

# Tai Ping Carpets International Limited

Interim Report 2020/21

Incorporated in Bermuda with Limited Liability  
Stock Code: 146



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# Management Discussion & Analysis

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) hereby presents the interim report and the condensed consolidated interim financial statements of the Group for the six months ended 31 December 2020 (the “period”), together with the comparative figures for the previous corresponding period. The condensed consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 31 December 2020, and the condensed consolidated statement of financial position as at 31 December 2020, along with selected explanatory notes, all of which are unaudited and reviewed by the Audit Committee of the Company, can be found on pages 8 to 31 of this report.

## BUSINESS REVIEW

The Group’s consolidated turnover for the period was HK\$220 million, down by 28% compared to the HK\$305 million for the same period in 2019. Trading was affected by the on-going COVID-19 outbreak which lasted throughout the year. However, the impact of the pandemic during the reporting period – the second half of 2020 – was less severe than in the first half when turnover was lower at HK\$190 million.

During the period, stringent cost controls were implemented which included negotiation of temporary rent reductions, staff furloughing and voluntary pay reductions. In addition, direct selling and marketing expenditure reduced considerably following the suspension of major trade shows during lockdowns. With cost-saving measures in place, the operating profit for the period was HK\$7 million. The comparative figure in 2019 was HK\$14 million although this benefitted from a one-off income of HK\$11 million relating to the disposal of assets held for sale. The operating result was a significant improvement compared to the operating loss of HK\$30 million recorded in the first half of 2020.

The Group’s profit attributable to the equity holders of the Company was HK\$6 million, compared to the profit of HK\$11 million recorded for the same period in 2019.

## CARPET OPERATIONS

Sales revenue in carpet operations for the period was HK\$213 million, a 28% decrease compared to the HK\$297 million for the same period in 2019. All three regions recorded double-digit sales decline primarily due to the delays in securing and completing projects caused by government lockdowns in various countries. The uncertainty around international travel also caused customers to temporarily reduce or postpone their purchases.

Gross profit margins across almost all business segments and regions were intact and showed improvements as compared to 2019 due to higher efficiency of the manufacturing operations.

## MANUFACTURING OPERATIONS

The performance of the Artisan workshop in Xiamen continues to improve with management remaining focused on delivering further gains in efficiency, productivity and material utilisation. Following the implementation of stringent social distancing guidelines to protect the health and safety of employees, the COVID-19 outbreak had no major impact on manufacturing operations.

The Company's new carpet manufacturing operation in the US, based at its Premier Yarn Dyers ("PYD") facility in Georgia has been fully operational since April 2020. The new manufacturing facility will support long-term growth plans in the US market.

## NON-CARPET OPERATIONS

Other operations represent mainly the Company's US based yarn-dyeing subsidiary, PYD, contributing approximately 3% of total sales. Whilst the implementation of streamlining measures further reduced the operating loss in this part of the business, results are expected to improve in future when the spare production capacity is better utilised.

## OUTLOOK

The outbreak of the COVID-19 will continue to be the biggest challenge to the recovery of the global economy and Tai Ping's business in the near-term. However, with the global deployment of vaccinations accelerating and societies continuing to adapt to new health and safety norms, we are cautiously hopeful that economic and business activity will gradually return to normal.

Trade frictions between the US and China also remain a concern, particularly as the US is Tai Ping's biggest market while its manufacturing is located in China. Whilst the newly-invested US carpet manufacturing footprint is still in early stages, and will take time to become established, high US tariffs will continue to affect business growth in the US.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2019: Nil).

## CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment and construction in progress incurred by the Group totalled HK\$5 million during the period (2019: HK\$8 million). As at 31 December 2020, the aggregated net book value of the Group's property, plant and equipment, land use rights, construction in progress and intangible assets amounted to HK\$395 million (30 June 2020: HK\$378 million).

## LIQUIDITY & FINANCIAL RESOURCES

The Group coordinates its financing and cash management activities at the corporate level, and usually funds its business with internally generated cash flows and through banking facilities at various subsidiaries.

As at 31 December 2020, the Group had total cash and cash equivalents including short-term fixed deposits (with maturity within 12 months) amounting to HK\$138 million (30 June 2020: HK\$136 million) and had no bank borrowings (30 June 2020: HK\$31 million).

## EXPOSURE TO FOREIGN EXCHANGE RISKS

The Group has overseas operations in the US, Europe and China. The Group treats its investments in these foreign operations as permanent equity, so exchange differences from translating the net investments in these foreign operations do not affect cash flows and are dealt with in the reserves.

The Group's sales are denominated primarily in US dollars and Euro, and to a lesser extent in a variety of other currencies.

## HUMAN RESOURCES & REMUNERATION POLICIES

Consistent with continuing cost reduction measures, the total number of employees at the end of December 2020 was 670 compared to 740 at the end of June 2020.

Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as an annual incentive to reward and motivate individual performance.

The primary focus for Human Resources during the period was maintaining stability and retaining talent through a period of economic uncertainty and continuing organisational change.

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group's total contingent liabilities amounted to HK\$8 million (30 June 2020: Nil).

Mark Stuart Worgan  
*Chief Executive Officer*

Hong Kong, 26 February 2021

# Corporate Governance & Other Information

## CORPORATE GOVERNANCE

The Board of Directors and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company has complied with the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 31 December 2020, except the Company's Non-Executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every Director would retire by rotation at least once every three years, which is in line with the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company (the "Tai Ping Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code during the six months ended 31 December 2020.

## AUDIT COMMITTEE

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

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of the interim financial information for the six months ended 31 December 2020.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 31 December 2020. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2020.

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

As at 31 December 2020, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

### Ordinary shares of HK\$0.10 each in the Company as at 31 December 2020

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
Tong Chi Leung David	431,910	–	0.204%
Yung Lincoln Chu Kuen	30,000	–	0.014%
Leong Kwok Fai Nelson	700,000	2,182,000 <sup>1</sup>	1.358%
John Jeffrey Ying	–	32,605,583 <sup>2</sup>	15.366%

Notes:

- <sup>1</sup> 2,000,000 shares are held by Gainsborough Associates Limited and 182,000 shares are held by Fontana Enterprises Limited, companies in which Mr. Leong Kwok Fai Nelson holds 33.33% and 40% equity interests respectively and have controlling interest.
- <sup>2</sup> The shares are held by Peak Capital Partners I, L.P. of which Mr. John Jeffrey 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).

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors 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 2020, 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 substantial shareholders' interests, being 5% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors.

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 <sup>1</sup>	40,014,178	18.858%
Bermuda Trust Company Limited <sup>1</sup>	40,014,178	18.858%
Harneys Trustees Limited <sup>1</sup>	77,674,581	36.607%
Lawrencium Holdings Limited <sup>1</sup>	77,674,581	36.607%
The Mikado Private Trust Company Limited <sup>1</sup>	77,674,581	36.607%
The Hon. Sir Michael Kadoorie <sup>1</sup>	77,674,581	36.607%
Peak Capital Partners I, L.P. <sup>2</sup>	32,605,583	15.366%

### Notes:

- <sup>1</sup> 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.
- <sup>2</sup> Mr. John Jeffrey Ying (a Non-Executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

# Condensed Consolidated Income Statement

For the six months ended 31 December

	Note	Unaudited	
		2020 HK\$'000	2019 HK\$'000
Revenue	6	220,342	305,233
Cost of sales		(93,524)	(140,035)
Gross profit		126,818	165,198
Distribution costs	7	(61,768)	(90,188)
Administrative expenses	7	(59,726)	(73,811)
Gain on disposal of non-current asset held for sale	8	–	11,089
Other gains – net	9	1,848	1,353
<b>Operating profit</b>		<b>7,172</b>	<b>13,641</b>
Finance costs – net	10	(1,474)	(1,826)
<b>Profit before income tax</b>		<b>5,698</b>	<b>11,815</b>
Income tax expense	11	(161)	(1,223)
<b>Profit for the period</b>		<b>5,537</b>	<b>10,592</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		5,838	11,377
Non-controlling interests		(301)	(785)
		5,537	10,592
Profit per share attributable to the owners of the Company during the period (expressed in HK cents per share)			
Basic/diluted	13	2.75	5.36

The notes on pages 14 to 31 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December

	Unaudited	
	2020	2019
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>5,537</b>	<b>10,592</b>
<b>Other comprehensive income:</b>		
Items that may be reclassified to profit or loss		
Release of reserves attributable to the disposal of non-current asset held for sale	–	(14,743)
Currency translation differences	29,942	(7,754)
<b>Other comprehensive income/(loss) for the period – net of tax</b>	<b>29,942</b>	<b>(22,497)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>35,479</b>	<b>(11,905)</b>
<b>Attributable to:</b>		
Owners of the Company	34,390	(10,798)
Non-controlling interests	1,089	(1,107)
	<b>35,479</b>	<b>(11,905)</b>

The notes on pages 14 to 31 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

	Note	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	14	26,974	25,148
Property, plant & equipment	15	347,913	332,747
Construction in progress	15	–	640
Intangible assets	16	19,720	19,798
Prepayments	18	2,233	1,369
Other receivable	18	4,887	4,887
Right-of-use assets	17	102,759	107,195
Lease receivables		276	1,083
		<b>504,762</b>	<b>492,867</b>
<b>Current assets</b>			
Inventories		64,709	68,557
Trade & other receivables	18	52,884	70,931
Lease receivables		1,578	2,186
Derivative financial instruments		332	–
Current income tax assets		3,409	6,228
Pledged bank deposit	19	404	402
Cash & cash equivalents		137,792	136,036
		<b>261,108</b>	<b>284,340</b>
<b>Total assets</b>		<b>765,870</b>	<b>777,207</b>

The notes on pages 14 to 31 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	21,219	21,219
Reserves	21	272,827	244,275
Retained earnings		109,849	104,011
		403,895	369,505
<b>Non-controlling interests</b>		18,504	17,415
<b>Total equity</b>		422,399	386,920
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		2,065	2,065
Retirement benefit obligations		4,031	3,719
Lease liabilities		86,872	91,708
		92,968	97,492
<b>Current liabilities</b>			
Trade & other payables	22	124,329	136,982
Contract liabilities – Deposits received in advance		100,230	97,047
Derivative financial instruments		–	93
Current income tax liabilities		2,632	2,284
Bank borrowings – unsecured	23	–	31,040
Lease liabilities		23,312	25,349
		250,503	292,795
<b>Total liabilities</b>		343,471	390,287
<b>Total equity &amp; liabilities</b>		765,870	777,207
<b>Net current assets/(liabilities)</b>		10,605	(8,455)
<b>Total assets less current liabilities</b>		515,367	484,412

The notes on pages 14 to 31 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December

	Unaudited							
	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 July 2019	21,219	189,699	83,959	121,851	416,728	19,449	436,177	
<b>Comprehensive income</b>								
Profit/(loss) for the period	-	-	-	11,377	11,377	(785)	10,592	
<b>Other comprehensive income for the period</b>								
Release of reserves attributable to the disposal of non-current asset held for sale	-	-	(14,743)	-	(14,743)	-	(14,743)	
Currency translation differences	-	-	(7,432)	-	(7,432)	(322)	(7,754)	
Total other comprehensive loss for the period – net of tax	-	-	(22,175)	-	(22,175)	(322)	(22,497)	
Total comprehensive loss for the period	-	-	(22,175)	11,377	(10,798)	(1,107)	(11,905)	
Balance at 31 December 2019	21,219	189,699	61,784	133,228	405,930	18,342	424,272	
Balance at 1 July 2020	21,219	189,699	54,576	104,011	369,505	17,415	386,920	
<b>Comprehensive income</b>								
Profit/(loss) for the period	-	-	-	5,838	5,838	(301)	5,537	
<b>Other comprehensive income for the period</b>								
Currency translation differences	-	-	28,552	-	28,552	1,390	29,942	
Total other comprehensive income for the period – net of tax	-	-	28,552	-	28,552	1,390	29,942	
Total comprehensive income for the period	-	-	28,552	5,838	34,390	1,089	35,479	
Balance at 31 December 2020	21,219	189,699	83,128	109,849	403,895	18,504	422,399	

The notes on pages 14 to 31 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December

	Unaudited	
	2020	2019
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	46,770	66,314
Income tax recovered/(paid)	3,060	(179)
Interest paid	(134)	(96)
<b>Net cash generated from operating activities</b>	<b>49,696</b>	<b>66,039</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant & equipment and construction in progress	(4,707)	(9,685)
Acquisition of intangible assets	(846)	–
Proceeds from disposal of property, plant & equipment	5	41
Proceeds from disposal of non-current asset held for sale	–	8,651
Decrease/(increased) in derivative financial instruments	253	(39)
Interests received	289	61
<b>Net cash used in investing activities</b>	<b>(5,006)</b>	<b>(971)</b>
<b>Cash flows from financing activities</b>		
Capital element of lease rentals paid	(17,264)	(17,348)
Interest element of lease rentals paid	(1,731)	(1,919)
Proceeds from borrowings	–	15,560
Repayments of borrowings	(31,040)	(15,560)
<b>Net cash used in financing activities</b>	<b>(50,035)</b>	<b>(19,267)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	<b>(5,345)</b>	<b>45,801</b>
Cash & cash equivalents at beginning of period	136,036	60,094
Exchange gain on cash & cash equivalents	7,101	4,044
Cash & cash equivalents at end of period	137,792	109,939

The notes on pages 14 to 31 are an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal office in Hong Kong is located at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

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

These condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors of the Company on 26 February 2021.

These condensed consolidated interim financial statements have not been audited.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the eighteen months ended 30 June 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

## 3. CHANGES IN ACCOUNTING STANDARDS

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the financial period beginning 1 July 2020 and none of them have impact to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### 4. ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation for uncertain events were the same as those that applied to the consolidated financial statements for the eighteen months ended 30 June 2020.

#### 5. FINANCIAL RISK MANAGEMENT

##### Financial risk factors

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the eighteen months ended 30 June 2020.

There have been no changes in the risk management team and/or in any risk management policies since the end of 30 June 2020.

##### (a) 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 period, the Group held cash and cash equivalents of HK\$137,792,000 (as at 30 June 2020: HK\$136,036,000) that are expected to readily generate cash inflows for managing liquidity risk.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

As at 31 December 2020	Within 1 year	After 1 year but within 5 years	More than 5 years	Total
Unaudited	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade & other payables	48,522	–	–	48,522
Lease liabilities	23,312	47,100	39,772	110,184
	71,834	47,100	39,772	158,706

  

As at 30 June 2020	Within 1 year	After 1 year but within 5 years	More than 5 years	Total
Audited	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade & other payables	61,109	–	–	61,109
Bank borrowings – unsecured	31,040	–	–	31,040
Lease liabilities	25,349	49,358	42,350	117,057
	117,498	49,358	42,350	209,206

All of the Group's non-trading gross settled derivative financial instruments (Note 5(b)) 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\$24,919,000 (30 June 2020: HK\$12,416,000) and undiscounted contractual cash outflow of HK\$24,363,000 (30 June 2020: HK\$12,416,000).

### (b) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into these 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)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020.

	Level 2 HK\$'000
<b>Assets</b>	
<b>Derivative financial instruments:</b>	
Foreign currency forward contracts	332

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020.

	Level 2 HK\$'000
<b>Liabilities</b>	
<b>Derivative financial instruments:</b>	
Foreign currency forward contracts	(93)

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.

## 6. REVENUE & SEGMENT INFORMATION

### (a) Revenue

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Sale of carpets & underlays	190,960	269,192
Installation of carpets & furnishing business	22,309	27,681
Sale of yarns & others	7,073	8,360
	220,342	305,233

### (b) Segment information

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

The Board assesses the performance of the operating segments based on a measure of segment results. Segment results which comprise 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.

## 6. REVENUE & SEGMENT INFORMATION (CONTINUED)

The segment information provided to the management for the reportable segments for the six months ended 31 December 2020 and 2019 are as follows:

For the six months ended 31 December 2020

Unaudited	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	41,834	79,245	99,263	-	220,342
Cost of production <sup>1</sup>	(18,022)	(33,072)	(41,752)	-	(92,846)
Segment gross margin	23,812	46,173	57,511	-	127,496
Segment results	5,289	199	11,618	-	17,106
Unallocated expenses <sup>2</sup>					(9,934)
Operating profit					7,172
Finance costs – net					(1,474)
Profit before income tax					5,698
Income tax expense					(161)
Profit for the period					5,537
Capital expenditure	(2,087)	(2,497)	(198)	-	(4,782)
Depreciation of right-of-use assets	(3,923)	(5,588)	(5,232)	-	(14,743)
Depreciation of property, plant & equipment (Note 15)	(9,216)	(1,824)	(1,928)	(313)	(13,281)
Amortisation of land use rights (Note 14)	(305)	-	-	-	(305)
Amortisation of intangible assets (Note 16)	-	-	(66)	(2,166)	(2,232)
Recovery of impairment of trade receivables – net	130	474	31	-	635

## 6. REVENUE &amp; SEGMENT INFORMATION (CONTINUED)

For the six months ended 31 December 2019

Unaudited	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	65,316	107,322	132,595	–	305,233
Cost of production <sup>1</sup>	(35,666)	(46,394)	(54,587)	–	(136,647)
Segment gross margin	29,650	60,928	78,008	–	168,586
Segment results	5,570	4,958	16,523	–	27,051
Unallocated expenses <sup>2</sup>					(13,410)
Operating profit					13,641
Finance costs – net					(1,826)
Profit before income tax					11,815
Income tax expense					(1,223)
Profit for the period					10,592
Capital expenditure	(1,669)	(1,985)	(3,932)	–	(7,586)
Depreciation of right-of-use assets	(4,592)	(6,008)	(5,564)	–	(16,164)
Depreciation of property, plant & equipment (Note 15)	(5,501)	(1,619)	(2,128)	(2,334)	(11,582)
Amortisation of land use rights (Note 14)	(301)	–	–	–	(301)
Amortisation of intangible assets (Note 16)	(2,102)	–	(65)	–	(2,167)
(Allowance for)/recovery of impairment of trade receivables – net	(118)	649	(427)	–	104

Notes:

- <sup>1</sup> Cost of production comprises cost of sales, transportation and administrative expenses of the factories, which are classified as distribution costs and administrative expenses in the condensed consolidated income statement.
- <sup>2</sup> Unallocated expenses include corporate expenses and income of the Group.

## 7. EXPENSES BY NATURE

	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Depreciation of right-of-use assets	14,743	16,164
Depreciation of property, plant & equipment (Note 15)	13,281	11,582
Amortisation of land use rights (Note 14)	305	301
Amortisation of intangible assets (Note 16)	2,232	2,167
Recovery of impairment of trade receivables – net	(635)	(104)
Allowance for impairment of inventories – net	2,021	2,365
Bad debts written off	309	1,034

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

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

In February 2019, PCMC entered into a sale and purchase agreement to dispose of its principal property asset in Manila (the "disposal") and the transaction was completed in May 2019. In December 2019, PCMC distributed the first installment of the proceeds after the gain on disposal was finalised. The balance of the proceeds should be distributed after PCMC has received all tax clearances for the disposal. As the transaction has been substantially concluded, the Company recorded its share of the gain on disposal of HK\$11 million in December 2019. The balance of the outstanding proceeds of HK\$5 million was recorded as long-term other receivable as at 31 December 2019 and 2020.

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

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

## 9. OTHER GAINS – NET

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Net foreign exchange gain	1,154	1,124
Gain/(loss) on change in fair value of derivative financial instruments	678	(142)
Property, plant and equipment written off	(1,273)	(1,169)
Gain/(loss) on disposal of property, plant & equipment	5	(587)
Others	1,284	2,127
	1,848	1,353

## 10. FINANCE COSTS – NET

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Finance income – interest income from banks	289	61
Finance costs – interest expenses for leases – net	(1,629)	(1,791)
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	(134)	(96)
Finance costs – net	(1,474)	(1,826)

## 11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Current income tax		
Hong Kong	–	148
PRC & overseas	161	870
Deferred income tax expense	–	205
Income tax expense	161	1,223

## 12. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period. At the Board meeting held on 26 February 2021, the Board resolved not to declare any dividend for the six months ended 31 December 2020 (2019: Nil).

## 13. PROFIT PER SHARE

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

	Six months ended 31 December	
	2020	2019
Profit attributable to owners of the Company (HK\$'000)	5,838	11,377
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic profit per share (HK cents)	2.75	5.36

The Group had no dilutive potential shares outstanding during the six months ended 31 December 2020 and 2019.

## 14. LAND USE RIGHTS

The Group's interests in land use rights are also identified as right-of-use assets and their carrying amounts are analysed as follows:

	Unaudited	Audited
	31 Dec 2020	30 June 2020
	HK\$'000	HK\$'000
At beginning of the period	25,148	27,138
Amortisation of land use rights (Note 7)	(305)	(911)
Exchange differences	2,131	(1,079)
At end of the period	26,974	25,148

## 15. PROPERTY, PLANT &amp; EQUIPMENT AND CONSTRUCTION IN PROGRESS

For the six months ended 31 December 2020

Unaudited	Property, plant & equipment			Construction in progress HK\$'000
	Buildings HK\$'000	Other assets HK\$'000	Property, plant & equipment total HK\$'000	
<b>At 1 July 2020</b>				
Cost or valuation	306,440	302,712	609,152	640
Accumulated depreciation	(44,407)	(231,998)	(276,405)	–
Net book amount	262,033	70,714	332,747	640
<b>Period ended 31 December 2020</b>				
Opening net book amount	262,033	70,714	332,747	640
Additions	–	4,782	4,782	–
Transfer from construction in progress	–	–	–	(606)
Disposals	–	(36)	(36)	–
Assets written off	–	(1,273)	(1,273)	–
Depreciation (Note 7)	(3,841)	(9,440)	(13,281)	–
Exchange differences	20,379	4,595	24,974	(34)
Closing net book amount	278,571	69,342	347,913	–
<b>At 31 December 2020</b>				
Cost or valuation	331,031	306,636	637,667	–
Accumulated depreciation	(52,460)	(237,294)	(289,754)	–
Net book amount	278,571	69,342	347,913	–

## 15. PROPERTY, PLANT &amp; EQUIPMENT AND CONSTRUCTION IN PROGRESS (CONTINUED)

For the six months ended 31 December 2019

Unaudited	Property, plant & equipment			Construction in progress HK\$'000
	Buildings HK\$'000	Other assets HK\$'000	Property, plant & equipment total HK\$'000	
<b>At 1 July 2019</b>				
Cost or valuation	217,851	310,173	528,024	108,139
Accumulated depreciation	(41,326)	(226,965)	(268,291)	–
Net book amount	176,525	83,208	259,733	108,139
<b>Year ended 31 December 2019</b>				
Opening net book amount	176,525	83,208	259,733	108,139
Additions	1,019	5,696	6,715	871
Transfer from construction in progress	6,150	838	6,988	(6,988)
Disposals	–	(623)	(623)	–
Assets written off	–	(1,169)	(1,169)	–
Depreciation (Note 7)	(2,217)	(9,365)	(11,582)	–
Exchange differences	(3,134)	(1,224)	(4,358)	(1,592)
Closing net book amount	178,343	77,361	255,704	100,430
<b>At 31 December 2019</b>				
Cost or valuation	221,136	310,392	531,528	100,430
Accumulated depreciation	(42,793)	(233,031)	(275,824)	–
Net book amount	178,343	77,361	255,704	100,430

## 16. INTANGIBLE ASSETS

For the six months ended 31 December 2020

Unaudited	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>At 1 July 2020</b>						
Cost	7,178	81,350	2,090	1,940	2,826	95,384
Accumulated amortisation & impairment	(7,178)	(64,849)	–	(1,617)	(1,942)	(75,586)
Net book amount	–	16,501	2,090	323	884	19,798
<b>Period ended 31 December 2020</b>						
Opening net book amount	–	16,501	2,090	323	884	19,798
Additions	–	614	–	–	–	614
Transfer from construction in progress	–	606	–	–	–	606
Amortisation (Note 7)	–	(2,167)	–	(65)	–	(2,232)
Exchange differences	–	688	175	–	71	934
Closing net book amount	–	16,242	2,265	258	955	19,720
<b>At 31 December 2020</b>						
Cost	7,169	83,317	2,265	1,937	2,976	97,664
Accumulated amortisation & impairment	(7,169)	(67,075)	–	(1,679)	(2,021)	(77,944)
Net book amount	–	16,242	2,265	258	955	19,720

**16. INTANGIBLE ASSETS (CONTINUED)**

For the six months ended 31 December 2019

Audited	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>At 1 July 2019</b>						
Cost	7,197	69,543	2,123	1,945	2,854	83,662
Accumulated amortisation & impairment	(7,197)	(60,162)	–	(1,491)	(1,957)	(70,807)
Net book amount	–	9,381	2,123	454	897	12,855
<b>Year ended 31 December 2019</b>						
Opening net book amount	–	9,381	2,123	454	897	12,855
Amortisation (Note 7)	–	(2,103)	–	(64)	–	(2,167)
Exchange differences	–	–	(28)	–	(11)	(39)
Closing net book amount	–	7,278	2,095	390	886	10,649
<b>At 31 December 2019</b>						
Cost	7,197	69,543	2,095	1,945	2,830	83,610
Accumulated amortisation & impairment	(7,197)	(62,265)	–	(1,555)	(1,944)	(72,961)
Net book amount	–	7,278	2,095	390	886	10,649

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

**17. RIGHT-OF-USE ASSETS**

During the six months ended 31 December 2020, the Group entered into a number of lease agreements for use of manufacturing facilities, showrooms and offices, and therefore recognised the additions to right-of-use assets of HK\$5,163,000 (2019: HK\$688,000).

## 18. TRADE &amp; OTHER RECEIVABLES

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
Trade receivables	19,418	46,637
Less: allowance for impairment of trade receivables	(4,464)	(5,005)
Trade receivables – net	14,954	41,632
Prepayments	15,664	9,228
Value added tax receivables	1,122	3,001
Rental deposits	8,333	6,724
Other receivables	19,931	16,602
	60,004	77,187
Less: Non-current portion prepayments	(2,233)	(1,369)
Less: Non-current portion other receivable	(4,887)	(4,887)
	52,884	70,931

The carrying amounts of trade receivables approximate their fair values as at 31 December 2020 and 30 June 2020. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial period, the ageing analysis of the trade receivables based on invoice date is as follows:

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
0 to 30 days	7,817	23,828
31 to 60 days	3,412	6,231
61 to 90 days	894	1,030
91 to 365 days	3,476	8,937
More than 365 days	3,819	6,611
	19,418	46,637

## 19. PLEDGED BANK DEPOSITS

Pledged bank deposits of approximated HK\$404,000 (30 June 2020: HK\$402,000) represented deposits made to a bank to pledge for utilities of factory in the US.

As at 31 December 2020, the effective interest rate on the Group's pledged bank deposits was 1.39% p.a. (30 June 2020: 1.39% p.a.) and the deposits will mature in 160 days (30 June 2020: 344 days).

The carrying amounts of the Group's pledged bank deposits are denominated in US\$.

## 20. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised – Ordinary shares of HK\$0.10 each:		
At 30 June 2020 & 31 December 2020	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK\$0.10 each:		
At 30 June 2020 & 31 December 2020	212,187,488	21,219

## 21. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Properties revaluation reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
Unaudited						
Balance at 1 July 2019	189,699	55,928	4,161	8,000	15,870	273,658
Release of reserves attributable to the disposal of non-current asset held for sale	–	(6,214)	(4,161)	–	(4,368)	(14,743)
Currency translation differences	–	–	–	–	(7,432)	(7,432)
Balance at 31 December 2019	189,699	49,714	–	8,000	4,070	251,483
Unaudited						
Balance at 1 July 2020	189,699	49,714	–	8,000	(3,138)	244,275
Currency translation differences	–	–	–	–	28,552	28,552
Balance at 31 December 2020	189,699	49,714	–	8,000	25,414	272,827

## 22. TRADE &amp; OTHER PAYABLES

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
Trade payables	15,107	27,330
Accrued expenses	65,386	59,017
Other payables	43,836	50,635
	124,329	136,982

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

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
0 to 30 days	11,034	15,615
31 days to 60 days	2,675	6,988
61 days to 90 days	431	1,603
More than 90 days	967	3,124
	15,107	27,330

## 23. BANK BORROWINGS

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
Current		
Short-term bank borrowings	–	31,040

The bank borrowings outstanding as at 30 June 2020 amounted to approximately HK\$31,040,000. The bank borrowings are unsecured and interest bearing at 1.86% – 2.47% p.a.. The carrying amounts approximated their respective fair values as at 30 June 2020.

There is no outstanding bank borrowings as at 31 December 2020.

## 24. OPERATING LEASE RECEIVABLE

The Group leases out a proportion of its factory facilities under operating lease. The lease runs for an initial period of four months. As at 31 December 2020, the remaining minimum lease receivable under non-cancellable operating lease is amounted to HK\$256,000.

## 25. CAPITAL COMMITMENTS

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
Authorised but not contracted for in respect of property, plant & equipment	93	2,589
Contracted but not provided for in respect of property, plant & equipment	1,674	460
	1,767	3,049

## 26. CONTINGENT LIABILITIES

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
Performance bond issued by banks	7,558	–

## 27. 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

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Sale of carpets and services:		
The Hongkong and Shanghai Hotels, Limited ("HSH") <sup>1</sup>	235	4,937

Note:

<sup>1</sup> 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.

## 27. RELATED PARTY TRANSACTIONS (CONTINUED)

## (b) Period-end balances arising from sale/purchase of goods/services

	Unaudited 31 Dec 2020 HK\$'000	Audited 30 Jun 2020 HK\$'000
Trade receivable from related party:		
HSH	27	2,535

## (c) 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:

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Salaries & other short-term employee benefits	8,317	17,784

# Corporate Information

## Board of Directors

Chairman & Non-Executive Director  
Mr. Nicholas Timothy James Colfer

Chief Executive Officer & Executive Director  
Mr. Mark Stuart Worgan

### Non-Executive Directors

Mr. Tong Chi Leung David  
Mr. John Jeffrey Ying  
Mr. Leong Kwok Fai Nelson  
Mr. Andrew Clifford Winawer Brandler

### Independent Non-Executive Directors

Mr. Roderic Noel Anthony Sage  
Mr. Yung Lincoln Chu Kuen  
Mr. Daniel George Green  
Mrs. Fung Yeh Yi Hao Yvette

## Executive Committee

Mr. Nicholas Timothy James Colfer (*Committee Chairman*)  
Mr. Mark Stuart Worgan  
Mr. Tong Chi Leung David  
Mr. Leong Kwok Fai Nelson  
Mr. Daniel George Green

## Audit Committee

Mr. Roderic Noel Anthony Sage (*Committee Chairman*)  
Mr. John Jeffrey Ying  
Mr. Yung Lincoln Chu Kuen

## Remuneration Committee

Mr. Roderic Noel Anthony Sage (*Committee Chairman*)  
Mr. Tong Chi Leung David  
Mrs. Fung Yeh Yi Hao Yvette

## Nomination Committee

Mr. Nicholas Timothy James Colfer (*Committee Chairman*)  
Mr. Yung Lincoln Chu Kuen  
Mrs. Fung Yeh Yi Hao Yvette

## Company Secretary

Mr. Lung Chi Sing Alex

## Auditor

KPMG  
Certified Public Accountants  
Public Interest Entity Auditor  
Registered in accordance with the  
Financial Reporting Council Ordinance  
8th Floor, Prince's Building  
10 Chater Road, Central  
Hong Kong

## Principal Bankers

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

## Principal Share Registrar and Transfer Agent

Ocorian Management (Bermuda) Limited  
Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## Branch Share Registrar

Computershare Hong Kong Investor Services Limited  
1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wan Chai  
Hong Kong

## Registered Office

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## Principal Office in Hong Kong

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