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

For both institutional and retail investors, the Company's website at www.taipingcarpets.com provides up-to-date information on the Group. All key information such as announcements, annual and interim reports can be downloaded from it.

During the year ended 31 December 2016, the Company held the AGM on 20 May 2016. All Directors who are including the Chairman of the Board and chairman of the committees attended the AGM to answer questions and proposals raised by the shareholders of the Company.

SHAREHOLDERS' RIGHTS

1. Procedure for shareholders to convene a Special General Meeting ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene an SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

2. Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at 33rd Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

3. Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at 33rd Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

Ticker Tape, Magnetic Edition, Edward Fields, Handmade Rug

Environmental, Social & Governance Report

ABOUT THIS REPORT

Tai Ping is Asia's premier carpet manufacturer in the international custom carpet industry, offering a full range of quality floorcovering products. The business is vertically integrated from design and manufacturing, to marketing, sales and customer services. Sales and distribution offices are located in the Americas, Europe, the Middle East and Africa, and Asia, and manufacturing bases are located in China and Thailand. The Group spares no effort to be an environment-friendly corporation, as well as actively fulfilling its social responsibilities. It attaches great importance to its customers and employees, as these are factors essential for its sustainability.

This report summarises the Environmental, Social & Governance ("ESG") performance of the Group for the period between 1 January 2016 and 31 December 2016 and is compiled in accordance with the ESG Guide under Appendix 27 to the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited in 2015.

The Group has manufacturing facilities located in Nanhai and Xiamen, China and Pathumthani, Thailand. The Nanhai manufacturing facility is scaling down with the transfer of manufacturing capabilities to our new Artisan workshop in Xiamen, which Phase One is almost complete and trial production began in September 2016 while Phase Two construction is underway, with construction expected to complete by the end of 2017. As a result of the manufacturing transition in China during 2016, this report is mainly based on the Pathumthani operation in Thailand, which represents the majority of the Group's operations during the year.

The Group engaged its stakeholders on an ongoing basis and sought to collect their views and expectations on the Group's ESG performance and disclosures. In 2008, the Thailand operation established a Social Responsibility and Sustainability Committee, which is responsible for statutory compliance, environmental sustainability, benefits of employees and stakeholders and social contribution activities. The following sections cover social responsibility, environmental protection and related key activities performed during the year.

SOCIAL RESPONSIBILITY

Employment and Labour Practices

Employment

The Group strictly abides by all laws and regulations of the regions where its businesses are located. There are well prepared codes of conduct, work regulations and whistleblower policies. For regional policies in Asia, sexual harassment and personal relationship policies are in place to provide clear guidelines in protecting the rights of our employees.

The Group is committed to fair and equal employment practices by setting Employment Practices globally for all of our subsidiaries and affiliates. All employment-related decisions like recruitment, hiring, training, compensation, promotion and performance evaluation are solely based on merit, qualifications (such as competencies and experience), and other job-related criteria, with prohibition of any forms of illegal discrimination against any employees or applicants. The Group actively promotes a friendly working environment free of harassment on any ground including race, religion, gender and national origin.

Occupational Health and Safety

The Thailand operation has formulated its local occupational health and safety policy, giving guidelines in preventing harm and minimising any health hazards to our workforce and all relevant parties, as well as encouraging all levels of staff to participate in all aspects of occupational health and safety. Effective communication from top to bottom has always been emphasised, under which daily safety meetings are held to check and remind workers about the importance of safety in their daily tasks. In addition, professional safety officers will meet all workers once a month to educate them about special safety topics such as electrical safety, chemical safety, machinery safety, behaviour-based safety, hearing conservation, and work-related illnesses.

Moreover, employees are trained to notice any hidden hazards in each task so that correction is conducted before any accidents. Different levels of regular inspection and monitoring, from every day to three times a year, are implemented, with risk assessment and control being conducted at least once a year or whenever changes occur in the operation processes, working procedures or organisational structures. Trainings on safety awareness, workplace hazards, risks and illnesses, as well as emergency preparedness drills, are also organised. OHSAS 18001 certification in relation to the accreditation for meeting the Safety Management Standard has been in place since 2007.

Under strict safeguards for the employees, no fatal accidents occurred at the manufacturing facilities in 2016.

Development and Training

Since employees are crucial resources and critical in driving business success, high attention is given to their development and training including expert development, on-job training and self-learning. Other than internal training, different kinds of external training is also organised.

The human resources department is responsible for all employee development and training, working with management and each of the department heads to make an annual budget for such purposes. Every year, training plans will be scheduled for our Thailand operation in advance, while the arrangement of programmes for other operations and offices will depend on their individual specific needs.

Labour Standards

The Group strictly complies with all labour legislation of the regions where its businesses are located, especially for the regulations related to the "use of child labour", together with setting up a comprehensive internal monitoring system to ensure statutory compliance. All employment of minors under the age of 18 is prohibited by the Group with no exception. A candidate's age will be verified during the recruitment process, and copy of identification will be requested, to ensure no violation.

Anti-corruption

Integrity is our core value and it is a foundation for building a sustainable business in the long-run. The Group therefore formulates a detailed code of conduct for all employees, in which clear instructions are given against any kinds of cheating, bribery and corruption. The code of conduct is introduced to all new employees during orientation. The Group strictly complies with the relevant laws on anti-corruption without compromise. Every year, all employees will sign the global code of conduct and global whistle blower policy. In Hong Kong office, an educational seminar is also organised in co-operation with The Hong Kong Independent Commission Against Corruption to prevent corruption and promote ethics.

Any employee engaged in external business that may potentially conflict with the Group's interests, must immediately report to the Group. Where any such conflict exists, corrective action will be taken in accordance with the final decision of the Group. Any employee with a legitimate concern of malpractice should inform the Global Chief Operating Officer or the Head of the Audit Committee in writing, subject to the degree of importance, and investigation will be conducted immediately.

Community Investment

The Group owes its success to society, and it is the Group's responsibility to reciprocate through investment in the community. Every year, our Social Responsibility and Sustainability Committee in Thailand formulates and recommends relevant annual programmes and budgets. Priority is also given to employ local residents to boost the domestic economy, for example, over seventy percent of employees in our Thailand facility are the local people in Pathumthani province. Also, 8 disabled employees are employed to help them reintegrate into the society.

In 2016, carpets and funds were donated to certain charitable organisations, including but not limited to Thailand Red Cross Lottery and a number of schools. In addition, the Thailand team also joined a fund-raising charity run organised by the Peninsula Bangkok Hotel to help 25 underprivileged students in Thailand to complete their secondary school education.

Supply Chain Management

In order to fully fulfil our commitment to the environment and to society, the Thailand operation actively monitors its supply chain to ensure that all suppliers reach our standard in terms of quality, labour, environmental and social responsibility. These aspects also form part of the selection criteria for suppliers. All suppliers and contractors are required to comply with the relevant environmental rules and regulations, both local and international. Suppliers who operate with environmental integrity and commit to pollution minimisation and prevention will become preferred partners. In case of any non-conformance with our standard, the supplier is required to take corrective action immediately and this is followed-up as part of the annual supplier performance review.

In addition, all aspects of procurement of raw materials, spare parts, construction, or even services are conducted to the highest ethical standards. In the course of procurement, qualified materials that are not harmful to human and environment will first be selected. Through this stringent procurement process, certification of Environmental Certification Scheme set out by Carpet Institute of Australia, which restricts or bans the use of toxic substances, heavy metals and hazardous substances in certified carpets has been achieved. In addition, priority is given to the materials or products that are extracted from or manufactured within the region, thereby supporting the use of local resources and reducing environmental impact from transportation.

Product Responsibility

The Group is continuously developing and improving its products to be environmentally friendly through eco-design concepts with high recycled content such as the EcoSoft® carpet tiles and needle punched carpets. Products are also in compliance with all applicable European health, safety, performance and environmental requirements of the CE mark.

Product health and safety is our highest priority with strict monitoring in every process, from procurement of materials to delivery of products. Green materials are procured for production and the internationsl prohibited chemical is strictly followed to ensure the products do not contain any harmful materials.

In addition, a third-party laboratory is employed to conduct tests to verify the products' specification to ensure accurate information is communicated in advertising and labelling. The Group also observes all regulations and rules related to intellectual property rights and consumer data privacy.

In case there is any complaint related to safety and health, immediate action will be taken in accordance with ISO 9001, so as to take corrective and preventive measures. In 2016, there was no product recall for safety and health reasons.

ENVIRONMENTAL PROTECTION

Emission Reduction

The Thailand operation has formulated a detailed policy on it's business operation and established an environmental management system to ensure that all waste materials produced are stored, removed, treated and disposed according to legislative requirements and the Best Practicable Environmental Option. The Group strives to achieve high standards in complying with relevant laws and regulations in handling all kinds of emissions.

Latexing and dyeing are parts of the manufacturing process that involve the use of boilers and fuel. The fuel combustion and boiler operation emits greenhouse gases such as carbon dioxide equivalent. Regular sampling and testing are conducted in boiler operation to ensure the emissions of air pollutants are in compliance with relevant laws and regulations.

Most of the wastewater is generated by the dyeing process and is reduced by recycling back into the dyeing process as well as used for gardening around the factory. A Dissolved Oxygen Meter is installed in our wastewater treatment process to make sure treated effluent for discharge meets the applicable standards.

All non-hazardous waste materials are completely transformed into an alternative fuel and are in compliance with relevant laws and regulations without any adverse environmental effect. In addition, a qualified third party with relevant legal licenses from the Thai government is engaged to handle the disposal of all hazardous waste materials by incineration.

In short, the Thailand facility reduces waste materials through the 3R (Reduce, Reuse and Recycle) concept. Under its endless efforts, the emission of carbon dioxide was reduced by 4% from 2013 to 2016, and there has been no delivery of non-hazardous waste materials to landfill and no water discharge since 2009 and 2015, respectively.

Use of Resources

The statement "we are committed to effective and efficient use of all resources and energy" acts as the core philosophy of the Thailand facility's policy towards resource usage. The facility adopted various means to save natural resources, including self-audits to ensure that all energy saving programmes are efficient and effective. These programmes included installation of 115/22 kV electric substation, which reduces energy loss in long distance transmission of public electricity supply and losses from equipment damage due to voltage drop, installation of solar power and wind turbines for office lighting and replacement of fluorescent lamps with LED lamps which consume less energy. The leakage of air compressors is monitored to avoid a drop in pressure of compressed air system resulting in less efficient of air tools function, old air conditioners have been replaced, and an old boiler has also been upgraded with a high-efficiency boiler that enables combustion efficiency control.

The Group strives to use valuable water resources effectively. At the Thailand facility, water conservation awareness programmes are held for the employees and a water treatment system with the latest technology is installed to further enhance efficiency. The Group continue to invest what is necessary to improve operating efficiency.

The Group's manufacturing operations have adopted various means to reduce the consumption of packaging materials including paper tubes, wooden pallets and jumbo bags through reuse.

The Environment and Natural Resources

The Thailand facility is committed to minimising significant impact on the environment and natural resources by strictly complying with all national laws and industry norms, as well as requesting our suppliers and contractors to follow the same policies and practices as us, so as to minimise the environmental burden throughout our product life cycle such that the principles of the 3R practices are well promoted in all processes. As a result of these efforts, the Thailand facility obtained ISO 14001 certification on Environmental Management System.

Although the manufacturing operation utilises a large quantity of water for dyeing process, under the continual improvement in water management, such as installation of water recycle system and the implementation of wastewater discharge control, the Thailand facility achieves zero water discharge and does not have any significant impact on the environment and natural resources.

The Thailand operation's effort in protecting the environment are recognised by awarding the certification of ISO 50001 Energy Management System. The products from the Thailand operations are also granted various environment-friendly certifications, including but not limited to:

– Singapore Green Labelling Scheme, which endorses that the products and services have minimum undesirable effects on the environment;
– NSF/ANSI 140 – Sustainability Assessment for carpet, which identifies that the certified carpets have reduced environmental impacts;
– Green Label Plus by The Carpet and Rug Institute, which certifies that the products release the lowest emissions of Volatile Organic Compounds; and
– PVC Green Star, which certifies the compliance with the best practice guidelines for PVC in the built environment issued by the Green Building Council of Australia.

During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas such as employment and labour practices, operating practices and environmental protection.

Renaissance Schaumburg Hotel, Illinois, 1956 by Tai Ping

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2016.

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, manufacture and sale of yarns and sale of leather.

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

RESULTS & APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 58.

No interim dividend was paid during the year. The Directors recommend a final dividend of HK3 cents per share (2015: HK3 cents), totalling HK$6,366,000 (2015: HK$6,366,000) for the year ended 31 December 2016. Subject to the approval of shareholders at the forthcoming AGM on 19 May 2017, the final dividend will be paid to shareholders on or about 16 June 2017 whose names appear on the register of members of the Company at the close of business on 29 May 2017.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$1,403,000.

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.

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.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Chairman & Non-executive Director
Nicholas T. J. Colfer

Chief Executive Officer & Executive Director
James H. Kaplan

Non-executive Directors
David C. L. Tong
John J. Ying
Nelson K. F. Leong
Andrew C. W. Brandler

Independent Non-executive Directors
Yvette Y. H. Fung
Roderic N. A. Sage
Lincoln C. K. Yung
Aubrey K. S. Li

In accordance with the Company's Bye-laws, Mr. Nicholas T. J. Colfer, Mr. David C. L. Tong, Mr. Aubrey K. S. Li and Mrs. Yvette Y. H. Fung will retire by rotation from office at the forthcoming AGM on 19 May 2017. Mr. Nicholas T. J. Colfer, Mr. David C. L. Tong, Mr. Aubrey K. S. Li and Mrs. Yvette Y. H. Fung, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY

As at 31 December 2016, the interests of the Directors and chief executive 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 as at 31 December 2016

No. of ordinary shares held (long position)

Name	Personal Interests (held as beneficial owner)	Corporate Interests (interests of controlled corporation)	% of the Issued share capital of the Company
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,182,000[1]	1.358%
John J. Ying	–	32,605,583[2]	15.366%
Aubrey K. S. Li	100,000[3]	–	0.047%
James H. Kaplan	522,000	–	0.246%

Notes:

1 2,000,000 shares are held by Gainsborough Associates Limited and 182,000 shares are held by Fontana Enterprises Limited, companies in which Mr. Nelson K. F. Leong holds 33.33% and 40% equity interests respectively and have controlling interest.

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).

3 The shares are jointly held by Mr. Aubrey K. S. Li and his spouse.

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 (including their spouse and children under 18 years of age) to hold any interests in the shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, 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)	% of the Issued share capital of the Company
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 in the general partner in 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.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section head "Chairman's Statement" and "Management Discussion & Analysis" on pages 10 to 17 of this Annual Report. Details of the Group's Financial Risk Management are set out in Note 3 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION AND LEGAL COMPLIANCE

The Company is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards applicable to the Group and its business operation from time to time.

The Group obtained the required permits and environmental approvals for its business and production facilities, and complied with such laws, rules and regulations that had a significant impact on the Group, its business and operations.

Please refer to the ESG Report contained in this Annual Report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

CONNECTED TRANSACTIONS

1. Significant related party transactions entered into by the Group during the year ended 31 December 2016, are disclosed in Note 36 to the consolidated financial statements.

2. Other related party transactions entered into by the Group in 2016 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 Products and Services Supply Agreement with HSH on 18 March 2014 (the "Agreement") for the supply of carpets, rugs and all forms of floorcoverings and related installation and transportation services to HSH and its subsidiaries on normal commercial terms for a period from 22 March 2014 to 31 December 2016 subject to an annual cap of HK$8,500,000, HK$10,000,000 and HK$10,000,000 for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 respectively. An announcement in this respect was made on 18 March 2014. For the year ended 31 December 2016, the total order amount and invoiced value of these transactions ("HSH Transactions") amounted to HK$9,495,000 and HK$8,547,000 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 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 for the year ended 31 December 2016 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. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

3. The Agreement expired on 31 December 2016 and the Company entered into a New Products and Services Supply Agreement with HSH on 14 December 2016 (the "New Agreement") in order to renew the arrangements under the Agreement on substantially the same terms. The terms of the New Agreement was commenced on 1 January 2017 and will continue until 31 December 2019 subject to an annual cap of HK$10,000,000 for the three financial years ending 31 December 2019. An announcement in respect of the New Agreement was made on 14 December 2016.

SUFFICIENCY OF 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.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Friday, 19 May 2017. Notice of the AGM will be published and dispatched to the shareholders together with this report.

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 Tuesday, 16 May 2017 to Friday, 19 May 2017 (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 deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 15 May 2017.

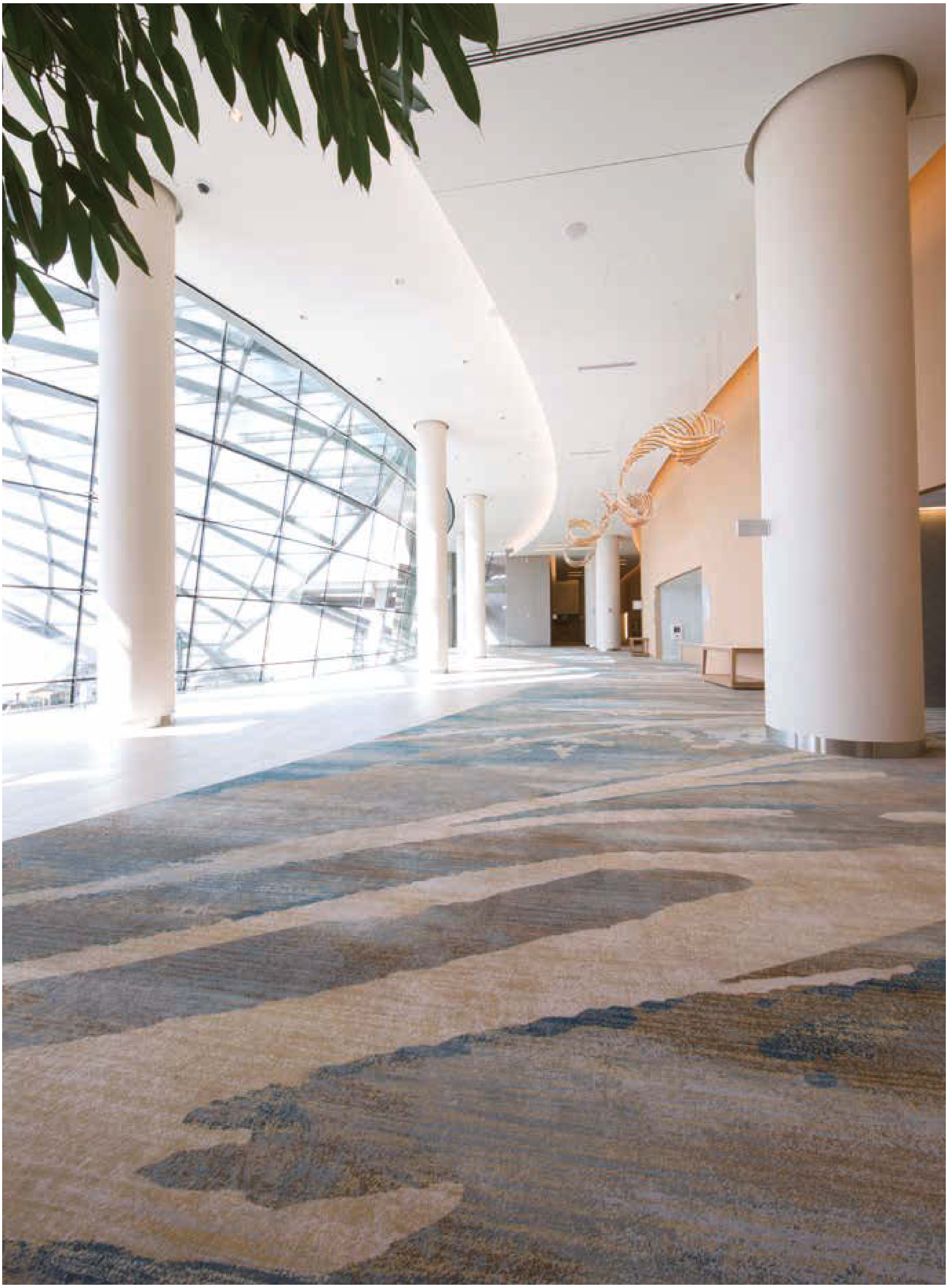
For determining the entitlements to the proposed final dividend for the year ended 31 December 2016, the transfer books and the register of members of the Company will be closed from Thursday, 25 May 2017 to Monday, 29 May 2017 (both days inclusive). During such period, no transfer of shares will be effected. To ensure that shareholders are entitled to receive the distribution of final dividend to be approved at the AGM, all transfer documents accompanied by the relevant share certificates, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Wednesday, 24 May 2017.

AUDITOR

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, 17 March 2017



The Westin, Denver International Airport, 1956 by Tai Ping

Songe, Idylle Collection, La Manufacture Cogolin, Handknotted Rug

Financial Section

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Tai Ping Carpets International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 130, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the appropriateness of the capitalisation of construction costs of Xiamen factory as construction in progress.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Appropriateness of the capitalisation of construction costs of Xiamen factory as Construction in Progress *Refer to Note 14 to the consolidated financial statements* Costs capitalised as construction in progress with additions of around HK$70 million for the year ended 31 December 2016, within which HK$3 million related to capitalised interest expense for the year. Costs capitalised include costs of construction materials, engineering and construction costs, costs of machinery and equipment acquired pending installation, salary and employee benefits of the Xiamen factory project team and the interest expense from general and specific purposes bank borrowings used to finance the construction. Management performed an assessment as to whether the costs of the Xiamen factory project should be capitalised. This assessment required management judgement on whether the costs to be capitalised are directly attributable to the construction. We focused on this area due to the significant amounts of the costs capitalised as construction in progress of the Xiamen factory in relation to the consolidated financial statements, and such capitalisation required the use of management judgement that only those directly attributable to the construction of the Xiamen factory can be capitalised as construction in progress.	Our procedures focused on assessing the appropriateness of the capitalisation of the costs as construction in progress. Our procedures in relation to management's assessment include: • Obtained the listing of costs related to the Xiamen factory; • Inquired management to understand the nature and purpose of the costs capitalised; • Performed checking of those costs on a sample basis to the underlying supporting documents including construction contracts, supplier invoices and payroll records of the relevant project team. Based on the supporting documents examined, we corroborated the explanations from the project manager and senior management that the costs capitalised were directly attributable to the construction of the Xiamen factory; • Performed checking of other costs not being capitalised on a sample basis, to the corresponding supporting documents, including supplier invoices, and corroborated the explanation from management that these costs are expenses in nature. • Performed checking of the calculation regarding the capitalisation of interest expense from bank borrowings by re-performing the calculation by management. We have checked the outstanding amounts of the loans, interest rates and loan period of the calculation to the relevant loan agreements, and the capitalisation of interest expense met the relevant capitalisation criteria set out in Note 2.22 to the consolidated financial statements. Based on the above work done, we found management's assessment to be supportable by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Wan Huen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2017

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated Income Statement

For the year ended 31 December

	Note	2016 HK$'000	2015 HK$'000
Revenues	5	**1,320,288**	1,313,007
Cost of sales		**(727,974)**	(701,041)
Gross profit		**592,314**	611,966
Distribution costs	6	**(327,519)**	(321,112)
Administrative expenses	6	**(277,777)**	(251,416)
Other gains/(losses) – net	8	**13,853**	(3,263)
Operating profit		**871**	36,175
Finance income	9	**640**	3,137
Finance costs	9	**(27)**	(24)
Finance income – net	9	**613**	3,113
Profit before income tax		**1,484**	39,288
Income tax expense	10	**(39,192)**	(19,327)
(Loss)/profit for the year		**(37,708)**	19,961
(Loss)/profit attributable to:			
Owners of the Company		**(33,372)**	18,958
Non-controlling interests		**(4,336)**	1,003
		(37,708)	19,961
(Losses)/earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted	11	**(15.73)**	8.93

The notes on pages 65 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year	(37,708)	19,961
Other comprehensive income:		
Items that will not be reclassified subsequent to profit or loss		
Remeasurement of retirement benefit obligations	1,432	–
Deferred income tax on remeasurement of retirement benefit obligations	(286)	–
Items that may be reclassified to profit or loss		
Currency translation differences	(18,231)	(50,993)
Other comprehensive loss for the year, net of tax	(17,085)	(50,993)
Total comprehensive loss for the year	(54,793)	(31,032)
Attributable to:		
Owners of the Company	(48,088)	(29,435)
Non-controlling interests	(6,705)	(1,597)
	(54,793)	(31,032)

The notes on pages 65 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December

	Note	2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Land use rights	13	**27,785**	30,309
Property, plant & equipment	14	**204,992**	238,247
Construction in progress	14	**177,951**	115,786
Intangible assets	15	**28,707**	34,015
Deferred income tax assets	27	**7,530**	10,339
Prepayments	19	**13,570**	8,494
Pledged bank deposits	22	**277**	296
		460,812	437,486
Current assets			
Inventories	18	**217,072**	218,305
Trade & other receivables	19	**300,535**	268,803
Derivative financial instruments	20	**–**	4
Financial assets at fair value through profit or loss	21	**89,220**	139,033
Current income tax assets		**14,460**	10,238
Pledged bank deposits	22	**2,058**	3,036
Fixed deposits	23	**389**	16,549
Cash & cash equivalents	24	**143,746**	153,800
		767,480	809,768
Non-current asset held for sale	17	**17,192**	17,192
		784,672	826,960
Total assets		**1,245,484**	1,264,446

The notes on pages 65 to 130 are an integral part of these consolidated financial statements.

	Note	2016 HK$'000	2015 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	25	21,219	21,219
Reserves	26	312,982	328,836
Retained earnings:			
Proposed final dividend		6,366	6,366
Others		341,894	380,494
		682,461	736,915
Non-controlling interests		34,656	42,070
Total equity		717,117	778,985
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	27	4,816	6,000
Retirement benefit obligations	28	28,857	26,301
Other long-term liabilities	29	1,200	1,200
		34,873	33,501
Current liabilities			
Trade & other payables	30	358,860	293,351
Derivative financial instruments	20	108	–
Bank borrowings – unsecured	31	119,211	147,298
Current income tax liabilities		15,315	11,311
		493,494	451,960
Total liabilities		528,367	485,461
Total equity & liabilities		1,245,484	1,264,446
Net current assets		291,178	375,000
Total assets less current liabilities		751,990	812,486

The financial statements on pages 58 to 130 were authorised for issue by the Board of Directors on 17 March 2017 and were signed on its behalf.

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

The notes on pages 65 to 130 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 Company						
	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 2015	21,219	189,699	187,530	393,364	791,812	43,667	835,479
Comprehensive income							
Profit for the year	–	–	–	18,958	18,958	1,003	19,961
Other comprehensive income for the year							
Currency translation differences	–	–	(48,393)	–	(48,393)	(2,600)	(50,993)
Total other comprehensive loss for the year, net of tax	–	–	(48,393)	–	(48,393)	(2,600)	(50,993)
Total comprehensive (loss)/income for the year	–	–	(48,393)	18,958	(29,435)	(1,597)	(31,032)
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividend for 2014	–	–	–	(25,462)	(25,462)	–	(25,462)
Total transactions with owners	–	–	–	(25,462)	(25,462)	–	(25,462)
Balance at 31 December 2015	21,219	189,699	139,137	386,860	736,915	42,070	778,985

The notes on pages 65 to 130 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company						
	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 2016	21,219	189,699	139,137	386,860	736,915	42,070	778,985
Comprehensive income							
Loss for the year	–	–	–	(33,372)	(33,372)	(4,336)	(37,708)
Other comprehensive income for the year							
Remeasurement of retirement benefit obligations	–	–	–	1,422	1,422	10	1,432
Deferred income tax on remeasurement of retirement benefit obligations	–	–	–	(284)	(284)	(2)	(286)
Currency translation differences	–	–	(15,854)	–	(15,854)	(2,377)	(18,231)
Total other comprehensive (loss)/income for the year, net of tax	–	–	(15,854)	1,138	(14,716)	(2,369)	(17,085)
Total comprehensive loss for the year	–	–	(15,854)	(32,234)	(48,088)	(6,705)	(54,793)
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Dividend for 2015	–	–	–	(6,366)	(6,366)	–	(6,366)
Dividend paid to non-controlling interests	–	–	–	–	–	(709)	(709)
Total transactions with owners	–	–	–	(6,366)	(6,366)	(709)	(7,075)
Balance at 31 December 2016	21,219	189,699	123,283	348,260	682,461	34,656	717,117

The notes on pages 65 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	32a	**83,428**	55,336
Proceeds from derivative financial instruments, net		**–**	4,583
Retirement benefit paid		**(714)**	(412)
Income tax paid		**(27,184)**	(19,876)
Withholding tax paid		**(10,353)**	–
Interest paid		**(3,028)**	(2,277)
Net cash generated from operating activities		**42,149**	37,354
Cash flows from investing activities			
Purchases of property, plant & equipment and construction in progress		**(89,366)**	(96,894)
Acquisition of intangible assets		**(5,165)**	(8,593)
Proceeds from disposal of property, plant & equipment	32b	**309**	458
Proceeds from disposal of investment properties	32b	**13,328**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**625,866**	678,239
Purchase of financial assets at fair value through profit or loss		**(574,274)**	(747,232)
Decrease in fixed deposits		**16,160**	148,644
Interest received		**640**	3,137
Net cash used in investing activities		**(12,502)**	(22,241)
Cash flows from financing activities			
Proceeds from borrowings		**93,421**	89,674
Repayments of borrowings		**(121,551)**	(63,153)
Decrease in pledged bank deposits		**997**	2,040
Dividend paid to the Company's shareholders		**(6,366)**	(25,444)
Dividend paid to non-controlling interests		**(709)**	–
Net cash (used in)/generated from financing activities		**(34,208)**	3,117
Net (decrease)/increase in cash & cash equivalents		**(4,561)**	18,230
Cash & cash equivalents at beginning of year		**153,800**	146,879
Exchange losses on cash & cash equivalents		**(5,493)**	(11,309)
Cash & cash equivalents at end of year	24	**143,746**	153,800

The notes on pages 65 to 130 are an integral part of these consolidated financial statements.

Notes to the 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, manufacture and sale of yarns and sale of leather.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda. The principal office in Hong Kong is located at 33rd Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, 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 17 March 2017.

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 the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting standards

(a) New and amended standards and interpretation mandatory for the first time for the financial year beginning 1 January 2016 but which have no material impact to the Group

Annual Improvements Project HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	Annual Improvements 2012-2015 Cycle (amendments)
HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception (amendments)
HKFRS 14	Regulatory Deferral Accounts (new standard)
HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations (amendments)
HKAS 1	Disclosure Initiative (amendments)
HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (amendments)
HKAS 16 and HKAS 41	Agriculture: Bearer Plants (amendments)
HKAS 27	Equity Method in Separate Financial Statements (amendments)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted

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

HKAS 7	Disclosure Initiative (amendments)[1]
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)[1]
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments)[2]
HKFRS 4	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15	Clarification to HKFRS 15[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)[4]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting standards (Continued)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted (Continued)

Notes:

[1] Effective for the Group for annual period beginning on 1 January 2017
[2] Effective for the Group for annual period beginning on 1 January 2018
[3] Effective for the Group for annual period beginning on 1 January 2019
[4] Effective date is to be determined

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 any significant impact on the Group's results of operations and financial position.

2.3 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combinations (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group account policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

(a) Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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 which makes strategic decisions.

2.5 Foreign currency translation

(a) Functional & 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 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 borrowings and cash and cash equivalents are presented in the consolidated income statement within "Finance income" or "Finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other Gains/(Losses) – Net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(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.

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. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity in respect of that operation attributable to the owners of the Company are recognised in the consolidated income statement as part of the gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant & equipment

Buildings comprise mainly factories, retail outlets and offices. They are stated at cost or valuation less accumulated depreciation and impairment losses. Certain buildings were stated 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant & equipment (Continued)

Depreciation 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:

Buildings	2% - 18%
Machinery	8% - 20%
Leasehold improvements	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 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within "Other Gains/(Losses) – Net" in the consolidated income statement.

2.7 Construction in progress

Construction in progress represents machinery, furniture, fixtures and equipment, and buildings of which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other costs directly attributable to the construction 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. Upon completion, the construction in progress will be transferred to appropriate categories of property, plant and equipment and depreciated in accordance with the policy stated in Note 2.6.

2.8 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

(a) 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 5 years.

(b) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

(b) Computer software (Continued)

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 the subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives of 5 to 7 years.

(c) Brands

Brands acquired in a business combination are initially recognised at fair value at acquisition date. Brands with indefinite useful life are not amortised and are reviewed for impairment on an annual basis.

(d) Design library and other intangible assets

Design library and other intangible assets (which include customer relationships and web-based applications) with finite useful life are stated at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the respective lives of the assets, ranging from 3 to 16 years.

2.10 Impairment of 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.12 Financial assets

(a) 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.

(i) 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.

(ii) 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" (excluding prepayments), "Pledged bank deposits", "Fixed deposits" and "Cash and cash equivalents" in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(b) 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 are 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 Gains/(Losses) – 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.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets carried at amortised cost

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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 and 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.

2.17 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 changes in the fair value of these derivatives are recognised immediately in the consolidated income statement.

2.18 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.

2.19 Share capital

Ordinary shares are classified as equity.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 consolidated income statement over the period of the borrowings using the effective interest method.

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.

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 Financial liabilities

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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

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. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees, and the best estimate of the amount required to settle the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Financial liabilities (Continued)

Financial guarantee contracts (Continued)

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

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.

(a) Current income tax

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 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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current & deferred income tax (Continued)

(b) Deferred income tax (Continued)

Inside basis differences (Continued)

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.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for 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 are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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 tax 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

Pension obligations

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (Continued)

Pension obligations (Continued)

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.

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. The defined benefit obligation is calculated annually by independent actuaries 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 obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the consolidated income statement.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

2.27 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 Group. 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 of economic resources occurs so that outflow is probable, the contingent liability will then be recognised as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition

Revenue is measured at 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.

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

Revenue from sale of carpets, yarns, underlays and interior furnishings is recognised upon 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.

(b) Revenue from installation of carpets

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

(c) 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.

(d) Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Research and development costs

Research costs are expensed as incurred.

Development costs are recognised as intangible assets when the following criteria are met:

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

Development costs that do not meet these criteria are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases

Leases in which a significant portion of the risks and rewards of ownership of the leased asset 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.

Leases by which substantially all the risks and rewards incidental to the ownership of the leased asset are transferred by the lessor to the lessee are classified as finance leases.

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 and 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 or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, price risk, liquidity risk and cash flow and fair value interest rate risk.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 States dollars ("US$") and Hong Kong dollars ("HK$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$.

The Group's principal net foreign currency exposure arises from the US$ denominated financial assets/liabilities in the Group's operations covering Thailand, Europe, PRC and the United Kingdom whose functional currencies are the local currency of the respective operations.

To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and may use foreign currency forward contracts from time to time to manage the risk arising from foreign currency transactions.

At 31 December 2016, if Thai baht had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$1,591,000 (2015: HK$1,112,000), mainly as a result of foreign exchange gains/losses on foreign currency forward contracts translation of US$ denominated assets and liabilities in entities whose functional currency is Thai baht.

At 31 December 2016, if Euro had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$492,000 (2015: HK$413,000), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Euro.

At 31 December 2016, if Chinese Renminbi had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$4,321,000 higher/lower (2015: pre-tax profit of HK$3,173,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Chinese Renminbi.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

At 31 December 2016, if British pounds had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$118,000 (2015: HK$134,000), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is British pounds.

(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 amounts of these balances in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's bank deposits are placed in major international banks and financial institutions. 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) Price risk

Price risk refers to the changes in fair value or future cash flows of financial instruments as a result of fluctuations in market price.

At 31 December 2016, if the price of mutual funds held by the Group had been higher/lower by 3% (2015: 3%) with all other receivables held constant, the pre-tax profit would have been higher/lower by HK$2,677,000 (2015: HK$4,171,000).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group 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 statement of financial position 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 headroom as determined by the above-mentioned forecasts. At the end of the financial year, the Group held cash and cash equivalents of HK$143,746,000 (2015: HK$153,800,000) (Note 24) ready to meet liquidity needs.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The amounts disclosed in the table are the contractual undiscounted cash flows:

2016	Repayable on demand	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade & other payables	–	208,954	–	–	208,954
Bank borrowings – unsecured	116,250	2,961	–	–	119,211
	116,250	211,915	–	–	328,165

2015	Repayable on demand	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade & other payables	–	153,255	–	–	153,255
Bank borrowings – unsecured	143,375	3,923	–	–	147,298
	143,375	157,178	–	–	300,553

All of the Group's non-trading gross settled derivative financial instruments (Note 20) are in hedge relationships and are due to settle within 12 months of the consolidated statement of financial position date. These contracts require undiscounted contractual cash inflows of HK$28,796,000 (2015: HK$4,440,000) and undiscounted contractual cash outflows of HK$9,992,000 (2015: HK$8,648,000).

(e) Cash flow & fair value interest rate risk

The Group's interest rate risk arises from bank borrowings held by the Group.

At 31 December 2016, the Group's bank borrowings primarily represent short-term bank loans and outstanding trust receipt loans. If market interest rate had increased/decreased by 100 basis points (2015: 100 basis points) with all other variables held constant, pre-tax profit for the year would have been lower/higher by HK$1,192,000 (2015: HK$1,473,000), mainly as a result of an increase/decrease in interest expenses on bank borrowings.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(e) Cash flow & fair value interest rate risk (Continued)

Apart from the above borrowings, cash at banks and bank deposits which carry interest at market rates, the Group has no significant interest-bearing assets. As the interest income and expenses derived therefrom are relatively insignificant to the Group's operations, 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 its 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 vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 equity. 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 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Total bank borrowings (Note 31)	119,211	147,298
Less: cash & cash equivalents (Note 24)	(143,746)	(153,800)
Net debt	–	–
Total equity	717,117	778,985
Gearing ratio	0.0%	0.0%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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 and liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2015, within the fair value hierarchy.

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	**89,220**	**–**	**–**	**89,220**
Liabilities				
Derivative financial instruments:				
Foreign currency forward contracts	**–**	**(108)**	**–**	**(108)**

2015	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss:				
Mutual funds	139,033	–	–	139,033
Derivative financial instruments:				
Foreign currency forward contracts	–	4	–	4
	139,033	4	–	139,037

There are no transfer between level 1 and 2 during the year.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of mutual funds which are traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the mutual fund held by the group is the current bid price, of which the mutual fund is classified as level 1.

(b) Financial instruments in level 2

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure fair value of an instrument are observable, the instrument is included in level 2.

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.

4.1 Income taxes

The Group is subject to income taxes in a number of 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. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONTINUED)

4.1 Income taxes (Continued)

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 reassess its needs to make distribution out of its subsidiaries. As a result, withholding tax has been provided on the amounts of 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 2016, 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.

4.2 Useful lives of property, plant & equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets (other than brands). This estimate is based on the historical experience of the actual useful lives of property, plant and 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.

4.3 Impairment of property, plant & equipment, leasehold land & land use rights and intangible assets

Property, plant and equipment, leasehold land and land use rights and intangible assets (other than brands) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts 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.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONTINUED)

4.3 Impairment of property, plant & equipment, leasehold land & land use rights and intangible assets (Continued)

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.

4.4 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.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONTINUED)

4.5 Trade & other receivables

The Group's management determines the allowance for impairment of trade and 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 allowance at the end of each reporting period.

4.6 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 on current market conditions. Additional information is disclosed in Note 28.

5. REVENUES & SEGMENT INFORMATION

(a) Revenues

	2016 HK$'000	2015 HK$'000
Sale of carpets	**1,182,812**	1,183,774
Sale of underlays	**22,400**	16,704
Installation of carpets	**35,080**	28,368
Interior furnishings	**49,006**	55,205
Sale of yarns	**27,894**	25,386
Sale of raw materials	**3,071**	3,414
Other	**25**	156
	1,320,288	1,313,007

(b) Segment information

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

The Board of Directors assesses the performance of the operating segments based on a measure of segment results. Segment results represent the operating profit/loss of each business segment and 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 2016 and 2015 are as follows:

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

For the year ended 31 December 2016

	Asia	EMEA	North America	South America	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	557,809	223,142	522,379	16,958	–	1,320,288
Cost of production[1]	(380,081)	(106,711)	(272,191)	(13,377)	–	(772,360)
Segment gross margin	177,728	116,431	250,188	3,581	–	547,928
Segment results	34,617	(2,787)	(5,421)	(6,153)	–	20,256
Unallocated expenses[2]						(19,385)
Operating profit						871
Finance income						640
Finance costs						(27)
Profit before income tax						1,484
Income tax expense						(39,192)
Loss for the year						(37,708)
Non-current assets	417,096	18,859	24,202	455	200	460,812
Current assets	574,069	61,228	115,984	5,171	11,028	767,480
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,245,484
Segment liabilities	248,025	61,992	66,695	4,720	146,935	528,367
Capital expenditure	(92,286)	(1,179)	(4,007)	(22)	(38)	(97,532)
Depreciation of property, plant & equipment (Note 14)	(37,921)	(3,283)	(7,770)	(27)	(89)	(49,090)
Amortisation of land use rights (Note 13)	(632)	–	–	–	–	(632)
Amortisation of intangible assets (Note 15)	(10,243)	–	(129)	–	–	(10,372)
Allowance for impairment of inventories (Note 18)	(4,818)	(769)	(648)	–	–	(6,235)
Recovery of/(allowance for) impairment of trade receivables, net (Note 19)	155	(624)	(1,093)	(22)	–	(1,584)
Gain on disposal of investment properties (Note 32b)	–	–	–	–	13,328	13,328
(Loss)/gain on disposal of property, plant & equipment (Note 32b)	(13)	155	–	–	–	142
Property, plant & equipment written off (Note 14)	(95)	–	(150)	–	–	(245)

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

For the year ended 31 December 2015

	Asia	EMEA	North America	South America	Unallocated	Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	492,393	210,511	580,190	29,913	–	1,313,007
Cost of production[1]	(335,524)	(92,702)	(309,643)	(21,192)	–	(759,061)
Segment gross margin	156,869	117,809	270,547	8,721	–	553,946
Segment results	14,872	(2,754)	35,959	(3,629)	–	44,448
Unallocated expenses[2]						(8,273)
Operating profit						36,175
Finance income						3,137
Finance costs						(24)
Profit before income tax						39,288
Income tax expense						(19,327)
Profit for the year						19,961
Non-current assets	223,123	21,710	26,561	1,367	164,725	437,486
Current assets	573,430	57,718	131,117	10,128	37,375	809,768
Non-current asset held for sale	–	–	–	–	17,192	17,192
Total assets						1,264,446
Segment liabilities	159,629	69,851	74,221	7,364	174,396	485,461
Capital expenditure	(35,874)	(3,853)	(4,495)	(34)	(64,684)	(108,940)
Depreciation of property, plant & equipment (Note 14)	(42,230)	(3,567)	(8,155)	(22)	(495)	(54,469)
Amortisation of land use rights (Note 13)	–	–	–	–	(673)	(673)
Amortisation of intangible assets (Note 15)	(8,970)	–	(129)	–	–	(9,099)
(Allowance for)/recovery of impairment of inventories (Note 18)	(10,484)	(348)	69	–	–	(10,763)
Inventories directly written off	(22)	–	–	–	–	(22)
(Allowance for)/recovery of impairment of trade receivables, net (Note 19)	(333)	358	(166)	(98)	–	(239)
Gain/(loss) on disposal of property, plant & equipment (Note 32b)	155	(800)	130	–	–	(515)
Property, plant & equipment written off (Note 14)	(7,755)	(137)	(29)	–	–	(7,921)

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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 of the Group.

No single external customer accounted for more than 10% of the Group's revenue for the years ended 31 December 2016 and 2015.

6. EXPENSES BY NATURE

	2016 **HK$'000**	2015 HK$'000
Raw materials & consumables used	**271,621**	322,412
Amortisation of intangible assets (Note 15)	**10,372**	9,099
Amortisation of land use rights (Note 13)	**632**	673
Depreciation of property, plant & equipment (Note 14)	**49,090**	54,469
Employee benefit expenses (Note 7)	**415,140**	392,284
Operating lease charges in respect of		
– Land & buildings	**47,217**	46,722
– Other assets	**701**	1,105
Allowance for impairment of inventories	**6,235**	10,763
Inventories directly written off	**–**	22
Allowance for impairment of trade receivables, net (Note 19)	**1,584**	239
Bad debts directly written off	**393**	824
Auditor's remuneration		
– Audit services	**4,420**	4,320
– Non-audit services	**1,199**	988
Legal and professional fees	**17,726**	12,492
Reinstatement costs not previously provided for	**–**	857
Research & development costs	**1,877**	2,015

7. EMPLOYEE BENEFIT EXPENSES

	2016 HK$'000	2015 HK$'000
Wages & salaries (including Directors' emoluments)	404,865	383,126
Pension costs – defined benefit plans (Note 28)	4,685	3,060
Retirement benefit costs – defined contribution schemes	5,590	6,098
	415,140	392,284

(a) Retirement benefit costs – defined contribution schemes

Unvested benefits totalling HK$324,000 (2015: HK$1,222,000) were used during the year to reduce future contributions and refund to the Group. As at 31 December 2016, no unvested benefits (2015: Nil) were available for use by the Group to reduce future contributions.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2015: one) director whose emoluments were reflected in the analysis presented in Note 38. The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, bonus, housing and other allowances	12,816	13,361
Retirement benefit costs	352	428
	13,168	13,789

The emoluments fell within the following bands:

	No. of individuals	
	2016	2015
Emolument bands		
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	4	3
HK$3,500,001 – HK$4,000,000	–	–
HK$4,000,001 – HK$4,500,000	–	1

8. OTHER GAINS/(LOSSES) – NET

	2016 HK$'000	2015 HK$'000
Gain on disposal of financial assets at fair value through profit or loss	1,242	2,410
Gain/(loss) on disposal of property, plant & equipment	142	(515)
Gain on disposal of investment properties	13,328	–
Property, plant & equipment written off	(245)	(7,921)
(Loss)/gain on change in fair value of derivative financial instruments	(113)	50
Net foreign exchange loss	(4,342)	(1,975)
Refund of unvested benefits of defined contribution plan	440	1,743
Others	3,401	2,945
	13,853	(3,263)

9. FINANCE INCOME – NET

	2016 HK$'000	2015 HK$'000
Finance costs – Interests on bank loans & overdrafts wholly repayable within five years	(27)	(24)
Finance income – interest income from banks	640	3,137
Finance income, net	613	3,113

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016 HK$'000	2015 HK$'000
Current income tax		
Hong Kong	3,104	5,984
Overseas	16,894	13,849
Under/(over)-provision in prior years	7,627	(79)
Withholding tax	10,353	–
Deferred income tax expense/(credit) (Note 27)	1,214	(427)
Income tax expense	39,192	19,327

During the year ended 31 December 2016, withholding tax amounting to HK$10,353,000 (2015: Nil) was paid in relation to dividend distribution from a subsidiary in Thailand at 10%.

10. INCOME TAX EXPENSE (CONTINUED)

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% during the year (2015: 16.5%).

(b) PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law was effective from 1 January 2008. Pursuant to detailed measures of the new CIT Law, the enterprise income tax rate of both domestic enterprise and foreign investment enterprise is 25% from 1 January 2008 onwards.

(c) Thailand corporate tax

Subsidiaries established in Thailand are subject to Thailand corporate tax at a rate of 20% for the year ended 31 December 2016 (2015: 20%).

(d) United States corporate tax

Subsidiaries established in the United States are subject to United States corporate tax at a rate of 34% for the year ended 31 December 2016 (2015: 34%).

10. INCOME TAX EXPENSE (CONTINUED)

(d) United States corporate tax (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated entities due to the following:

	2016 HK$'000	2015 HK$'000
Profit before income tax	**1,484**	39,288
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(5,067)**	5,265
Income not subject to tax	**(2,316)**	(1,299)
Expenses not deductible for tax purposes	**4,607**	8,630
Withholding tax	**10,353**	–
Utilisation of previously unrecognised tax losses	**(33)**	(1,649)
Tax losses for which no deferred income tax asset was recognised	**23,687**	8,324
Under/(over)-provision in prior years	**7,627**	(79)
Others	**334**	135
Income tax expense	**39,192**	19,327

The weighted average applicable tax rate was -341% (2015: 13%). The credit was attributable to certain loss-making subsidiaries in countries with relatively higher tax rates which is only partially offset by profit-making entities in other countries.

11. (LOSSES)/EARNINGS PER SHARE

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

	2016	2015
(Loss)/profit attributable to owners of the Company (HK$'000)	**(33,372)**	18,958
Weighted average number of ordinary shares in issue (thousands)	**212,187**	212,187
Basic (losses)/earnings per share (HK cents)	**(15.73)**	8.93

The Group had no dilutive potential shares outstanding during the years ended 31 December 2016 and 2015.

12. DIVIDEND

	2016 HK$'000	2015 HK$'000
Proposed final dividend of HK3 cents (2015: HK3 cents) per share	**6,366**	6,366

At the Board of Directors meeting held on 17 March 2017, the Directors proposed a final dividend of HK3 cents per share amounting to a total dividend of HK$6,366,000, is subject to the approval by the shareholders at the AGM on 19 May 2017. 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 2016.

13. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**30,309**	32,871
Addition	**–**	–
Exchange differences	**(1,892)**	(1,889)
Amortisation of land use rights (Note 6)	**(632)**	(673)
At 31 December	**27,785**	30,309

14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Property, plant & equipment						
	Buildings	Leasehold improvements	Machinery	Furniture, fixtures & equipment	Motor vehicles	Property, plant & equipment total	Construction in progress
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2015							
Opening net book amount	56,062	40,904	143,686	34,441	2,562	277,655	63,892
Additions	–	12,741	10,067	7,689	1,519	32,016	68,331
Transfer from construction in progress	1,066	183	6,840	1,942	–	10,031	(10,031)
Disposals	–	(693)	(75)	(202)	(3)	(973)	–
Assets written off	–	(7,583)	(3)	(198)	(137)	(7,921)	–
Depreciation (Note 6)	(3,627)	(9,287)	(29,826)	(10,832)	(897)	(54,469)	–
Exchange differences	(4,742)	(1,890)	(9,219)	(2,017)	(224)	(18,092)	(6,406)
Closing net book amount	48,759	34,375	121,470	30,823	2,820	238,247	115,786
At 31 December 2015							
Cost or valuation	155,233	99,032	564,711	114,625	11,315	944,916	115,786
Accumulated depreciation	(106,474)	(64,657)	(443,241)	(83,802)	(8,495)	(706,669)	–
Net book amount	48,759	34,375	121,470	30,823	2,820	238,247	115,786

	Property, plant & equipment						
	Buildings	Leasehold improvements	Machinery	Furniture, fixtures & equipment	Motor vehicles	Property, plant & equipment total	Construction in progress
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016							
Opening net book amount	48,759	34,375	121,470	30,823	2,820	238,247	115,786
Additions	–	874	5,639	7,106	163	13,782	78,585
Transfer from construction in progress	–	–	4,864	1,315	–	6,179	(6,179)
Disposals	(5)	(2)	(129)	(31)	–	(167)	–
Assets written off	–	–	(33)	(212)	–	(245)	–
Depreciation (Note 6)	(3,179)	(9,734)	(25,446)	(9,903)	(828)	(49,090)	–
Exchange differences	200	(1,097)	(2,381)	(420)	(16)	(3,714)	(10,241)
Closing net book amount	45,775	24,416	103,984	28,678	2,139	204,992	177,951
At 31 December 2016							
Cost or valuation	152,528	97,578	556,282	119,283	10,683	936,354	177,951
Accumulated depreciation	(106,753)	(73,162)	(452,298)	(90,605)	(8,544)	(731,362)	–
Net book amount	45,775	24,416	103,984	28,678	2,139	204,992	177,951

14. PROPERTY, PLANT & EQUIPMENT AND CONSTRUCTION IN PROGRESS (CONTINUED)

Depreciation expenses of HK$29,020,000 (2015: HK$33,039,000) and HK$20,070,000 (2015: HK$21,430,000) have been charged to cost of sales and administrative expenses respectively.

The write-off of leasehold improvements during the year ended 31 December 2016 mainly comprised the leasehold improvements written-off during the office relocation in Hong Kong.

Construction in progress as at 31 December 2016 mainly comprised the new manufacturing factory under construction in Xiamen and approximately HK$70,336,000 (2015: HK$63,804,000) of the additions for the year were attributable to Xiamen. Costs capitalised include costs of construction materials, costs of machinery and equipment acquired pending installation, salary and employee benefits of the project teams and borrowing costs.

During the year, the Group has capitalised borrowing costs amounting to HK$3,001,000 (2015: HK$2,253,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.6% per annum ("p.a") (2015: 1.8% p.a).

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$3,223,000 (2015: HK$3,386,000) had it been stated at cost less accumulated depreciation.

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

	Buildings HK$'000	Other assets HK$'000	Total HK$'000
At cost	142,296	783,826	926,122
At valuation – 1989	10,232	–	10,232
At 31 December 2016	152,528	783,826	936,354
At cost	144,845	789,683	934,528
At valuation – 1989	10,388	–	10,388
At 31 December 2015	155,233	789,683	944,916

15. INTANGIBLE ASSETS

	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 2015						
Cost	7,215	55,719	2,266	1,950	2,812	69,962
Accumulated amortisation & impairment	(7,215)	(25,626)	–	(910)	(1,336)	(35,087)
Net book amount	–	30,093	2,266	1,040	1,476	34,875
Year ended 31 December 2015						
Opening net book amount	–	30,093	2,266	1,040	1,476	34,875
Additions	–	8,316	–	–	277	8,593
Amortisation (Note 6)	–	(8,668)	–	(129)	(302)	(9,099)
Exchange differences	–	(6)	(245)	(7)	(96)	(354)
Closing net book amount	–	29,735	2,021	904	1,355	34,015
At 31 December 2015						
Cost	7,215	64,005	2,021	1,937	2,841	78,019
Accumulated amortisation & impairment	(7,215)	(34,270)	–	(1,033)	(1,486)	(44,004)
Net book amount	–	29,735	2,021	904	1,355	34,015
Year ended 31 December 2016						
Opening net book amount	–	29,735	2,021	904	1,355	34,015
Additions	–	5,165	–	–	–	5,165
Amortisation (Note 6)	–	(9,895)	–	(130)	(347)	(10,372)
Exchange differences	–	(2)	(71)	–	(28)	(101)
Closing net book amount	–	25,003	1,950	774	980	28,707
At 31 December 2016						
Cost	7,169	69,037	1,950	1,937	2,768	82,861
Accumulated amortisation & impairment	(7,169)	(44,034)	–	(1,163)	(1,788)	(54,154)
Net book amount	–	25,003	1,950	774	980	28,707

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

Amortisation expenses of HK$10,372,000 (2015: HK$9,099,000) have been charged to administrative expenses.

16. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2016:

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of Issued share capital	Percentage of interest held
Shares held indirectly:				
Carpets International Thailand Public Company Limited	Thailand, public company with limited liability	Carpet manufacturing & trading in Thailand	10,000,000 shares of THB10 each	99%
Foshan Nanhai Tai Ping Carpets Company Limited[1]	PRC, limited liability company	Carpet manufacturing in PRC	US$5,000,000	80%
Premier Yarn Dyers, Inc.	United States of America, corporation	Yarn dyeing in United States of America	1,100 shares of US$100 each	100%
Tai Ping Carpets Americas, Inc.	United States of America, corporation	Carpet trading in United States of America	220,000 shares of US$1 each	100%
Tai Ping Carpets Europe	France, limited liability company	Carpet trading in France	EUR4,500,000	100%
Tai Ping Carpets Interieur GmbH	Germany, limited liability company	Carpet trading in Germany	EUR511,292	100%
Tai Ping Carpets UK Limited	United Kingdom, limited liability company	Carpet trading in United Kingdom	GBP5,400,464	100%
Tai Ping Carpets Latin America S. A.	Argentina, limited liability company	Carpet trading in Argentina	7,868,920 shares of ARS1 each	100%
Tai Ping Carpets Limited	Hong Kong, limited liability company	Carpet trading in Hong Kong	2,000,000 shares of HK$10 each	100%
TPC Macau Limitada	Macau, limited liability company	Carpet trading in Macau	MOP25,000	100%
Tai Ping Carpets (S) Pte. Limited	Singapore, limited liability company	Carpet trading in Singapore	SGD5,000,000	100%
Tai Ping Carpets International Trading (Shanghai) Company Limited	PRC, limited liability company	Carpet trading in PRC	US$200,000	100%
Tai Ping Middle East JLT	United Arab Emirates, limited liability company	Carpet trading in United Arab Emirates	300 shares of AED1,000 each	100%
Manufacture des Tapis de Cogolin SAS	France, limited liability company	Carpet trading in France	EUR200,000	100%
Tai Ping Carpets (Xiamen) Company Limited	PRC, limited liability company	Carpet manufacturing in PRC	US$15,000,000	100%

Notes:

1 Registered as foreign equity joint ventures under PRC Law

2 None of the subsidiaries had issued any debt securities at the end of the year.

The non-controlling interests in respect of Carpets International Thailand Public Company Limited is not material.

17. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying amount would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable. The Group is still in the process of negotiating the disposal with the potential buyer as at 31 December 2016.

18. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	102,889	117,303
Work in progress	32,755	21,515
Finished goods	96,424	91,918
Consumable stores	7,497	7,876
	239,565	238,612
Less: allowance for impairment of inventories	(22,493)	(20,307)
	217,072	218,305

The cost of inventories recognised as expense and included in cost of sales amounted to HK$271,621,000 (2015: HK$322,412,000).

Movements on the Group's allowance for impairment of inventories are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	20,307	20,438
Allowance for impairment of inventories	7,258	11,485
Recovery of impairment previously recognised	(1,023)	(722)
Inventories written off	(3,529)	(9,405)
Exchange differences	(520)	(1,489)
At 31 December	22,493	20,307

19. TRADE & OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	228,365	221,679
Less: allowance for impairment of trade receivables	(7,242)	(6,499)
Trade receivables, net	221,123	215,180
Prepayments	27,133	23,786
Value added tax receivables	22,764	11,445
Rental deposits	7,150	9,085
Other receivables	35,935	17,801
	314,105	277,297
Less: Non-current portion prepayments	(13,570)	(8,494)
Current portion	300,535	268,803

Prepayments included in non-current assets amounted to HK$13,570,000 (2015: HK$8,494,000).

The carrying amounts of trade receivables approximate their fair values as at 31 December 2016 and 2015. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial year, the ageing analysis of the trade receivables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0 to 30 days	163,280	158,345
31 to 60 days	28,136	29,785
61 to 90 days	14,642	12,155
91 to 365 days	16,012	15,074
More than 365 days	6,295	6,320
	228,365	221,679

19. TRADE & OTHER RECEIVABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Amounts past due but not impaired:		
Less than 30 days past due	**78,872**	56,957
31 to 60 days past due	**13,399**	10,152
61 to 90 days past due	**6,170**	5,370
91 to 365 days past due	**10,259**	11,588
More than 365 days past due	**957**	599
	109,657	84,666

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

As at 31 December 2016, trade receivables of approximately HK$109,657,000 (2015: HK$84,666,000) 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 allowance for impairment of trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**6,499**	6,441
Allowance for impairment of trade receivables	**2,723**	2,260
Recovery of impairment previously recognised	**(1,139)**	(2,021)
(Receivables written off as uncollectible)/recovery of receivables previously written off	**(161)**	132
Currency translation difference	**(680)**	(313)
At 31 December	**7,242**	6,499

Any impairment of trade receivables is included in administrative expenses in the consolidated income statement. When there is no expectation of recovery, the receivable balance is written off against the allowance for impairment.

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

19. TRADE & OTHER RECEIVABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
US$	146,003	166,743
Chinese Renminbi	49,738	24,842
Thai baht	41,776	16,605
Euro	31,580	35,856
HK$	18,249	9,654
British pounds	7,017	9,984
Macau patacas	1,649	6,310
Others	18,093	7,303
	314,105	277,297

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK$'000	2015 HK$'000
Financial assets		
– Foreign currency forward contracts	–	4
Financial liabilities		
– Foreign currency forward contracts	(108)	–
	(108)	4

The notional principal amount of outstanding forward foreign exchange contracts of financial liabilities at 31 December 2016 was US$5,005,000 (approximately HK$38,788,000) (2015: US$1,689,000 (approximately HK$13,088,000)).

Management purchased these forward contracts to hedge the foreign currency exposure of Thai baht to US$. These contracts generally mature within 12 months from the date of purchase.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Unlisted debt securities – Thailand	**89,220**	139,033

The unlisted debt securities represented the mutual funds traded in active markets and the fair value is based on quoted market prices at the statement of financial position date (level 1). The mutual funds are managed by TMB Asset Management Co., Ltd. in Thailand. They mainly comprised of Thailand government debt instruments, treasury bills, government bonds and promissory notes issued by banks.

The mutual funds are denominated in Thai baht and their fair values are based on the most representative prices within the bid-ask spreads, which are currently considered as the bid-prices.

22. PLEDGED BANK DEPOSITS

	2016 HK$'000	2015 HK$'000
Pledged bank deposits	**2,335**	3,332
Less: non-current pledged bank deposits	**(277)**	(296)
Current portion	**2,058**	3,036

Pledged bank deposits represented deposits made to a bank for the performance guarantees (the "Guarantee") issued by the bank to the Group's customers, and to pledge for utilities of factory in the PRC.

As at 31 December 2016, the effective interest rate on the Group's pledged bank deposits was 0.87% p.a. (2015: 0.70% p.a.) and these deposits had an average maturity of 120 days (2015: 190 days).

The carrying amounts of the Group's pledged bank deposits are denominated in Chinese Renminbi.

23. FIXED DEPOSITS

	2016 HK$'000	2015 HK$'000
Fixed deposits with maturities over three months and less than one year	**389**	16,549

The carrying amounts approximate to their respective fair values as at 31 December 2016 and 2015.

23. FIXED DEPOSITS (CONTINUED)

The carrying amounts of the Group's fixed deposits are denominated on the following currencies:

	2016 HK$'000	2015 HK$'000
Chinese Renminbi	–	16,161
US$	389	388
	389	16,549

As at 31 December 2016, the Group has no fixed deposits placed with certain banks in the PRC (2015: HK$16,161,000). These balances are subject to exchange controls.

As at 31 December 2016, the effective interest rate on the Group's fixed deposits is 18.00% p.a. (2015: 1.58% p.a.) and these deposits had an average maturity of 365 days (2015: 134 days).

24. CASH & CASH EQUIVALENTS

The carrying amounts of the Group's cash and cash equivalents approximate to their respective fair values and are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Chinese Renminbi	59,798	50,869
US$	33,435	59,563
Euro	25,986	27,821
HK$	15,421	9,018
Singapore dollars	2,672	2,127
Thai baht	2,475	351
Macau patacas	928	245
British pounds	527	2,194
Argentine pesos	363	121
Others	2,141	1,491
	143,746	153,800

As at 31 December 2016, the Group's cash and bank balances included HK$63,491,000 (2015: HK$54,428,000) placed with certain banks in the PRC and Thailand by certain subsidiaries of the Group. These balances are subject to exchange controls.

25. SHARE CAPITAL

	No. of shares	HK$'000
Authorised – Ordinary shares of HK$0.10 each:		
At 31 December 2015 & 2016	**400,000,000**	40,000
Issued and fully paid – Ordinary shares of HK$0.10 each:		
At 31 December 2015 & 2016	**212,187,488**	21,219

26. SHARE PREMIUM & OTHER RESERVES

	Share premium HK$'000	Capital reserve HK$'000	Properties revaluation reserve HK$'000	General reserve HK$'000	Currency translation reserve HK$'000	Total HK$'000
Balance at 1 January 2015	189,699	55,928	4,161	8,000	119,441	377,229
Currency translation differences	–	–	–	–	(48,393)	(48,393)
Balance at 31 December 2015	189,699	55,928	4,161	8,000	71,048	328,836
Balance at 1 January 2016	189,699	55,928	4,161	8,000	71,048	328,836
Currency translation differences	–	–	–	–	(15,854)	(15,854)
Balance at 31 December 2016	189,699	55,928	4,161	8,000	55,194	312,982

Note:
The capital reserve includes 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 are required to appropriate an amount of not less than 10% of profit after income tax to its statutory reserve fund. A subsidiary will not be required to make any further appropriation, when its accumulated statutory reserve fund reaches 50% of its registered capital.

27. DEFERRED INCOME TAX

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

	2016 HK$'000	2015 HK$'000
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	**708**	2,093
Deferred tax assets to be recovered after 12 months	**6,822**	8,246
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after 12 months	**(4,816)**	(6,000)
Deferred tax assets, net	**2,714**	4,339

27. DEFERRED INCOME TAX (CONTINUED)

The gross movements on the Group's deferred income tax account are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**4,339**	5,314
Exchange differences	**(411)**	(1,402)
(Charged)/credited to the consolidated income statement (Note 10)	**(1,214)**	427
At 31 December	**2,714**	4,339

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, are as follows:

Deferred tax assets

	Impairment of assets		Tax losses		Others		Total	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
At 1 January	**357**	1,165	**1,339**	1,728	**8,643**	8,055	**10,339**	10,948
(Charged)/credited to the consolidated income statement	**(14)**	(647)	**(774)**	196	**(1,610)**	1,244	**(2,398)**	793
Exchange differences	**(69)**	(161)	**(131)**	(585)	**(211)**	(656)	**(411)**	(1,402)
At 31 December	**274**	357	**434**	1,339	**6,822**	8,643	**7,530**	10,339

Deferred income tax assets are recognised for tax losses 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$158,319,000 (2015: HK$156,775,000) in respect of tax losses of approximately HK$494,791,000 (2015: HK$493,427,000) that can be carried forward against future taxable income. The expiry dates of the tax losses of the subsidiaries are as follows:

	2016 HK$'000	2015 HK$'000
With no expiry	**177,027**	185,012
Expiry dates range from 2018 to 2033	**317,764**	308,415
	494,791	493,427

27. DEFERRED INCOME TAX (CONTINUED)

Deferred tax liabilities

	Accelerated tax depreciation allowance		Unremitted service fees		Total	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January	4,803	4,437	1,197	1,197	6,000	5,634
(Credited)/charged to the consolidated income statement	(1,184)	366	–	–	(1,184)	366
At 31 December	3,619	4,803	1,197	1,197	4,816	6,000

Deferred income tax liabilities of HK$29,417,000 (2015: HK$21,608,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries totalling approximately HK$294,170,000 (2015: HK$216,076,000). Such amounts are not currently intended to be distributed to the shareholders outside PRC and Thailand.

28. RETIREMENT BENEFIT OBLIGATIONS

	2016	2015
	HK$'000	HK$'000
Consolidated financial position obligations for:		
Pension benefits plans	28,857	26,301

The defined benefit plans are final salary defined plans in Thailand and France, which are valued by qualified actuaries using the project unit credit method. The defined benefit plans were valued at 31 December 2016 by NIDA Consulting Center and SPAC Actuaries in Thailand and France respectively.

Pension benefits

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

	2016	2015
	HK$'000	HK$'000
Present value of unfunded obligations	28,857	26,301
Liabilities on the consolidated statement of financial position	28,857	26,301

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension benefits (Continued)

The movements in defined benefit obligations are as follows:

	2016 HK$'000	2015 HK$'000
As 1 January	**26,301**	26,079
Actuarial gain on remeasurement	**(1,432)**	–
Current service costs	**4,058**	2,061
Interest costs	**627**	999
Exchange differences	**17**	(2,426)
Benefit paid	**(714)**	(412)
At 31 December	**28,857**	26,301

	2016 HK$'000	2015 HK$'000
The amounts recognised in the consolidated statement of financial position were determined as follows:		
Present value of defined benefit obligations	**28,857**	26,301
Liabilities on the consolidated statement of financial position	**28,857**	26,301

	2016 HK$'000	2015 HK$'000
The amounts recognised in the consolidated income statements are as follows:		
Current service costs	**4,058**	2,061
Interest costs	**627**	999
Total, included in employee benefit expenses (Note 7)	**4,685**	3,060

The principal actuarial assumptions were as follows:

	2016	2015
Discount rate	**1.50% – 2.75%**	2.05% – 4.40%
Inflation rate	**2% – 4%**	2% – 3%
Expected return on plan assets	**N/A**	N/A
Salary growth	**2% – 4%**	2% – 8%
Turnover rate	**0% – 20%**	0% – 30%

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Pension benefits (Continued)

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in Thailand and France respectively. Mortality assumptions for Thailand and France are based on post-retirement mortality tables, Thailand TMO2008 Table normal retirement age and INSEE TD/TV 2012-2014 respectively.

29. OTHER LONG-TERM LIABILITIES

	2016 HK$'000	2015 HK$'000
Repayable between 1 – 2 years	1,200	–
Repayable between 2 – 5 years	–	1,200
	1,200	1,200

Non-current portion of other long-term liabilities in 2016 and 2015 mainly represent provision for reinstatement costs for the Group's head office in Hong Kong.

30. TRADE & OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	82,570	45,583
Deposits received in advance	98,636	95,138
Accrual for expenses	105,450	91,780
Other payables	72,204	60,850
	358,860	293,351

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

	2016 HK$'000	2015 HK$'000
0 to 30 days	69,661	35,787
31 days to 60 days	10,191	7,715
61 days to 90 days	1,747	1,053
More than 90 days	971	1,028
	82,570	45,583

30. TRADE & OTHER PAYABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Chinese Renminbi	118,597	56,656
US$	83,795	93,980
HK$	53,281	45,856
Euro	44,469	47,518
Thai baht	34,894	28,281
British pounds	9,366	15,262
Others	14,458	5,798
	358,860	293,351

31. BANK BORROWINGS – UNSECURED

	2016 HK$'000	2015 HK$'000
Current		
Bills payables repayable within 60 days	2,961	3,923
Short-term bank borrowings	116,250	143,375
	119,211	147,298

The carrying amounts approximated their respective fair values as at 31 December 2016 and 2015. The amounts are unsecured, bear interest at 2.21% – 2.26% p.a. (2015: 1.87% – 1.92% p.a.).

At 31 December 2016, the Group had trade and loan finance facilities of HK$596,807,000 (2015: HK$772,512,000), of which HK$156,933,000 (2015: HK$187,843,000) were utilised. The Group had complied with the covenants set out in the trade and loan finance facilities.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
US$	116,250	143,375
Thai baht	2,961	3,923
	119,211	147,298

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2016 HK$'000	2015 HK$'000
Profit before income tax	1,484	39,288
Adjustments for:		
Amortisation of intangible assets	10,372	9,099
Amortisation of land use rights	632	673
Allowance for impairment of trade receivables	1,584	239
Bad debts written off	393	824
Retirement benefit obligations	4,685	3,060
Depreciation of property, plant & equipment	49,090	54,469
(Gain)/loss on disposal of property, plant & equipment	(142)	515
Property, plant & equipment written off	245	7,921
Allowance for impairment of inventories	6,235	10,763
Inventories written-off	–	22
Gain on disposal of financial assets at fair value through profit or loss	(1,242)	(2,410)
Gain on disposal of investment properties	(13,328)	–
Loss/(gain) on change in fair value of derivative financial instruments	113	(50)
Finance costs	27	24
Finance income	(640)	(3,137)
Operating profit before changes in working capital	59,508	121,300
Inventories	(1,831)	1,600
Trade & other receivables	(29,319)	(30,100)
Trade & other payables	60,146	(32,283)
Prepayments – non-current	(5,076)	(2,166)
Reinstatement for office relocation	–	(3,015)
Cash generated from operations	83,428	55,336

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

(i) Property, plant and equipment

	2016 HK$'000	2015 HK$'000
Net book amount	167	973
Gain/(loss) on disposal	142	(515)
Proceeds from disposal	309	458

(ii) Investment properties

	2016 HK$'000	2015 HK$'000
Net book amount	–	–
Gain on disposal	13,328	–
Proceeds from disposal	13,328	–

33. OPERATING LEASE COMMITMENTS

The Group has entered into a number of operating lease agreements on property, plant and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016		2015	
	Property	Other assets	Property	Other assets
	HK$'000	HK$'000	HK$'000	HK$'000
Not later than one year	44,138	2,372	41,971	1,573
Later than one year and not later than five years	89,878	2,981	98,977	2,808
Later than five years	97,391	–	112,400	–
	231,407	5,353	253,348	4,381

34. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	HK$'000
Authorised but not contracted for in respect of property, plant & equipment	67,452	40,049
Contracted but not provided for in respect of property, plant & equipment	18,520	36,310
	85,972	76,359

35. CONTINGENCIES

Contingent liabilities

	2016	2015
	HK$'000	HK$'000
Performance bonds issued by banks	20,975	19,941

36. RELATED PARTY TRANSACTIONS

The Mikado Private Trust Company Limited ("MPTCL") is a major 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 following transactions were carried out with related parties:

(a) Sale of goods & services

	2016 **HK$'000**	2015 HK$'000
Sale of carpets:		
The Hongkong and Shanghai Hotels, Limited ("HSH")[1]	**8,547**	3,632

Note:

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

(b) Key management compensation

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

	2016 **HK$'000**	2015 HK$'000
Salaries & other short-term employee benefits	**24,770**	25,325

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

	2016 **HK$'000**	2015 HK$'000
Trade receivables from related party:		
HSH	**4,093**	1,666

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

As at 31 December

	Note	2016 HK$'000	2015 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	16	**242,800**	242,800
Current assets			
Other receivables		**18**	–
Amounts due from subsidiaries		**255,142**	171,077
Cash & cash equivalents		**1,905**	2,181
		257,065	173,258
Total assets		**499,865**	416,058
Equity			
Equity attributable to owners of the Company			
Share capital	25	**21,219**	21,219
Reserves		**277,467**	277,467
Retained earnings:			
Proposed final dividend		**6,366**	6,366
Others		**144,308**	76,962
Total equity		**449,360**	382,014
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**47,589**	31,259
Other payables		**2,916**	2,785
Total liabilities		**50,505**	34,044
Total equity & liabilities		**499,865**	416,058
Net current assets		**206,560**	139,214
Total assets less current liabilities		**449,360**	382,014

The statement of financial position of the Company was approved by the Board of Directors on 17 March 2017 and were signed on its behalf.

Nicholas T. J. Colfer
Chairman

James H. Kaplan
Executive Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Share premium HK$'000	Contributed Surplus HK$'000	Retained earnings HK$'000
At 1 January 2015	189,699	87,768	122,255
Loss for the year	–	–	(13,465)
Dividend for 2014	–	–	(25,462)
At 31 December 2015	189,699	87,768	83,328
At 1 January 2016	**189,699**	**87,768**	**83,328**
Profit for the year	**–**	**–**	**73,712**
Dividend for 2015	**–**	**–**	**(6,366)**
At 31 December 2016	**189,699**	**87,768**	**150,674**

38. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director of the Company was set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2016							
Nicholas T. J. Colfer	120	–	–	–	–	–	120
Nelson K. F. Leong	110	–	–	–	–	–	110
David C. L. Tong	150	–	–	–	–	–	150
John J. Ying	170	–	–	–	–	–	170
Andrew C. W. Brandler	100	–	–	–	–	–	100
Yvette Y. H. Fung	150	–	–	–	–	–	150
Roderic N. A. Sage	200	–	–	–	–	–	200
Lincoln C. K. Yung	110	–	–	–	–	–	110
Aubrey K. S. Li	160	–	–	–	–	–	160
James H. Kaplan	–	5,862	775	–	62	162	6,861
	1,270	5,862	775	–	62	162	8,131

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
	Fees	Salaries	Discretionary bonuses	Housing allowance	Employer's contribution to a retirement benefit scheme	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2015							
Nicholas T. J. Colfer	120	–	–	–	–	–	120
Nelson K. F. Leong	110	–	–	–	–	–	110
David C. L. Tong	150	–	–	–	–	–	150
John J. Ying	170	–	–	–	–	–	170
Andrew C. W. Brandler	100	–	–	–	–	–	100
Yvette Y. H. Fung	150	–	–	–	–	–	150
Roderic N. A. Sage	200	–	–	–	–	–	200
Lincoln C. K. Yung	110	–	–	–	–	–	110
Aubrey K. S. Li	160	–	–	–	–	–	160
James H. Kaplan	–	5,704	3,100	–	60	162	9,026
	1,270	5,704	3,100	–	60	162	10,296

(b) Directors' retirement benefits and termination benefits

The directors did not receive or will receive any retirement or termination benefits for the year ended 31 December 2016 (2015: Nil).

(c) Consideration provided to third parties for making available directors' services

The Company did not pay any consideration to any third party for making available directors' services for the year ended 31 December 2016 (2015: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of the directors controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of the directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year 31 December 2016 (2015: Nil).

38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the 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 31 December 2016 (2015: Nil).

Senior Management

Name	Position held	Age[1]	Joined Group	Business experience
Mr. William J. Palmer	Global Managing Director, Commercial, Contract & Residential Sales	55	1999	Sales & business development
Ms. Mersine P. Defterios	Global Managing Director, Aviation, Yacht & Boutique Stores	48	2011	Sales & business development
Ms. Catherine Vergez	Global Strategic Director	54	2000	Sales & business development
Mr. Mark S. Worgan	Global Chief Operating Officer	53	2008	Carpet manufacturing & logistics
Mr. Jean-Pierre Tortil	Global Creative Director	52	2011	Design
Mr. Geoffrey Pryce Jones[2]	Global Chief Financial Officer	59	2014	Financial management
Mr. Lung Chi Sing Alex[3]	Chief Finance Officer and Company Secretary	45	2016	Financial management

Note:

1 Age as of 17 March 2017

2 Senior management left during the year

3 Senior management since 2016

Remuneration to senior management

The remuneration to senior management fell within the following bands:

	No. of Individuals	
	2016	2015
Remuneration bands		
HK$500,001 – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**2**	4
HK$3,000,001 – HK$3,500,000	**2**	1

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Bankers
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Company Secretary
Lung Chi Sing Alex

Principal Share Registrar and Transfer Agent
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