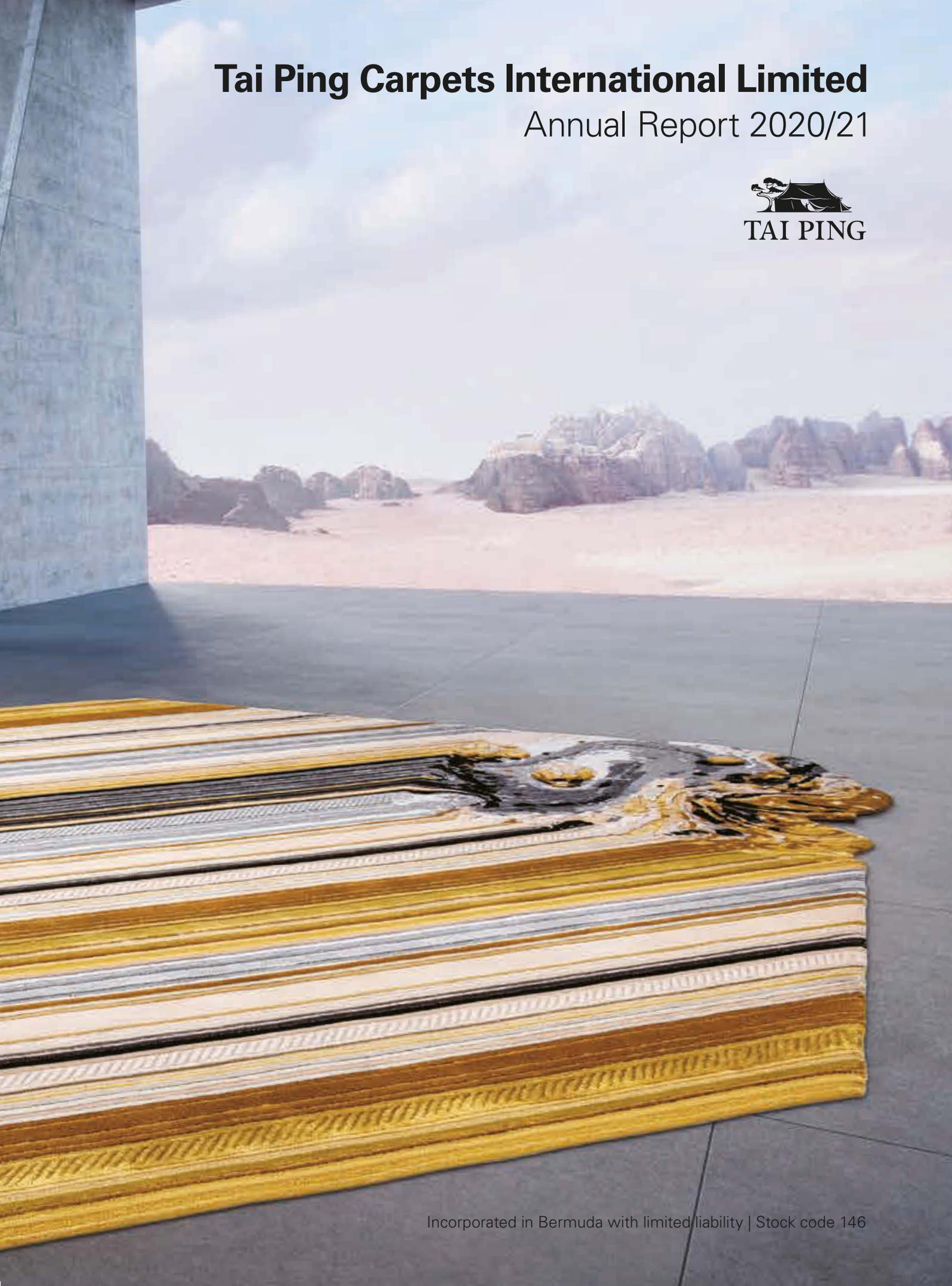


# Tai Ping Carpets International Limited

## Annual Report 2020/21



**Tai Ping  
Carpets  
International  
Limited**  
Annual Report  
2020/21





# Vision

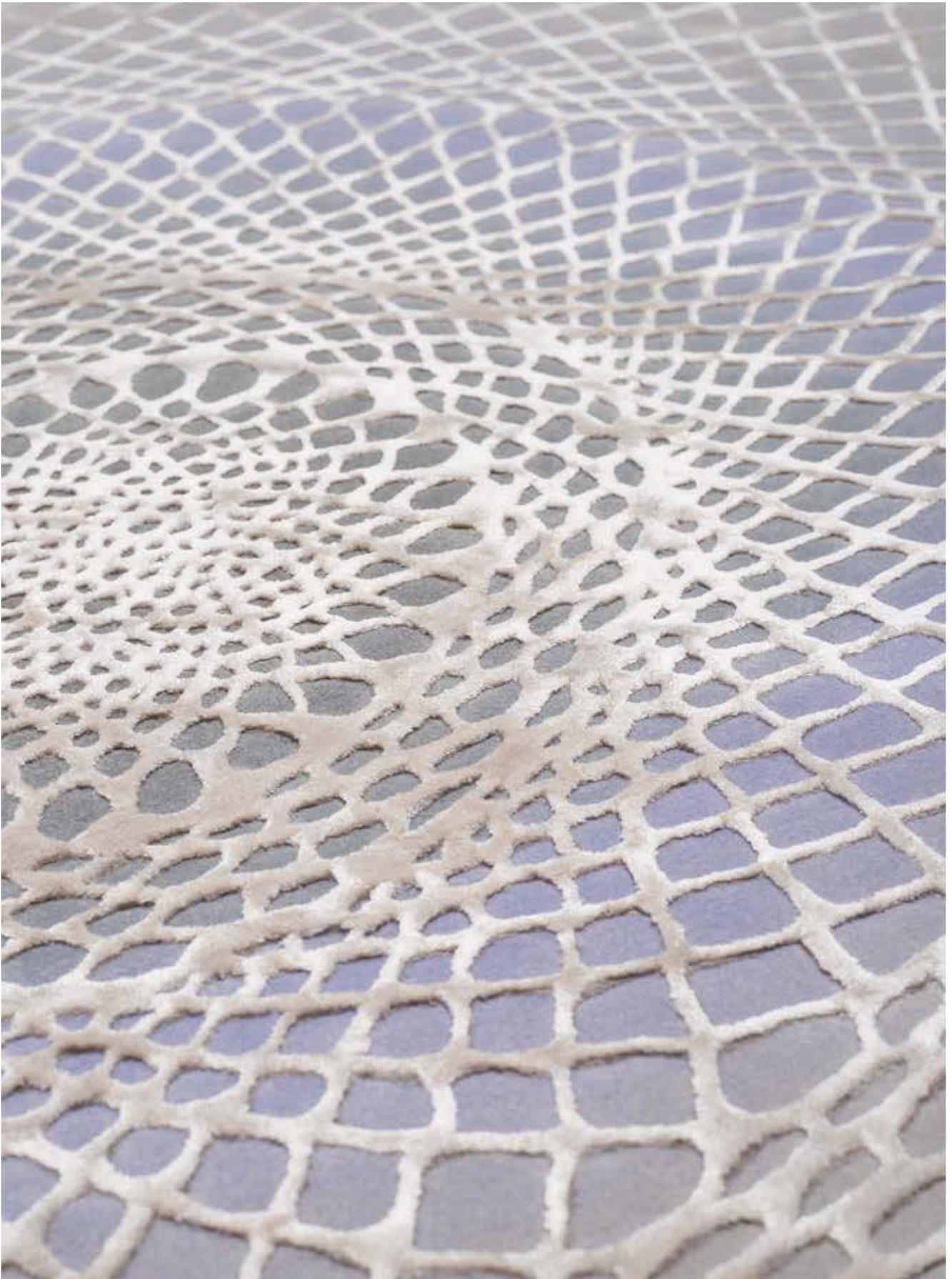
Tai Ping will be a leader in the creation and distribution of exceptional products and services for prestigious interiors ranging from royal palaces and private residences of discerning homeowners, the world's most exceptional yachts and aircraft, luxury boutique stores, corporate offices and high-end hospitality.

Sold globally under an array of market-leading brands, Tai Ping will maintain its reputation as a vibrant, well-respected, innovative company with an ambitious and realistic strategy for continued growth and prosperity.

Tai Ping will expand its custom project business through the introduction of new products, services and technologies, further strengthening its brand position and continuing to set the bar for quality, technique and design excellence. Standard product business will offer additional growth opportunities as new routes to market are introduced and new customer types gain access to the incomparable products and services offered by Tai Ping.

In attaining its vision, Tai Ping will hold steadfast to its ideals and to the well-being of its employees and the environment.

Peerless since 1956



Ethereal I from the Ornamental Collection, Tai Ping  
Hand tufted in wool, silk and flax  
Photography: Nick D'Emilio

# Table of Contents

6	Tai Ping at-a-Glance
6	Financial Highlights
7	Five-year Consolidated Financial Summary
10	Chairman's Statement
14	Management Discussion & Analysis
20	Board of Directors
22	Corporate Governance
33	Environmental, Social and Governance Report
55	Directors' Report
65	Financial Section
144	Corporate Information

# Tai Ping at-a-Glance

Tai Ping is a global leader in the premium custom carpet sector. 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.

Tai Ping focuses on handmade or traditionally woven carpets that target high-end business segments including luxury residential, private yachts and jets, boutique stores, and premium or VIP areas of corporate offices, luxury hotels and resorts. 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

		For the year ended 30 June 2021	For the eighteen months ended 30 June 2020 <sup>A</sup>
Per share	Net worth per share (HK\$)	2.00	1.82
	Basic earnings/(losses) per share (HK cents)	7.84	(17.49)
	Final dividend declared per share (HK cents)	3.00	–
For the year/period	Turnover	481,379	738,407
	Profit/(loss) for the year/period	16,634	(39,174)
	Profit/(loss) attributable to owners of the Company	16,634	(37,105)
	Additions to land use rights, property, plant & equipment, construction in progress and intangible assets	15,123	20,131
As at 30 June	Capital & reserves attributable to owners of the Company	424,783	369,505
	Shares in issue (in thousands)	212,187	212,187
Ratio	Return on capital & reserves attributable to owners	4.0%	-10.0%

<sup>A</sup> Pursuant to the announcement of the board of directors (the "Board") dated 19 August 2019, the financial year end of the Company has been changed from 31 December to 30 June commencing from the financial year of 2019/20.

# Five-year Consolidated Financial Summary

## Assets & Liabilities

	30 June 2021 HK\$'000	30 June 2020 <sup>A</sup> HK\$'000	31 December 2018 HK\$'000	31 December 2017 HK\$'000	31 December 2016 HK\$'000
Total assets	784,877	777,207	733,447	917,212	1,245,484
Total liabilities	360,094	390,287	274,592	401,942	528,367
Total equity	424,783	386,920	458,855	515,270	717,117

## Consolidated Income Statement

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 <sup>A</sup> HK\$'000	For the year ended 31 December 2018 HK\$'000	For the year ended 31 December 2017 HK\$'000	For the year Ended 31 December 2016 HK\$'000
Profit/(loss) attributable to:					
Owners of the Company	16,634	(37,105)	(34,136)	194,251	(33,372)
Non-controlling interests	–	(2,069)	(9,275)	(4,507)	(4,336)
	16,634	(39,174)	(43,411)	189,744	(37,708)

<sup>A</sup> Pursuant to the announcement of the Board dated 19 August 2019, the financial year end of the Company has been changed from 31 December to 30 June commencing from the financial year of 2019/20.



The Living Room of Zürich at Baur Au Lac, Zurich  
Custom Tai Ping carpet, hand tufted in wool and dull silk  
Photography: Baur Au Lac



# Chairman's Statement

The year ending 30 June 2021 presented Tai Ping with huge challenges as management continued to right-size the company and implement strategic change while navigating the unprecedented difficulties presented by the COVID-19 pandemic. Given the context, it is very pleasing to report the company's first profitable year since the divestment of its commercial operations in 2017.

Total turnover for the Group in 2020/21 was HK\$481 million and operating profit was HK\$19 million, a significant improvement over the 18 months ended 30 June 2020 which saw total turnover of HK\$738 million and an operating loss of HK\$35 million.

During the reporting period management further drove down operating costs throughout its sales and distribution businesses, while also delivering productivity gains in the manufacturing operation. New showrooms were established in London in September 2020 and Paris in April 2021, a change that will yield significant on-going real estate cost savings. Additionally, the new showrooms are both in prime street-front locations to support increased foot traffic, greater brand awareness and retail sales growth. This continues the shift in strategy begun in Shanghai and Milan in 2018 and 2019 and means that Tai Ping now operates five dual-channel flagship showrooms, with three more planned over the next eighteen months.

The pandemic hindered Sales and Marketing activity throughout the year and had its biggest impact on Tai Ping's luxury Boutique Store and Private Aviation customers. Promotional events and trade shows were cancelled, and most of the company's selling locations were closed for much of the year. Management responded proactively to support staff welfare while harnessing technology to maintain customer service while working from home. The greatest impact manifested through the summer and autumn of 2020 when some staff were furloughed while others agreed voluntary short term salary reductions. Landlords in several locations also agreed to rent reductions.

Unable to travel and transact business in the traditional way, emphasis was redirected toward Tai Ping's on-line presence with new websites and e-shops soft launched and tested in several locations and now ready for full launch in Autumn 2021. Product development was scaled back somewhat but new design collections, both in-house and in collaboration with external partners, were introduced successfully using social media and virtual events for promotion and launch.

Trading started to pick-up at the end of 2020 and continued to improve with the Global vaccine rollout during the first half of 2021. The prompt and impressive steps taken by staff and management in the first half, and the improving revenue trend in the second half, combined to complete the financial turnaround.

Looking to the year ahead, management will continue to monitor and prioritise employee welfare, health and safety as the pandemic continues, taking whatever steps may be necessary to secure the short and long-term position. Global trade frictions between America and China also remain a concern as the former is Tai Ping's biggest market, whereas the latter its primary source of supply. However, Tai Ping's new US manufacturing footprint creates a natural hedge and its expansion, alongside other options, remains under review.

On behalf of all the members of the Board, I would like to thank Tai Ping management and staff who, through an extraordinarily difficult period, have continued to deploy agreed strategy, delivered profitability and improved business resilience to support future growth. I would also like to thank the Directors for their continued advice and support.

Nicholas Timothy James Colfer  
*Chairman*

Hong Kong, 17 September 2021



M/Y Madsummer private yacht by Studio Laura Sessa  
Custom Tai Ping carpet, hand tufted and needlepointed in silk and blended wool & silk  
Photography: Giorgio Baroni



# Management Discussion & Analysis

## CHANGE OF FINANCIAL YEAR END

The Board of the Company announced on 19 August 2019 that its financial year end would change from 31 December to 30 June.

As a result, this set of consolidated financial statements covers the 12 months period from 1 July 2020 to 30 June 2021, together with comparative figures for the 18 months ending 30 June 2020.

## BUSINESS REVIEW

The Group's consolidated turnover for the financial year ended 30 June 2021 was HK\$481 million, compared to HK\$738 million for the 18 months period ending 30 June 2020.

The COVID-19 pandemic impacted business significantly, particularly in the first half of the year. Trading in Europe and the US began to improve in the second half as the vaccine roll-out restored some consumer confidence. Turnover for the six months ended 30 June 2021 was HK\$261 million compared to HK\$220 million in the first half of the financial year, and HK\$190 million in the same period last year.

During the financial year, the Group continued to deploy its strategy with emphasis on further reducing its cost base, driving efficiency, and laying the foundations for future growth. With cost control particularly critical, two of the showrooms in Europe were relocated to reduce rental costs, short term rent reductions were negotiated in other locations, and staff were furloughed or agreed voluntary pay reductions (as permitted under the relevant local regulations). The second-half improvement in revenue, combined with this rigorous control of expenses enabled successful completion of the financial turnaround targeted. The operating profit of HK\$19 million in the year was the first since the divestment of Tai Ping's commercial activities in 2017, and a significant improvement over the operating loss of HK\$35 million recorded in the prior 18 months ended 30 June 2020.

In May 2021 the Group completed the liquidation of its former manufacturing subsidiary in Southern China resulting in a one-off gain of HK\$7 million. This was off-set by a write-down in the value of old and under-utilised manufacturing equipment.

The Group's net profit attributable to the equity holders of the Company for the year ended 30 June 2021 was HK\$17 million, compared to a net loss of HK\$37 million reported in the 18 months period ended 30 June 2020.

Management continues to monitor the Group's performance as the pandemic runs its course and will take further cost saving measures as necessary.

## CARPET OPERATIONS

For the year ended 30 June 2021 turnover in the Group's carpet operations was HK\$466 million, compared to HK\$716 million in the 18 months ended 30 June 2020.

Despite the improvement in the second half, operations did not recover to pre-pandemic levels, and the Group was grateful for its vertically integrated business model which helped it avoid the supply-chain challenges faced by many competitors. Notwithstanding freight and logistic difficulties caused by the pandemic, the company's control over its own manufacturing base supported progressive recovery in revenues in all regions.

Overall gross margin for the year was 58%, up from 54% for the prior 18 months period because of an improved sales mix and greater efficiency in manufacturing operations.

### Manufacturing Operations

In its third full year of operations, the Xiamen facility began to reach maturity. Its performance continued to improve with management focused on delivering further gains in efficiency, productivity and material utilisation while also exploiting the potential benefits of new technology. Close management of the pandemic, including rigorous social distancing protocols, consistent use of PPE and the rapid take-up of vaccines across the employee group meant that the COVID-19 pandemic had no major impact on manufacturing operations in the year.

The Company's new carpet manufacturing operation in the US, located at its Premier Yarn Dyers ("PYD") facility in Georgia, operated throughout the year, although the pandemic depressed demand. The new manufacturing facility will support long-term growth plans in the local market.

Total headcount for manufacturing operations as of the 30 June 2021 was 527, compared to 580 at the 30 June 2020.

### Human Resources

The total number of company employees at the end of June 2021 was 674, down 9% from 740 on 30 June 2020. The reduction resulted from business streamlining and productivity improvement at the manufacturing operations.

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

The primary focus for Human Resources during the year was supporting employee welfare through the pandemic and retaining talent through continued organisational change.

A special taskforce led by the Chief Executive Officer monitored the pandemic and its impacts over the course of the year, deploying policies and protocols in all regions to protect the health and safety of employees.

### Information Technology

Enhancements were made to the factory ERP system during the year, while its integration with the core Oracle system used in sales and distribution is in progress. Once completed this will enable improved communication, reporting and business efficiency.

The ERP system in new US manufacturing unit has also been enhanced to improve control and support efficiency improvement.

### Design and Marketing

While product development was scaled back, Tai Ping has continued to maintain its position as a creative leader through design and marketing.

In terms of design, the Company has introduced new collections including Transcendent, developed in collaboration with internationally renowned designer Jamy Yang and inspired by the way that forces transform, distort and fracture light or matter into dramatic patterns; Ornamental, a collection with eight designs inspired by the language of intricate lacework; The UK Home Collection, which comprises six design groups, has been coloured specifically for the home and is sold exclusively through selected UK partners; and the 2021 Yacht Collection, inspired by the magnificence of seascapes and the effects of climate change on aquatic environments around the world.

On the marketing side, Tai Ping has continued to champion its primary brand messages of craftsmanship, heritage, and responsibility through extensive use of social media, particularly Instagram and LinkedIn. Priority was also given to the development and piloting of new websites and e-shops for both the Tai Ping and Edward Fields brands. Both feature powerful new search functionality and showcase an archive of over 2,500 iconic designs. The new sites and e-shops will be launched in Autumn 2021.

### NON CARPET OPERATIONS

The Company's other operations comprise mainly its US based yarn-dyeing subsidiary PYD, which contributes approximately 3% of total sales. While marginal, the operating results of PYD are gradually improving, helped by the new carpet manufacturing operation. Post-pandemic, it is expected that demand will grow and capacity expansion is planned to support this.

## 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.

At 30 June 2021, the Group had total cash and bank balances amounting to HK\$178 million (at 30 June 2020: HK\$136 million) and unsecured bank borrowings of HK\$16 million (at 30 June 2020: HK\$31 million).

Mark Stuart Worgan  
*Chief Executive Officer*

Hong Kong, 17 September 2021



Peninsula Boutique and Café at The Peninsula Hotel in Hong Kong, by Conran & Partners  
Custom Tai Ping carpet, hand tufted in wool and dull silk  
Photography: Peninsula Merchandising Limited



# Board of Directors



**Chairman & Non-Executive Director**

Nicholas Timothy James Colfer: aged 61  
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**

Mark Stuart Worgan: aged 57  
Chief Executive Officer and Executive Director since 2018; Member of the Executive Committee

Mr. Worgan joined Tai Ping in 2008 and was the Vice President of Operations and Chief Operation Officer of Tai Ping. He is a director of a number of subsidiaries of Tai Ping. He has over 30 years of experience in textiles and floorcovering industry and prior to joining Tai Ping, he held various positions including global operations director, and chief executive officer of the US operations of Brintons Carpets Ltd. He holds a Bachelor of Science degree from the University of Aston in Birmingham, United Kingdom.



**Non-Executive Director**

John Jeffrey Ying: aged 59  
Non-Executive Director since 1999; Member of the Audit Committee

Mr. Ying is the Managing Director of Peak Capital, a private investment firm focused on investments in Greater China and was the Chairman of Bracell Ltd. 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.



**Non-Executive Director**

Andrew Clifford Winawer Brandler: aged 65  
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., a Non-Executive Director of CLP Holdings Ltd. and an Independent Non-Executive Director of MTR Corporation Ltd. 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**

Tong Chi Leung David: aged 50  
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 is a Chartered Engineer and a Fellow Member of the Hong Kong Institution of Engineers. He holds a Bachelor of Engineering degree from the University of London.

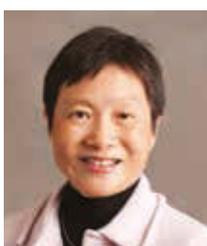


**Non-Executive Director**

Leong Kwok Fai Nelson: aged 57

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.



**Independent Non-Executive Director**

Fung Yeh Yi Hao Yvette: aged 60

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**

Daniel George Green: aged 47

Independent Non-Executive Director since 2018; Member of the Executive Committee

Mr. Green is the Managing Director of Arnhold Holdings Ltd. Mr. Green joined Arnhold in 2002 and has served as an Executive Director since 2006. Prior to joining Arnhold, he worked in New York as a strategy consultant for Andersen Consulting (now Accenture), and as an equity analyst for Sofaer Capital's Global Hedge Fund. He is currently on the General Committee of The Hong Kong Exporters' Association. He graduated with honors from the University of Pennsylvania with a degree in Systems Engineering.



**Independent Non-Executive Director**

Roderic Noel Anthony Sage: aged 68

Independent Non-Executive Director since 2005; Chairman of the Remuneration and Audit Committees

Mr. Sage is an Independent Non-Executive Director of Guoco Group Ltd. He was an Independent Non-Executive Director of Alpha Real Trust Ltd. and 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**

Yung Lincoln Chu Kuen, JP, FHKIB: aged 75

Non-Executive Director (1980-2004) and Independent Non-Executive Director since 2004; Member of the Nomination and Audit Committees

Mr. Yung is currently Deputy Managing Director of Nanyang Holdings Ltd., a Director of The Shanghai Commercial & Savings Bank, Ltd. (whose shares had been listed on the Taiwan Stock Exchange in October 2018), Honorary 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 an 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 of Directors (the “Board”) and Management of Tai Ping Carpets International Limited (the “Company”) 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 30 June 2021, 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 to all 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.

## BOARD OF DIRECTORS

The Board 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 (“CEO”) 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 the material business activities of the Group 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. During the year, all Directors have given sufficient time and attention to the Company’s affairs.

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. The Nomination Committee is responsible for monitoring the achievement of the objectives set out in the Board Diversity Policy.

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.

The Chairman of the Board and the chairman of the Board committees have attended the annual general meeting of the Company (the "AGM") held on 27 November 2020 pursuant to code provision E.1.2 of the CG Code.

## CHAIRMAN & CHIEF EXECUTIVE OFFICER

The posts of Chairman and 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 Timothy James Colfer and the CEO is Mr. Mark Stuart Worgan. 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

There are no service contracts between the Company and the Non-Executive Directors and Independent Non-Executive Directors of the Company, but they have the letters of appointment from the Company detailing the terms and conditions of their appointment. 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 AGM at least once every three years which is in line with the CG Code.

All Non-Executive Directors and Independent Non-Executive Directors, as equal Board members, have attended the AGM on 27 November 2020 to gain and develop a balanced understanding of the views of shareholders as required under code provision A.6.7 of the CG Code.

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 and the Independent Non-Executive Directors also bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. Currently, the Company have four Independent Non-Executive Directors representing more than one-third of the Board and at least one of them has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

All Independent Non-Executive Directors have to confirm their respective independence annually pursuant to Rule 3.13 of the Listing Rules for their continuous appointment after reviewed and assessed by Nomination Committee. And those serving for more than 9 years, their further appointment should be subject to a separate resolution to be approved by the shareholders. The Company has received from each of the Independent Non-Executive Directors an annual written confirmation of his/her independence and the Board considers that each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent.

To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board.

## CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors participated in the following continuous professional development activities:

	Type of trainings (Notes)
<b>Chairman &amp; Non-Executive Director</b>	
Nicholas Timothy James Colfer	A,B
<b>Chief Executive Officer &amp; Executive Director</b>	
Mark Stuart Worgan	A,B
<b>Non-Executive Directors</b>	
Leong Kwok Fai Nelson	A,B
Tong Chi Leung David	A,B
John Jeffrey Ying	A,B
Andrew Clifford Winawer Brandler	A,B
<b>Independent Non-Executive Directors</b>	
Fung Yeh Yi Hao Yvette	A,B
Roderic Noel Anthony Sage	A,B
Yung Lincoln Chu Kuen	A,B
Daniel George Green	A,B

Notes:

A attending seminars and/or training sessions

B reading newspapers, journals and updates relating to economy, general business or directors' duties and responsibilities, etc.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate liability insurance for the Directors and officers of the Group during the year. The insurance coverage is reviewed on an annual basis.

## BOARD MEETINGS

The Board held a total of four Board meetings during the year in which two meetings were held to approve the interim and final 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 is set out in the table below. Notice of at least 14 days has been given to all directors an opportunity to attend. 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
<b>Chairman &amp; Non-Executive Director</b>	
Nicholas Timothy James Colfer	4/4
<b>Chief Executive Officer &amp; Executive Director</b>	
Mark Stuart Worgan	4/4
<b>Non-Executive Directors</b>	
Leong Kwok Fai Nelson	4/4
Tong Chi Leung David	4/4
John Jeffrey Ying	4/4
Andrew Clifford Winawer Brandler	3/4
<b>Independent Non-Executive Directors</b>	
Fung Yeh Yi Hao Yvette	4/4
Roderic Noel Anthony Sage	4/4
Yung Lincoln Chu Kuen	4/4
Daniel George Green	4/4

The proceedings of the Board at the 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. In addition, 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 for the matters considered by the Board 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 Independent Non-Executive Directors without the presence of the Executive Director and Non-Executive Directors during the year for discussing, amongst other matters, Directors' time commitment and contribution in performing their responsibilities to the Company, and the Group's strategy.

## 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, it held six meetings and the attendances of the members are as follows:

	No. of meetings attended
Nicholas Timothy James Colfer (Chairman of Executive Committee)	6/6
Mark Stuart Worgan	6/6
Tong Chi Leung David	6/6
Leong Kwok Fai Nelson	6/6
Daniel George Green	5/6

### 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

During the year, the committee evaluated 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. Determined on the basis of market benchmarks, experience, responsibilities and workload, the committee recommended to the Board the fees for the Non-Executive Directors and the Independent Non-Executive Directors.

During the year, the members of the Remuneration Committee and their attendances are set as follows:

	No. of meetings attended
Roderic Noel Anthony Sage (Chairman of Remuneration Committee)	4/4
Fung Yeh Yi Hao Yvette	4/4
Tong Chi Leung David	4/4

### 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, the Audit Committee held four meetings with management and 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 for both external audit and internal audit, and discussing issues arising from the audits including financial reporting, risk management and internal control.

During the year, the members of the Audit Committee and their attendances are set as follows:

	No. of meetings attended
Roderic Noel Anthony Sage (Chairman of Audit Committee)	4/4
John Jeffrey Ying	4/4
Yung Lincoln Chu Kuen	4/4

#### 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 and the Nomination Committee has also adopted a nomination policy. Given below are main duties of the Nomination Committee and when considering matters related to nomination, the members of the Nomination Committee and the Board will have regard to these principles:

- to review the structure, size, composition and diversity of perspectives (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) 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

During the year, the committee reviewed and considered the structure, size, composition and diversity of the Board was appropriate. The range of professional expertise and experience represented by the Board members was both diverse and extensive. The independence of the Independent Non-Executive Directors was considered and the retirement and re-appointment of the Directors were also reviewed.

During the year, the members of the Nomination Committee and their attendances are set as follows:

	No. of meeting attended
Nicholas Timothy James Colfer (Chairman of Nomination Committee)	1/1
Yung Lincoln Chu Kuen	1/1
Fung Yeh Yi Hao Yvette	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, KPMG and other member firms under KPMG, for services provided are analysed as follows:

	HK\$'000
KPMG:	
Audit service	2,425
Non-audit services	1,701

## COMPANY SECRETARY

The company secretary of the Company (the “Company Secretary”) is responsible for ensuring that the Board’s policy and procedures are followed with good information flow. In addition, the Company Secretary advises the Directors on relevant legislative, regulatory and corporate governance developments.

All members of the Board have access to the advice and service of the Company Secretary. Minutes of Board meetings and Board committees are kept by the Company Secretary and are opened for inspection by any Director upon requests. The Company Secretary, Mr. Lung Chi Sing Alex is the CFO and has complied with the requirements of Rule 3.29 of the Listing Rules during the year.

## DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year have been reviewed by the Audit Committee and audited by the external auditor, KPMG. The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and they are not aware of any events or conditions that may cast significant doubt upon its ability to continue as a going concern.

The independent auditor’s report is on page 66 to 71.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible 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 unauthorised 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 risks 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 that the Group is willing to take in achieving its strategic objectives, and establishing and maintaining the 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 performs the risk assessment process and implements the systems of internal control 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.

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 executives. 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 from the internal audit in respect of the effectiveness of the Group's risk management and internal control systems periodically, and reports to the Board the key findings of such reviews.

During the year, the Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the respective reports from management and internal audit quarterly and considered that, for the year ended 30 June 2021, 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 arranged for 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 a policy in place for handling and dissemination of inside information. The Group has taken various procedures and measures, including arousing employees' 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 in accordance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.

## 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 the 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 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](http://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, the Company held the AGM on 27 November 2020. All Directors, including the Chairman of the Board and chairman of the Board 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 be held within 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 Units 1801- 1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, 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' enquiry

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 publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

## CONSTITUTIONAL DOCUMENTS

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



**Murray Hill** from the Age Jazz Collection, La Manufacture Cogolin  
Hand-woven in wool, cotton and jute, accented with lurex  
Photography: Francis Amiard

# Environmental, Social & Governance Report

## ABOUT THIS REPORT

### Aim of the Report

Tai Ping is pleased to present our Environmental, Social and Governance (“ESG”) report, covering our ESG management approach and performance for the financial year 2020/21. This report has summarised measures undertaken by the Group in its pursuit of sustainability and the evaluation of the environmental and social impact as a result of these actions.

### Reporting Period

This report covers Tai Ping’s ESG management approach and performance for the period from 1 July 2020 to 30 June 2021 (“the Reporting Period”).

### Scope of this Report

The scope of this report primarily covers Tai Ping’s core business, including the key manufacturing workshop based in Xiamen, China, as well as showrooms and sales offices located in major cities around the world including New York, Paris, Hong Kong and Shanghai.

### Reporting Guidelines

This report is compiled in accordance with the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited (“HKEX”), meeting the “comply or explain” provision of the ESG Reporting Guide. This report summaries the initiatives, quantitative data, and approach that the Group undertakes to managing its material ESG issues, as well as discloses environmental quantitative information related to its sustainability performance and involvement which aims to provide the transparency and accountability of the Group’s actions to stakeholders. For more information relating to the Group’s business and its corporate governance practices, please refer to the Corporate Governance section in this Annual Report.

In the preparation of this ESG Report, the Group follows the four reporting principles as set out in the ESG Reporting Guide:

Reporting principles	Materiality	Quantitative	Balance	Consistency
Application in this ESG Report	Material environmental and social issues were identified and prioritised with inputs from internal and external stakeholders of the Group, and are disclosed in this ESG Report.	The Group accounts for and discloses KPIs in quantitative terms for proper evaluation of the effectiveness of ESG policies and actions.	This ESG Report aims to disclose data in an objective way, which aims to provide stakeholders with a balanced overview of the Group’s overall ESG performances.	The Group adopts consistent measurement methodology to achieve meaningful comparison of ESG performances over time whenever practicable. Any updates in the methods or KPIs used will be disclosed.

### Endorsement and Approval

The board of directors (the “Board”) is responsible for overseeing the statutory compliance, stakeholder engagement, ESG performance and risk management. The approval of this ESG report from the Board was obtained on 17 September 2021.

### Feedback for this Report

The overall direction of the development is set according to the stakeholders’ views and insights, and to address their concerns wherever possible. Tai Ping values stakeholder engagement as it provides valuable input which contributes to steering the Group’s development in the ESG aspects. Any comments and suggestions regarding this report are welcome and any enquiries shall be mailed to Tai Ping’s Hong Kong office at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

## ESG GOVERNANCE

The Board has ultimate responsibility for overseeing ESG issues related to the Group’s operations, risks and the overall ESG strategy and reporting. The Board reviews and directs sustainability initiatives to ensure they are relevant and effective responses to sustainability opportunities and concerns.

The Environmental, Health and Safety (“EHS”) Department has been established to manage policies and procedures that drive environmental protection initiatives and responsible stewardship of local resources for the Group’s manufacturing operations. The EHS Department is responsible for overseeing the manufacturing environmental management policy framework, which encompasses policies certified in line with relevant international standards such as the ISO 14001 standard. Guidelines and policies related to EHS issues are supplemented with clear instructions to ensure employees follow appropriate procedures that minimise the adverse impact of business activity.

Each department of our manufacturing workshop identifies its own ESG risks and takes steps to rectify them, with managing representatives reporting to the EHS Department for review in the annual management review meeting. This ensures efficient internal communication on sustainability issues so prompt action and policies can be implemented in response.

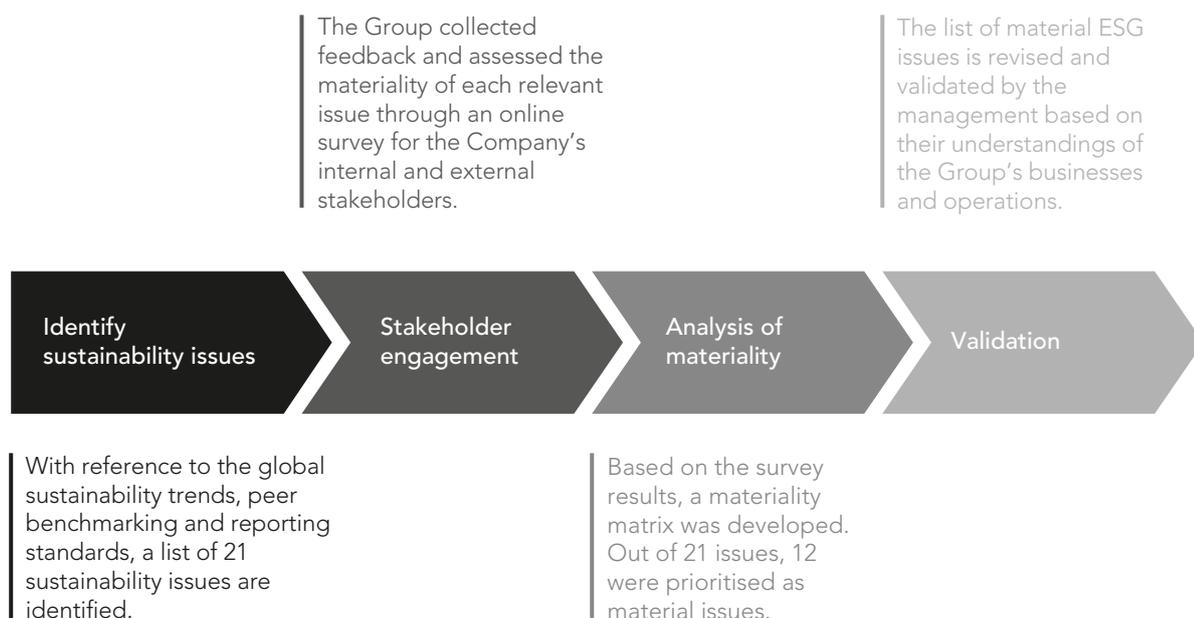
## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Tai Ping recognises the importance of engaging with its stakeholders and considers their input key to the sustainable development of the Group. We maintain effective communication and interaction with different stakeholders through a diverse array of communication channels and have collected opinions and suggestions from government and regulatory authorities, shareholders of the Group, employees, suppliers, customers and the general public to meet their expectations and demands as possible.

Stakeholder	Communication Channel
Government and regulatory authorities	<ul style="list-style-type: none"> <li>• Compliance management</li> <li>• Comply with policies</li> </ul>
Shareholders of the Company	<ul style="list-style-type: none"> <li>• General meeting</li> <li>• Regular reporting</li> <li>• Direct communication</li> <li>• Company website</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Regular performance assessment</li> <li>• Direct communication</li> <li>• Team-building activities</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Comprehensive management of bidding and tendering</li> <li>• Carry out projects in accordance with contracts</li> <li>• Assessment and review regularly</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Carry out customer satisfaction survey</li> <li>• Maintain interactions and open ways of communication with our customers</li> <li>• Regular external audit performed by specific customers</li> </ul>
General public	<ul style="list-style-type: none"> <li>• Charity activities</li> <li>• Company website</li> <li>• Staff volunteer activities</li> </ul>

Tai Ping identifies stakeholders who are impacted by business activities and outcomes and selects those with the closest interactions to provide feedback on its business decisions. The Group engages with different stakeholder groups on an ongoing basis to understand expectations, interests, concerns and needs. In preparation of this Report, an online stakeholder survey was distributed to collect opinions from various stakeholder groups on Tai Ping’s material issues and other sustainability-related opinions. The survey invited stakeholders to rate the material issues by importance and provide comments and suggestions on sustainability performance and disclosures.

The detailed steps of the materiality assessment are as follows:



Material topics of the Group	Relevant sections of the Report
Use of chemicals	<ul style="list-style-type: none"> <li>• Water Resource Management and Wastewater Treatment</li> <li>• Pollution Prevention</li> </ul>
Air pollutants and effluent discharge	<ul style="list-style-type: none"> <li>• GHG Reduction and Energy Conservation</li> <li>• Water Resource Management and Wastewater Treatment</li> </ul>
Product quality and safety	<ul style="list-style-type: none"> <li>• Product Responsibility</li> </ul>
Intellectual property management	<ul style="list-style-type: none"> <li>• Product Responsibility</li> </ul>
Product and process innovations	<ul style="list-style-type: none"> <li>• Sustainable Manufacturing</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>• ESG Governance</li> <li>• Anti-corruption</li> </ul>
Product lifecycle	<ul style="list-style-type: none"> <li>• Waste Management</li> <li>• Sustainable Manufacturing</li> <li>• Supply Chain Management</li> </ul>
Human rights and labour practices	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Employee Welfare</li> <li>• Labour Standards</li> </ul>
Occupational health and safety	<ul style="list-style-type: none"> <li>• Occupational Health and Safety</li> </ul>
Talent development and training	<ul style="list-style-type: none"> <li>• Development and Training</li> </ul>
Employee benefits	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Employee Welfare</li> </ul>
Sustainable sourcing	<ul style="list-style-type: none"> <li>• Supply Chain Management</li> </ul>

Tai Ping recognises that effective engagement is crucial to pave the way for continuous success; hence these insights inform the framework to the Group’s sustainability approach and aligns with its long-term strategic planning.

## ENVIRONMENTAL PROTECTION

Climate change poses one of the greatest risks to global economies and businesses. Tai Ping recognises the need to shift towards a low carbon economy and is taking adaptive measures through energy and water efficiency initiatives, as well as working to reduce the amount of waste production.

The Group complies with relevant laws and regulations on environmental protection and conducts an annual internal and external environmental audit. The relevant laws and regulation include the *Environmental Protection Law of the People’s Republic of China (the “PRC”)* (《中華人民共和國環境保護法》), the *Law of the PRC on the Prevention and Control of Air Pollution* (《中華人民共和國大氣污染防治法》), the *Law of the PRC on the Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》) and the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》). During the Reporting Period, there have been no reports of non-compliance with regulations.

Various KPIs relating to environmental performance goals that apply across all departments have been set up by the Group. The following KPIs are monitored monthly to ensure targets are met and follow up action can be taken.

### Environmental Targets in 2021

Key Performance Indicators (KPI)	Methods	Targets	Status
Environmental pollution accident	Calculated by nearby resident and enterprises complaints or government judgment	0	Target met
Water emission level shall adhere with the Standard of Emission Limits of Water Pollution	The third-party monitoring report	Comply	Target met
Gas emission level shall adhere with the Standard of Emission Limits of Air Pollution	The third-party monitoring report	Comply	Target met
The noise level shall adhere with the Emission Standard for Industrial Enterprise Noise at Boundary	The third-party monitoring report	Comply	Target met

### GHG Reduction and Energy Conservation

Tai Ping is committed to reducing its GHG emissions, which are primarily generated from manufacturing and transportation. The Group strives to limit emissions created from transportation with our regional production facilities in the United States, Europe and Asia which are in closer proximity to local markets. The installation of frequency converters in various facilities of the Xiamen manufacturing workshop has successfully reduced power consumption in the Reporting Period. Shipments are consolidated and heavy crafting and wrapping materials are reduced to eliminate extraneous journeys.

The Group also promotes the principles of energy conservation and GHG emissions reduction in daily operations of the Xiamen manufacturing workshop. Measures to conserve energy, include adopting energy-efficient LED lighting systems, switching off idle electric appliances, with a machine operating schedule in place to increase energy efficiency. Modern glass facades of the Group's buildings make use of natural light and minimise the amount of artificial lighting to reduce electricity costs.

Tai Ping's state-of-the-art manufacturing workshop in Xiamen – designed by Paris-based Sandrolini Architecture – incorporates environmentally-friendly features that significantly reduce energy consumption, including evaporative cooling systems and north-facing ventilation methods. In addition, the heating, ventilation and air conditioning (HVAC) system is limited to critical areas (dyestuff storage, dyeing and the control room), while other work areas have air circulating fans and natural air vents, with projected shade and atrium spaces that feature plants to draw in fresh air and reduce excessive energy consumption.

The Group employs innovative technologies to further reduce emissions and pollutants from the source. For example, our carpets emit limited volatile organic compounds (VOCs) and allergens, providing cushioning, anti-slip, acoustic and thermal benefits to homes while also benefiting allergy sufferers.

## Water Resource Management and Wastewater Treatment

Tai Ping takes measures to conserve fresh water in light of the potential risks to water supply stability due to climate change impacts, which could affect carpet manufacturing in the future.

The Xiamen manufacturing workshop adopts various water-efficient measures. Recycled water is used where possible to reduce the use of underground water, and manufacturing technologies are reviewed on an annual basis to be optimised and upgraded to minimise water consumption in production. In addition, the soft-water discharged from the Wastewater Treatment System in the manufacturing workshop is upcycled for use in bathrooms and irrigation systems to water outdoor grounds and employee rest areas. This contributes to reducing the amount of effluent discharged to the environment.

The manufacturing workshop houses a highly efficient wastewater treatment plant that processes around 200 tonnes of wastewater per day throughout the year. The wastewater treatment process is strictly monitored to avoid pollution of other natural resources and ensure compliance with regulations on wastewater discharge. The wastewater treatment plant incorporates settlement, filtration, ultra-filtration, aeration, flocculation, chemical and biological treatments, as well as reverse-osmosis to remove all colour and pollutants. PH meters are installed in the wastewater treatment process to monitor the water quality. The Group's *Wastewater Treatment System and Pollution Management Guideline* (《污水處理設備及安全操作規程》) outlines staff responsibilities for the operation and management of the system, including optimal operation schedules and practices. A weekly analysis of water quality is conducted to ensure continuous compliance with national standards.

## Pollution Prevention

The Group endeavours to limit pollution and impacts on the environment. Tai Ping has guidelines and procedures in place to ensure the responsible handling of chemicals used in the production process.

Tai Ping's fully-integrated dyeing process results in better quality yarns and shorter supply times with industry-leading colour management and colour dye performance. All colourants used in dyeing comply with the Ecological and Toxicological Association of Dyes (ETAD) recommendations, which help reduce heavy metal impurities in organic dyestuffs and pigment preparations, as well as EU Directive 2002/61/EC which prohibits the use of azo dyes containing 22 aryl amines.

The *EHS Management Regulations for Hazardous Chemicals* (《危險化學品EHS管理規定》) outlines the emergency response procedures for handling hazardous chemicals to reduce the impact on the environment and protect staff occupational health and safety. Each department has responsibility for managing the storage, transportation, use and disposal of hazardous chemicals, with the EHS Department supervising the implementation of respective regulations and suggesting rectification measures to further mitigate risk. The *Emergency Procedure for Chemical Leakage* (《化學品洩漏應急預案》) sets out the detailed emergency response procedures in case of an accidental leakage in the process of storage, transportation, use and disposal of hazardous chemicals.

## Waste Management

Tai Ping is in strict compliance with requirements for the treatment of waste and packaging materials. Fibre, fabric, glue, plastic, solid waste and sludge are wastes generated from production, packaging, office operation and wastewater treatment. Internal policies and procedures are in place to ensure the proper management of waste processing to minimise environmental impact.

The Group implements a continuous improvement program for waste reduction. Waste reduction is promoted by imposing stringent control of the weight and length of input materials and standardising the method of carpet fabrication. To achieve waste reduction at the source, recycled materials are used throughout the manufacturing process. Offcuts (yarn and other materials) are reused in manufacturing through re-dyeing or in other projects.

The *Waste Management Procedure* (《廢棄物管理程序》) is the Group's internal guideline for ensuring the proper classification of waste and processing. A waste segregation system is in place under which employees are required to collect and separate waste according to different categories. Different hazardous wastes are stored separately by category. Both hazardous wastes and non-hazardous wastes are collected by third-party contractors, who are authorised by a regulatory body to properly process and dispose waste in fulfilment of environmental protection requirements.

## Sustainable Manufacturing

Tai Ping recognises the importance of sustainable manufacturing and environmental stewardship in its business operations and continues to modernise operation processes to improve efficiency and limit impact on the environment. The Group sources predominantly natural sustainable fibres, such as wool, silk, cashmere, cotton, jute and flax, which remain the source of economic vibrancy for millions of people including small-scale processors and farmers. These natural fibres are renewable, recyclable, biodegradable, have anti-soiling properties and are flame resistant. These are preferable to synthetic fibres which are produced using fossil fuels and consume significant amounts of energy, shed microfibres and produce dangerous emissions.

The Group has an active research and development team that monitors technological advancements in yarn preparation, dyeing, tufting and overall project construction to lead the industry in extending product lifespan and reducing environmental impact.

## SOCIAL RESPONSIBILITY

### Employment

Employees are the greatest contributors to the long-term success of the Group. The Group adheres to the *Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》) and all employment regulations in markets it operates. Employee Handbook is accessible to all employees, and covers policies related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Tai Ping relies heavily on its dedicated employees to execute corporate strategies and deliver product and service excellence. As such, the Group endeavours to create an inclusive and supportive workplace, free of harassment, intimidation, bias and discrimination on the grounds of age, gender, disability, religion, family status and obligations, race and colour. The *Code of Conduct* is communicated to all new employees and is refreshed annually during the declaration for complying with the Group's *Global Code of Conduct*.

Any employment-related decisions such as recruitment, compensation, promotion, and performance evaluation are conducted solely based on employees' merits and qualifications. The *Global Code of Conduct* also outlines an employee's expected behaviour, as well as anti-harassment, sexual harassment and personal relationship guidelines. The Group has zero tolerance towards any forms of discrimination or harassment in the workplace. An anti-discrimination mailbox is in place in the Xiamen manufacturing workshop for employees to raise any grievances relating to discrimination.

During the Reporting Period, there were no known material instances of non-compliance with relevant employment, labour practice laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in any of the countries where the Group operates.

### Safeguarding against the Coronavirus

The COVID-19 pandemic has caused unprecedented disruption in people's lives and business operations worldwide. Tai Ping's highest priority remains the safety and wellbeing of its employees, clients, suppliers, and the broader community. The Group has set up a registered emergency team to evaluate the situation and take necessary actions to safeguard employees from the pandemic.

Tai Ping works tirelessly to ensure a safe and healthy workplace, and to support employees with stable jobs and sources of income. The Group maintains correspondence with relevant government departments and keeps track of policies and regulations on epidemic prevention and control through various channels. A comprehensive coronavirus emergency plan has been established, such as setting up a temperature checkpoint at the security gate and a quarantine and health observation room. All employees and visitors are required to wear surgical face masks and conduct twice-daily temperature body checks with internet logging of results. The Group has also provided necessary vaccination support to its employees in the Xiamen manufacturing workshop.

Disinfection of the factory and the office is conducted regularly. A 'Healthy Working' policy with supporting training to minimise the risk of contracting or passing on infections has also been carried out.

Flexible working options are also provided to employees in case they or their family members and close contacts display relevant symptoms, or when in self-quarantine following a recent trip to a high-risk location. The senior management team convenes regular meetings to follow up on the latest development of the pandemic and oversee the implementation of all necessary protocols to maintain a safe working environment.

### Employee Welfare

A wide range of benefits are made available to employees. These include accommodation for workers relocated from different provinces, meal plans, paid leave, medical insurance plans, regular body check-ups, and transportation subsidies for migrant workers to visit families at home. Family-friendly initiatives such as paternity leave for male employees are also in place. Beside social insurance, the Group also provides accident insurance and emergency fund for employees in the Xiamen manufacturing workshop.

The Group promotes active and healthy lifestyles through a wide variety of different interest groups, such as the fishing association, basketball club, and square-dancing association. These benefits help build a cohesive work environment and maintain a low employee turnover rate. To foster a spirit of togetherness, social activities such as Spring Festival reunion dinners, monthly birthday gatherings, Mid-Autumn Festival party and lucky draws, and Christmas celebrations are organised. In addition, female employees are granted half-day leave on International Women's Day.

## Occupational Health and Safety

The wellbeing of employees is of paramount importance to Tai Ping; the Group has comprehensive policies and procedures in place to ensure the safety of employees at our factories. These include the *Control Procedures for Environmental Operation* (《環境操作的控制程序》), *Hazardous Chemicals EHS Management Regulations* (《危險化學品環境、健康及安全管理條例》) and the *Control Procedures for Occupational Health and Safety (OHS) Operation* (《職業健康安全運行的控制程序》) that safeguard compliance with applicable occupational health and safety laws and regulations.

In 2021, the Group has been accredited with the ISO 45001 occupational health and safety standard, the internationally recognised standard for occupational health and safety. A dedicated team – the Safety Committee – has been set up comprising senior executives from all key business units. It is responsible for administering the health and safety management system of the Group and ensuring that its procedures are adopted in its day-to-day operations. There are regularly reviews of the internal occupational health and safety management systems with employee and contractor feedback taken into consideration to drive continuous improvement on safeguarding the health and safety of employees. Safety meetings were regularly organised by employee representatives during the Reporting Period. Internal and external OHS audits has also been conducted annually.

Tai Ping has set specific targets on its OHS performance. *The Targets and Management Plan* (《目標及管理方案》) is in place to standardise the Group’s target setting procedure, responsibilities, and reporting mechanism. Division managers and representatives will keep track of the target status and report to the Quality Assurance (QA) Department regularly.

### OHS Targets in 2021

Key Performance Indicators (KPI)	Methods	Targets	Status
Workplace injuries	Total number of workplace injuries as defined by the Identification of Industrial Injury in 2021	≤ 4	Target met
Workplace injuries (including serious injury, lead to over 105 lost days)	Total number of workplace injuries in 2021 and workplace injuries defined by the Identification of Industrial Injury, including the number of serious injury (lead to over 105 lost days)	0	Target met
Pitfall correction rate	(The number of corrective pitfall/Total pitfall) *100%	100%	Target met
Occupational disease	The number of occupational diseases	0	Target met
Direct economic loss of non-personnel casualties which over 20,000RMB	The number of direct economic loss of non-personnel casualties which over 20,000RMB	0	Target met

Regular safety training for operational staff is performed to raise safety awareness and minimise the risks of hidden hazards at work aiming to rule out fatalities, severe work-related injuries and significant errors related to failure of equipment and facilities failure. Fire drills, practice emergency drills and workshops on different workplace hazards are also organised to prepare employees to respond effectively in case of any accident. Besides, workers are required to wear protective gear, including safety shoes, safety glasses, ear protection, gloves and task-specific protection, at all times when in the manufacturing site to ensure health and safety.

## Development and Training

The Group is committed to employee development and training. It is Tai Ping's expectation for the employees to thrive and view their personal growth as an integral component of its business sustainability. The investment in the employees for them to grow their skills will not only boost productivity but also help to retain talents by encouraging people to build a rewarding career with Tai Ping.

Tailored on-the-job training and self-learning programs are offered to improve employees' knowledge and skillsets in the garment manufacturing industry. Team building activities and environmental operation training are organised in collaboration with external professional institutes to strengthen team bonding and deepen employees' sense of belonging to the Group.

To motivate employees to deliver high performance, an effective performance assessment mechanism is adopted which comprises the *Goal and Performance Management* (《目標與績效管理》) and *Performance Improvement Plan* (《績效改善計劃》). This enables the Group to evaluate employees' performance as well as plan relevant training and development programmes effectively.

Two-way communication with employees is maintained through networking activities and feedback sessions. The annual performance appraisal provides an opportunity for all staff members to discuss career planning, identify areas for further development and maximise career potential with their line managers.

## Labour Standards

Tai Ping respects and safeguards the human rights in all aspects of business operations. Our *Human Rights Policy* (《人權政策》) is in line with the international standard, Social Accountability 8000 (SA8000). Tai Ping firmly opposes employing child labour and upholds high labour standards and require suppliers to apply the same standard in their operations to prevent child and forced or trafficked labour. *Child Labour Protection Procedures* (《防止童工政策》) are developed and implemented at the regional and local levels in compliance with the related regulations and laws. In the recruitment process, identity checks are performed by the human resource department to ensure all recruited employees are above the legal working age.

During the Reporting Period, the Group was not found with nor involved in any non-compliance in employment and labour or employment of any child labour or forced labour.

## Supply Chain Management

Tai Ping demands the highest ethical and environmental standards throughout its global business operations and within its supply chain. The Group verifies the source of all incoming materials and the ethical standards of all approved suppliers. Various Standard Operation Procedures (SOP) on supply chain management are in place, including the *Management of Raw Materials Suppliers* (《外部供方的管理》), *Procurement Control* (《採購控制》), *Suppliers' EHS Management* (《供應商環境安全管理程式》), etc. A supplier management system has been established to verify their qualifications, assess their performance, review the occupational health and safety measures in place, and ensure suppliers meet the Group's internal environmental and social standards. Suppliers who fail to meet the standard and show no improvement after remedial actions were communicated will be terminated. World-renowned luxury brands have registered Tai Ping as an approved supplier based on external auditing of its ethical sourcing.

Tai Ping continues to promote environmentally-informed decisions regarding the use of recycled components in the manufacturing process. A comprehensive procedure has been implemented to ensure the selection of qualified materials that are not harmful to humans and the environment. The Group gives preference to materials or products that can be obtained locally or nearby cities to support the domestic economy and reduce the environmental impact from transportation.

### Product Responsibility

High-quality products and services are the key to business success. The standard of excellence has defined the Tai Ping brand since 1956. Our carpets are manufactured in compliance with the *American with Disabilities Act (ADA)*, as products are edged to facilitate wheelchair activities and the Green Label Plus (GLP), pass toxicity tests, and are fire-proof.

To better understand the needs of its customers, the Group collects feedback on its services and product quality through communication channels such as the annual customer satisfaction survey. The customer service department conducts the customer satisfaction survey in December every year. Staff from the customer service department will submit the information collected from the survey to the manager, who will then review the content and data of the customer's feedback. The Group will identify room for improvement according to the survey result and formulate corrective measures where practicable.

The Group has adopted a quality management system certified with ISO 9001 standard in various supporting facilities, including high-tech dyeing machinery and advanced testing equipment. This ensures raw materials and products procured, manufactured and delivered are in compliance with quality control requirements.

The Group's human resources policies include practices regarding conflict of interests, confidentiality, intellectual property, copyright protection and sensitive data privacy protection. A *Confidential Data Policy* (《資料保密政策》) has been established to lay out standards for the use of confidential data and outline specific security controls in protection of this data.

Tai Ping ensures all marketing strategies and associated advertisements are in full compliance with relevant local and national regulations. The Group observes strict compliance with the laws and regulations of the PRC for health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. None of our products were subject to recalls for safety and health reasons during the Reporting Period.

### Anti-Corruption

The Group is committed to doing business with integrity and avoiding corruption in any form. We expect all Tai Ping employees and representatives to conduct business in a fair, ethical and legal manner. The Group strictly complies with the relevant laws and regulations, such as the *Criminal Law of the PRC* (《中華人民共和國刑法》) and the *Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》).

The *Global Code of Conduct* outlines an employee's expected behaviour. Employees are required to comply with all applicable anti-corruption laws and specific guidance on the Group's stance on the payment to government officials, bribes and kickbacks, gifts, and conflicts of interest, especially for all new employees during their orientation sessions.

In addition, employees are required to sign the *Global Code of Conduct* and the *Whistleblower Policy* (《舉報政策》) on an annual basis. The *Whistleblower Policy* is designed to provide an official communication channel for the employees to raise their legitimate concerns of malpractice to the Audit Committee. Confidentiality is safeguarded, with no form of retaliation allowed for reports or complaints made in good faith. Investigation procedures are instigated to ensure that all complaints are treated promptly and fairly. When the whistleblower's report is received, the Internal Audit Manager, after consulting with the Chairman of Audit Committee, will first review the allegation received to assess whether the matter has any substance and falls under the preview of this *Whistleblower Policy*. The whistleblower will be informed as to whether any initial inquiries have been made. In conducting an investigation, precautions will be taken to safeguard against unfounded, inaccurate, or unwarranted accusations. The target of any investigation will have the opportunity to present relevant evidence and to understand the nature of the allegations. The format and length of an investigation will vary depending on the nature and particular circumstances of each reported case. Where appropriate, the matters raised may be referred to local regulatory authorities.

Ongoing monitoring, regular reviews, and periodical staff training are carried out to ensure the effectiveness of the *Whistleblower Policy*. During the Reporting Period, approximately 248.5 hours of anti-corruption related training was conducted for employees and all directors. The Group had no known material instances of non-compliance with relevant laws and regulations regarding bribery, extortion, fraud, or money laundering in its countries of employment.

### Community Investment

Tai Ping remains strongly committed to the social obligations towards the communities. The Group fully realises the importance of the various factors that have contributed to its success, and strives to support the development of the communities and various stakeholders and make a positive impact in their lives. The Group acts as a responsible corporate citizen by fostering an ideal workplace, emphasizing employing locals wherever possible to boost the domestic economy at Xiamen. In addition, employees are encouraged to participate in local charity activities and create greater value for society.

## Appendix I: Key Performance Data

## Environmental

Environmental KPIs	Unit	2021	2019/20 <sup>1</sup>	2018
NOx emissions	tonne	0.03	0.04	0.03
Total greenhouse gas (GHG) emissions <sup>2</sup>	tonne CO <sub>2</sub> e	3,170.04	5,704.00	4,470.60
Scope 1 – Direct emissions	tonne CO <sub>2</sub> e	260.23 <sup>3</sup>	130.97	160.28
Scope 2 – Energy indirect emissions <sup>4</sup>	tonne CO <sub>2</sub> e	2,909.81	5,573.03	4,310.32
<b>Total GHG emissions intensity</b>				
By revenue	kg CO <sub>2</sub> e/revenue (HK\$'000)	6.59	7.72	8.26
Total hazardous waste produced	tonne	0.90 <sup>5</sup>	4.81	0.36
<b>Total hazardous waste intensity</b>				
By revenue	kg/revenue (HK\$'000)	0.002	0.007	0.001
Total non-hazardous waste produced	tonne	130.00 <sup>5</sup>	217.47	143.80
<b>Total non-hazardous waste intensity</b>				
By revenue	kg/revenue (HK\$'000)	0.27	0.29	0.27
Total energy consumption	kWh	6,387,895.98	11,753,534.17	8,987,171.32
Total direct energy consumption <sup>6</sup>	kWh	54,675.78	67,437.17	50,663.32
Petrol	kWh	54,675.78	67,437.17	50,663.32
<b>Total direct energy consumption intensity</b>				
By revenue	kWh/revenue (HK\$'000)	0.11	0.09	0.09
Total indirect energy consumption <sup>6</sup>	kWh	6,333,220.20	11,686,097.00	8,936,508.00
Purchased electricity	kWh	1,877,009.00	3,074,347.00	2,478,369.00
Purchased steam	kWh	4,456,211.20	8,611,750.00	6,458,139.00
<b>Total indirect energy consumption intensity</b>				
By revenue	kWh/revenue (HK\$'000)	13.16	15.83	16.52
Total water consumption	m <sup>3</sup>	60,961.00	109,314.00	98,412.00
<b>Total water consumption intensity</b>				
By revenue	m <sup>3</sup> /revenue (HK\$'000)	0.13	0.15	0.18
Total packaging materials	tonne	32.40 <sup>7</sup>	24.00	14.26
<b>Total packaging materials intensity</b>				
By revenue	kg/revenue (HK\$'000)	0.07	0.03	0.03

Social<sup>8</sup>

Social KPIs	Unit	2021
<b>Number of employees</b>		
Total number of employees	No.	497
<b>Number of employees by employment type</b>		
Contracted and full-time employees	No.	497
Non-contracted and part-time employees	No.	0
<b>Number of employees by gender</b>		
Male	No.	253
Female	No.	244
<b>Number of employees by age group</b>		
Below 30	No.	121
30 – 50	No.	348
Above 50	No.	28
<b>Number of employees by employment category</b>		
Managers	No.	14
General employees	No.	483
<b>Number of employees by geographical region</b>		
Mainland China	No.	496
India	No.	1
<b>Turnover</b>		
Total number of resigned employees	No.	50
<b>Number of full-time employees turnover by gender</b>		
Male	No.	25
Female	No.	25
<b>Full-time employee's turnover rate by gender</b>		
Male	%	9.88%
Female	%	10.25%
<b>Number of full-time employees turnover by employee category</b>		
Managers	No.	2
General employees	No.	48
<b>Full-time employee's turnover rate by employee category</b>		
Managers	%	14.29%
General employees	%	9.94%
<b>Number of full-time employees turnover by age group</b>		
Below 30	No.	17
30 – 50	No.	33
Above 50	No.	0
<b>Full-time employee's turnover rate by age group</b>		
Below 30	%	14.05%
30 – 50	%	9.48%
Above 50	%	0.00%

Social KPIs	Unit	2021
<b>Number of full-time employees turnover by geographical region</b>		
Mainland China	No.	50
India	No.	0
<b>Full-time employee's turnover rate by geographical region</b>		
Mainland China	%	10.08%
India	%	0.00%
<b>Health and Safety</b>		
Number of work-related fatalities	No.	0
Number of lost days due to work injury	Days	0
<b>Training</b>		
Number of trained full-time employees	No.	381
<b>Number of trained full-time employees by gender</b>		
Male	No.	184
Female	No.	197
<b>Percentage of trained full-time employees by gender</b>		
Male	%	72.73%
Female	%	80.74%
<b>Number of trained full-time employees by employee category</b>		
Managers	No.	10
General employees	No.	371
<b>Percentage of trained full-time employees by employee category</b>		
Managers	%	71.43%
General employees	%	76.81%
<b>Number of suppliers by geographical region</b>		
Hong Kong	No.	1
Mainland China	No.	24
New Zealand	No.	1
Other region	No.	2
<b>Products</b>		
Total products sold or shipped	No.	64,135
Total products sold or shipped subject to recalls for safety and health reasons	No.	0
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0.00%
Total complaints received for products	No.	5
Total complaints received for services	No.	0

## Notes:

- <sup>1</sup> The scope of the Environmental Performance data covers the key manufacturing workshop based in Xiamen for the period from 1 January 2019 to 30 June 2020.
- <sup>2</sup> Calculation methodologies for GHG emissions: "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department of the Hong Kong SAR Government.
- <sup>3</sup> The Scope 1 GHG emissions increased by 99% compared with 2019/20. This is mainly due to the one-off replacement of air-conditioning refrigerant in manufacturing workshop in Xiamen during the reporting period.
- <sup>4</sup> Sources of emission factors for 2021 has been adjusted in accordance with the national emission factors for mainland China published by The Ministry of Ecology and Environmental of People's Republic of China (2019).
- <sup>5</sup> The total amount of the hazardous waste and non-hazardous waste decreased by 81% and 40% respectively compared with 2019/20. This is mainly due to the factory relocation in 2019/20, in which the disposal of accumulated chemical waste was undertaken.
- <sup>6</sup> Definition of direct and indirect energy refers to Part 2 of the ISO14064-1 standard.
- <sup>7</sup> Data boundary has expanded to include the wooden boxes which were newly introduced last year, hence the data is not directly comparable with prior years.
- <sup>8</sup> The scope of the Social data covers the key manufacturing workshop based in Xiamen.

## Appendix II: The Stock Exchange ESG Reporting Guide Index

Mandatory Disclosure Requirements		Section	Remarks
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Governance	–
Reporting Principles – Materiality	(i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	Reporting Guidelines	–
Reporting Principles – Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable).	Reporting Guidelines	–
Reporting Principles – Consistency	The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Reporting Guidelines	–
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	Scope of this Report	–

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
<b>A. Environmental</b>			
<b>Aspect A1: Emissions</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection; GHG Reduction and Energy Conservation	–
KPI A1.1	The types of emissions and respective emission data.	Appendix I: Key Performance Data	–
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Appendix I: Key Performance Data	–
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Appendix I: Key Performance Data	–
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Appendix I: Key Performance Data	–
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection; GHG Reduction and Energy Conservation	–
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection; Waste Management; Sustainable Manufacturing	–
<b>Aspect A2: Use of Resources</b>			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection	–
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Appendix I: Key Performance Data	–
KPI A2.2	Water consumption in total and intensity.	Appendix I: Key Performance Data	–
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection; GHG Reduction and Energy Conservation	–
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection; Water Resource Management and Wastewater Treatment	–
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix I: Key Performance Data	–

Subject Areas, Aspects, General Disclosures and KPIs	Section	Remarks
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection –
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Environmental Protection –
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	– Climate change is not considered to be the most material issues comparatively given the Group's business nature.
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	–
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment –
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Key Performance Data –
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Key Performance Data –
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety –
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	– There were no occupational fatalities in the past three years.
KPI B2.2	Lost days due to work injury.	Appendix I: Key Performance Data –
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety –

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
<b>Aspect B3: Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	–
KPI B3.1	The percentage of employees trained by gender and employee category.	Appendix I: Key Performance Data	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Key Performance Data	–
<b>Aspect B4: Labour Standards</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	–
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	–
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	–
<b>Aspect B5: Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	–
KPI B5.1	Number of suppliers by geographical region.	Appendix I: Key Performance Data	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	–
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	–
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	–
<b>Aspect B6: Product Responsibility</b>			
General Disclosure	Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	–
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix I: Key Performance Data	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility; Appendix I: Key Performance Data	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility	–
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	–
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	–

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
<b>Aspect B7: Anti-corruption</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	–
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	–
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption	–
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	–
<b>Aspect B8: Community Investment</b>			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	–
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	–
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	–



Private Residence in Arizona by Drake Anderson Interior Design Studio  
A custom-coloured Bokeh rug from Tai Ping's Blur Collection, hand knotted in cashmere and silk  
Photography: Joe Schmeltzer of Treasure Bite Studio

# Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 30 June 2021.

## PRINCIPAL ACTIVITIES & GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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 72.

No interim dividend was paid during the year. The Directors recommend a final dividend of HK3 cents per share, totalling HK\$6,366,000 for the year (for the eighteen months ended 30 June 2020: Nil). Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 15 November 2021, the final dividend will be paid to the shareholders of the Company on or about 17 December 2021 whose names appear on the register of members of the Company at the close of business on 23 November 2021.

## DIVIDEND POLICY

The Company has adopted a dividend policy on 14 December 2018, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for future growth of the Group.

The Board shall consider the following factors before recommending or declaring dividends:

- i. The Company's actual and expected financial performance;
- ii. Retained earnings and distributable reserves of the Company and each of the members of the Group;
- iii. The Group's working capital, capital expenditure requirements and future expansion plans;
- iv. The Group's liquidity position;
- v. General economic conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- vi. Other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Bermuda and the Company's Bye-laws. The Board will review the dividend policy from time to time and there can be no assurance that dividend will be paid in any particular amount for any given period.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK\$65,000 (for the eighteen months ended 30 June 2020: HK\$144,000).

## 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 are set out on page 7 of the annual report.

## SHARE CAPITAL

No shares were issued during the year. Details of the share capital as at 30 June 2021 are set out in Note 25 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2021, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK\$584,004,000.

## PURCHASE, SALE 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 Timothy James Colfer

### Chief Executive Officer & Executive Director

Mark Stuart Worgan

### Non-Executive Directors

Tong Chi Leung David

John Jeffrey Ying

Leong Kwok Fai Nelson

Andrew Clifford Winawer Brandler

### Independent Non-Executive Directors

Fung Yeh Yi Hao Yvette

Roderic Noel Anthony Sage

Yung Lincoln Chu Kuen

Daniel George Green

In accordance with the Company's Bye-laws, Mr. Nicholas Timothy James Colfer, Mr. John Jeffrey Ying, Mr. Tong Chi Leung David, Mr. Leong Kwok Fai Nelson, Mrs. Fung Yeh Yi Hao Yvette and Mr. Roderic Noel Anthony Sage will retire by rotation and all being eligible, offer themselves for re-election at the forthcoming AGM on 15 November 2021.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM have 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 or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## PERMITTED INDEMNITY PROVISIONS

At no time during the 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).

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

As at 30 June 2021, 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 30 June 2021

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

## Directors' Report

### Notes:

- <sup>1</sup> The shares are held by Peak Capital Partners I, L.P. of which Mr. John Jeffrey Ying is the sole shareholder 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).
- <sup>2</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.

At no time during the year 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 30 June 2021, 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>2</sup>	77,674,581	36.607%
Lawrencium Holdings Limited <sup>2</sup>	77,674,581	36.607%
The Mikado Private Trust Company Limited <sup>2</sup>	77,674,581	36.607%
The Hon. Sir Michael Kadoorie <sup>2</sup>	77,674,581	36.607%
Peak Capital Partners I, L.P. <sup>3</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 deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having director or indirect control over such company.
- <sup>2</sup> The Mikado Private Trust Company Limited is deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is deemed to be interested, either in the capacity as trustee of a discretionary trust and/or by virtue of having direct or indirect control over such company.

Harneys Trustees Limited controls The Mikado Private Trust Company Limited and is therefore deemed to be interested in the same 77,674,581 shares in which such company is deemed to be interested.

The Hon. Sir Michael Kadoorie, in his capacity as the founder and one of the beneficiaries of a discretionary trust, is deemed to be interested in 77,674,581 shares in which Lawrencium Holdings Limited is deemed to be interested.

- <sup>3</sup> Mr. John Jeffrey 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 20% of its goods and services to its five largest customers. Purchase of goods (primarily raw materials and consumables) and services from its largest supplier and the top five suppliers in aggregate were around 16% and less than 50%, respectively. None of the Directors and their close associates and the shareholders (who own more than 5% interest in the Company) have any interest in the five largest customers and suppliers.

## CONNECTED TRANSACTIONS

1. Significant related party transactions entered into by the Group during the year, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in Note 36 to the consolidated financial statements.
2. Other related party transactions entered into by the Group for the year 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 Hong Kong 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 the new Products and Services Supply Agreement with HSH on 12 December 2019 (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 of three years from 1 January 2020 to 31 December 2022 subject to an annual cap of HK\$10,000,000. An announcement in this respect was made on 12 December 2019. For the financial year ended 30 June 2021, the total invoiced value of these transactions ("HSH Transactions") amounted to approximately HK\$2,384,000.

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. on normal commercial terms or terms better to the Group than terms available to independent third parties; and
- iii. the terms of the agreements governing them 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) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;
- ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- iv) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

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.

## **BUSINESS REVIEW**

The business review of the Group for the year 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 to the Group, its business and operations.

Please refer to the Environmental, Social & Governance Report contained in the 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.

## **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.

## **ANNUAL GENERAL MEETING**

It is proposed that the forthcoming AGM will be held on Monday, 15 November 2021. Notice of the AGM will be published and dispatched to the shareholders of the Company together with this report.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to attend and vote at the forthcoming AGM on Monday, 15 November 2021, the transfer books and the register of members of the Company will be closed from Wednesday, 10 November 2021 to Monday, 15 November 2021 (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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 9 November 2021.

For determining the entitlements to the proposed final dividend for the year, the transfer books and the register of members of the Company will be closed from Friday, 19 November 2021 to Tuesday, 23 November 2021 (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 lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 18 November 2021.

## AUDITOR

The consolidated financial statements for the year have been audited by KPMG, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM on 15 November 2021.

By order of the Board  
**Mark Stuart Worgan**  
*Chief Executive Officer*

Hong Kong, 17 September 2021



Award-winning\* Falcon 6X by Dassault Aviation, Saint-Cloud, France  
Custom Tai Ping carpet, hand tufted in 100% wool  
Photography: Dassault Aviation

\* Red Dot Design Award for business jet interior and International Yacht and Aircraft Award for interior design





Townhouse in Boston by D'Aquino Monaco Inc. Interior Design and Architecture Studio  
Custom Edward Fields carpet, hand tufted in wool and silk  
Photography: Michael J. Lee

# Financial Section

66	Independent Auditor's Report
72	Consolidated Income Statement
73	Consolidated Statement of Comprehensive Income
74	Consolidated Statement of Financial Position
76	Consolidated Statement of Changes in Equity
78	Consolidated Statement of Cash Flows

## Notes to the Consolidated Financial Statements

1. General Information	79	20. Trade & Other Receivables	125
2. Summary of Significant Accounting Policies	79	21. Derivative Financial Instruments	126
3. Financial Risk Management	102	22. Lease Receivables	127
4. Critical Accounting Estimates & Judgements	107	23. Pledged Bank Deposit	127
5. Revenues & Segment Information	108	24. Cash & Cash Equivalents	127
6. Expenses by Nature	111	25. Share Capital	128
7. Employee Benefit Expenses	111	26. Share Premium & Other Reserves	128
8. Gain on Disposal of Non-Current Asset Held for Sale	113	27. Deferred Income Tax	128
9. Other Gains – Net	114	28. Retirement Benefit Obligations	129
10. Finance Costs – Net	114	29. Trade & Other Payables	131
11. Income Tax Credit	115	30. Contract Liabilities – Deposits Received in Advance	132
12. Earnings/(Losses) Per Share	117	31. Bank Borrowings – Unsecured	133
13. Dividend	117	32. Lease Liabilities	133
14. Land Use Rights	117	33. Notes to the Consolidated Statement of Cash Flows	134
15. Property, Plant & Equipment, Investment Property and Construction in Progress	118	34. Capital Commitments	136
16. Intangible Assets	120	35. Contingencies	136
17. Right-of-Use Assets	121	36. Related Party Transactions	137
18. Subsidiaries	123	37. Statement of Financial Position and Reserve Movement of the Company	138
19. Inventories	124	38. Benefits and Interests of Directors	140

143	Senior Management
-----	-------------------

# Independent Auditor's Report



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

## OPINION

We have audited the consolidated financial statements of Tai Ping Carpets International Limited ("the Company") and its subsidiaries ("the Group") set out on pages 72 to 142, which comprise the consolidated statement of financial position as at 30 June 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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 MATTERS (CONTINUED)

### Revenue recognition

Refer to note 5 to the consolidated financial statements and the accounting policy note 2.27.

#### The Key Audit Matter

The Group's revenue principally comprises sales of carpets.

The terms of sales contracts relating to goods acceptance by customers are similar and revenue is generally recognised when the carpets are delivered to the location designated by the customers.

We identified the recognition of revenue as a key audit matter because of its significance to the Group and errors in the recognition of revenue could have a material impact on the Group's results.

#### How the matter was addressed in our audit

Our audit procedures to assess the appropriateness of revenue recognition included the following:

- evaluating the design, implementation and operating effectiveness of key internal controls over the existence, accuracy and timing of revenue recognition;
- challenging the revenue recognition policies adopted by the Group by making inquiries of management and inspecting a sample of sales contracts to understand the terms of the transactions to assess the Group's revenue recognition with reference to the requirements of the prevailing accounting standards;
- on a sample basis inspecting manual adjustments made to revenue during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation;
- assessing whether revenue had been recognised in the appropriate accounting period and in accordance with the terms of the sales contracts by comparing a sample of sales transactions recorded around the period end with relevant underlying documents, which included delivery notes or documentation indicating the customers' acknowledgement of delivery of the goods sold; and
- identifying significant sales returns from the sales ledger after the period end and inspecting the underlying documentation to assess if the related adjustments to revenue had been accounted for in the appropriate reporting period.

## KEY AUDIT MATTERS (CONTINUED)

### Assessing potential impairment of property, plant and equipment, intangible assets, land use rights and construction in progress

Refer to note 14, 15 and 16 to the consolidated financial statements and the accounting policy note 2.6, 2.7, 2.8 and 2.10.

#### The Key Audit Matter

The Group's non-current assets relating to its manufacturing operations include property, plant and equipment, intangible assets, land use rights and construction in progress (the "manufacturing assets"). As at 30 June 2021, the carrying amount of the Group's manufacturing assets in total was approximately HK\$400 million. The Group has recorded a profit before tax of HK\$17 million from its operations for the year ended 30 June 2021.

As the Group has recorded a net loss in recent years, management considered that indicators of potential impairment of the Group's manufacturing assets existed and performed an assessment to determine the recoverable amounts of the related assets as at that date.

Management estimated the recoverable amounts of the manufacturing assets using the value in use model by preparing discounted cash flow forecasts for the separately identifiable cash-generating unit ("CGU") to which the manufacturing assets had been allocated and comparing the net present value with the carrying values of the manufacturing assets to determine whether provision for impairment was required.

The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in forecasting revenue growth rates and profit margin ratios and in determining appropriate discount rates.

We identified assessing potential impairment of the Group's manufacturing assets as a key audit matter because of the inherent uncertainty involved in forecasting future cash flows, in particular in respect of revenue growth rates, profit margin ratios, and the discount rates applied, which could be subject to potential management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess potential impairment of the manufacturing assets included the following:

- evaluating management's processes and procedures for the identification of indicators of potential impairment of the manufacturing assets;
- evaluating management's identification of CGUs and the allocation of assets to each CGU and management's methodology adopted in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards;
- evaluating the historical accuracy of management's value in use calculations by comparing the forecast at the end of the previous financial year for revenue, operating costs and profit margin ratios with the actual outcomes in the current period and investigating reasons for any significant differences between the forecasts and actual results;
- engaging our internal valuation specialists to assist us in assessing the methodology applied by management in its discounted cash flow forecast with reference to the requirements of the prevailing accounting standards and the reasonableness of discount rates used by comparing them with the discount rate of other companies in the same industry;
- evaluating the key assumptions adopted by management in their preparation of the discounted cash flow forecasts, including revenue growth rates and profit margin ratios, by comparing with the approved financial budgets, our understanding, experience and knowledge of the Group's businesses and future business plans; and
- performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts, including the revenue growth rates, profit margin ratios, and the discount rates, to evaluate the impact on the headroom for each CGU and assessing the impact of changes in the key assumptions to the conclusions reached and whether there are any indicators of management bias.

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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 Directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 HKSAAs 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.

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

As part of an audit in accordance with HKSA's, we exercise professional judgement 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.
- 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 regarding, 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

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 Yau Ngai Lun, Alan.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

Hong Kong, 17 September 2021

# Consolidated Income Statement

	Note	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Revenues	5	481,379	738,407
Cost of sales	6	(201,277)	(340,104)
Gross profit		280,102	398,303
Distribution costs	6	(135,063)	(242,726)
Administrative expenses	6	(127,049)	(207,630)
Gain on disposal of non-current asset held for sale	8	–	11,089
Other gains – net	9	1,127	5,875
Operating profit/(loss)		19,117	(35,089)
Finance costs – net	10	(2,569)	(5,170)
Profit/(loss) before income tax		16,548	(40,259)
Income tax credit	11	86	1,085
Profit/(loss) for the year/period		16,634	(39,174)
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		16,634	(37,105)
Non-controlling interests		–	(2,069)
		16,634	(39,174)
Earnings/(losses) per share attributable to the owners of the Company during the year/period (expressed in HK cents per share)			
Basic/diluted	12	7.84	(17.49)

The notes on pages 79 to 142 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
<b>Profit/(loss) for the year/period</b>	<b>16,634</b>	<b>(39,174)</b>
<b>Other comprehensive income:</b>		
Item that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations	(26)	(612)
Items that have been or may be reclassified subsequently to profit or loss		
Release of reserves attributable to the disposal of non-current asset held for sales	–	(14,743)
Currency translation differences	34,343	(17,465)
<b>Other comprehensive income/(loss) for the year/period, net of tax</b>	<b>34,317</b>	<b>(32,820)</b>
<b>Total comprehensive income/(loss) for the year/period</b>	<b>50,951</b>	<b>(71,994)</b>
<b>Attributable to:</b>		
Owners of the Company	50,951	(69,141)
Non-controlling interests	–	(2,853)
	50,951	(71,994)

The notes on pages 79 to 142 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

	Note	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	14	26,959	25,148
Property, plant & equipment	15	249,240	332,747
Investment property	15	82,976	–
Construction in progress	15	89	640
Intangible assets	16	17,748	19,798
Right-of-use assets	17	105,695	107,195
Prepayments	20	2,698	1,369
Other receivable	8	5,049	4,887
Lease receivables	22	–	1,083
Pledged bank deposit	23	407	–
		490,861	492,867
<b>Current assets</b>			
Inventories	19	51,306	68,557
Trade & other receivables	20	59,505	70,931
Derivative financial instruments	21	550	–
Lease receivables	22	1,083	2,186
Current income tax recoverable		3,399	6,228
Pledged bank deposit	23	–	402
Cash & cash equivalents	24	178,173	136,036
		294,016	284,340
<b>Total assets</b>		<b>784,877</b>	<b>777,207</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	21,219	21,219
Reserves	26	277,835	244,275
Retained earnings:			
Proposed final dividend	13	6,366	–
Others		119,363	104,011
		424,783	369,505
<b>Non-controlling interests</b>		<b>–</b>	<b>17,415</b>
<b>Total equity</b>		<b>424,783</b>	<b>386,920</b>

The notes on pages 79 to 142 are an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

	Note	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	27	1,570	2,065
Retirement benefit obligations	28	3,738	3,719
Lease liabilities	32	87,989	91,708
		<b>93,297</b>	<b>97,492</b>
<b>Current liabilities</b>			
Trade & other payables	29	130,697	136,982
Contract liabilities – Deposits received in advance	30	91,830	97,047
Derivative financial instruments	21	–	93
Current income tax liabilities		2,893	2,284
Bank borrowings – unsecured	31	15,520	31,040
Lease liabilities	32	25,857	25,349
		<b>266,797</b>	<b>292,795</b>
<b>Total liabilities</b>		<b>360,094</b>	<b>390,287</b>
<b>Total equity &amp; liabilities</b>		<b>784,877</b>	<b>777,207</b>
<b>Net current assets/(liabilities)</b>		<b>27,219</b>	<b>(8,455)</b>
<b>Total assets less current liabilities</b>		<b>518,080</b>	<b>484,412</b>

The financial statements on pages 72 to 142 were authorised for issue by the Board of Directors on 17 September 2021 and were signed on its behalf.

Nicholas Timothy James Colfer  
Chairman

Mark Stuart Worgan  
Executive Director

The notes on pages 79 to 142 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the eighteen months ended 30 June 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	21,219	189,699	86,000	141,669	438,587	20,268	458,855
<b>Comprehensive income</b>							
Loss for the period	-	-	-	(37,105)	(37,105)	(2,069)	(39,174)
<b>Other comprehensive income for the period</b>							
Release of reserve attributable to the disposal of non-current asset held for sale	-	-	(14,743)	-	(14,743)	-	(14,743)
Remeasurement of retirement benefit obligations	-	-	-	(612)	(612)	-	(612)
Currency translation differences	-	-	(16,681)	-	(16,681)	(784)	(17,465)
Total other comprehensive loss for the period, net of tax	-	-	(31,424)	(612)	(32,036)	(784)	(32,820)
Total comprehensive loss for the period	-	-	(31,424)	(37,717)	(69,141)	(2,853)	(71,994)
<b>Total contributions by and distributions to the owners of the Company, recognised directly in equity</b>							
Dividend forfeited	-	-	-	59	59	-	59
Balance at 30 June 2020	21,219	189,699	54,576	104,011	369,505	17,415	386,920

The notes on pages 79 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2020	21,219	189,699	54,576	104,011	369,505	17,415	386,920
<b>Comprehensive income</b>							
Profit for the year	-	-	-	16,634	16,634	-	16,634
<b>Other comprehensive income for the year</b>							
Remeasurement of retirement benefit obligations	-	-	-	(26)	(26)	-	(26)
Currency translation differences	-	-	34,343	-	34,343	-	34,343
Total other comprehensive income/(loss) for the year, net of tax	-	-	34,343	(26)	34,317	-	34,317
Total comprehensive income for the year	-	-	34,343	16,608	50,951	-	50,951
<b>Total contributions by and distributions to the owners of the Company, recognised directly in equity</b>							
Forfeiture from non-controlling interests attributable to the liquidation of a subsidiary	-	-	(783)	5,019	4,236	(17,415)	(13,179)
Dividend forfeited	-	-	-	91	91	-	91
Balance at 30 June 2021	21,219	189,699	88,136	125,729	424,783	-	424,783

The notes on pages 79 to 142 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

	Note	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	95,454	75,591
Income tax refund/(paid)		3,072	(1,036)
Interest paid		(292)	(235)
<b>Net cash generated from operating activities</b>		<b>98,234</b>	<b>74,320</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant & equipment and construction in progress		(13,920)	(18,459)
Acquisition of intangible assets		(1,951)	–
Proceeds from disposal of property, plant & equipment		5	40
Proceeds from disposal of non-current asset held for sale		–	8,651
Decrease in financial derivative instruments		741	270
Interest received		927	417
<b>Net cash used in investing activities</b>		<b>(14,198)</b>	<b>(9,081)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		23,250	46,680
Repayments of borrowings		(38,790)	(15,560)
Increase in pledged bank deposits		(5)	(9)
Dividend paid to the Company's shareholders		(70)	–
Capital element of lease rentals paid		(29,838)	(50,697)
Interest element of lease rentals paid		(3,393)	(5,897)
<b>Net cash used in financing activities</b>		<b>(48,846)</b>	<b>(25,483)</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>35,190</b>	<b>39,756</b>
<b>Cash &amp; cash equivalents at beginning of year/period</b>		<b>136,036</b>	<b>93,008</b>
<b>Exchange losses on cash &amp; cash equivalents</b>		<b>6,947</b>	<b>3,272</b>
<b>Cash &amp; cash equivalents at end of year/period</b>	24	<b>178,173</b>	<b>136,036</b>

The notes on pages 79 to 142 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 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.

On 19 August 2019, the board of directors (the “Board”) of the Company resolved to change the financial year end date of the Company from 31 December to 30 June. The change is to align the Company’s financial year end date with that of certain major subsidiaries of the Company, in order to facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the current financial period covers a twelve months period from 1 July 2020 to 30 June 2021 with the comparative financial period covering an eighteen months period from 1 January 2019 to 30 June 2020.

Consequently, the comparable amount of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes are not comparable in so far as they relate to a longer period than the current year.

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 on 17 September 2021.

## 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 the year ended 30 June 2021 and the eighteen months ended 30 June 2020 presented, unless otherwise stated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 disclosure 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### 2.2 Changes in accounting standards

#### (a) New and amended standard mandatory for the first time for the financial year beginning on 1 July 2020

The HKICPA has issued a number of amendments to HKFRS that are first effective for the financial year beginning 1 July 2020 and none of them have material impact to the Group. Apart from the early adoption of Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 (Note 2.10(c)), the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### (b) New and amended standards and interpretations which have been issued but are not effective for the financial year ended 30 June 2021 and have not been early adopted

The Group has not early adopted the following amendments that may be relevant to the Group. These amendments have been issued but not yet effective:

HKFRS 3	Business Combinations (amendments) <sup>1</sup>
HKAS 16	Property, Plant and Equipment (amendments) <sup>1</sup>
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments) <sup>1</sup>

Note:

<sup>1</sup> Effective for the Group from 1 July 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

Transactions between group companies, balances and related unrealised gains and losses are 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)

### (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.

## 2.4 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 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 HK\$'000, which is the Company's functional and the Group's presentation currency.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 are presented in the consolidated income statement within "Other gains – net".

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

### (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)

### (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 and investment property

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 80AA of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16.

Investment properties are land and/or building which is owned or held under a leasehold interest (Note 2.10) to earn rental income and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation. Rental income from investment properties is accounted for as described in Note 2.27(d).

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)

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 & investment property	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 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within "Other gains – net" in the consolidated income statement.

### 2.7 Construction in progress

Construction in progress represents machinery and furniture, fixtures and equipment to be installed, and buildings of which construction work has not been completed. Construction in progress 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 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 costs attributable to the software product during its development can be reliably measured.

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives of 3 to 10 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 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.

### 2.10 Leased assets and land use rights

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (a) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily temporary staff accommodation. When the group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to the consolidated income statement in the accounting period in which they are incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (Note 2.9).

Depreciation is calculated using the straight-line method to allocate the cost of right-of-use assets over the unexpired term of leases.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the consolidated statement of financial position.

The Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group accounts for the remeasurement of lease liabilities and lease incentives for lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

### (b) As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2.27(d).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2.10(a), then the Group classifies the sub-lease as an operating lease.

### (c) Covid-19-Related Rent Concession beyond 30 June 2021

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 related concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in the income statement in the period in which the event or condition that triggers those payments occurred (see Note 17).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: fair value through profit or loss ("FVPL") and loans and receivables at amortised cost. 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 (including derivatives) are classified as FVPL unless they are not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the financial assets at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an asset-by-asset basis, but may only be made if the financial asset meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the financial asset is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

#### (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.

#### (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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – 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.

### 2.12 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.

### 2.13 Credit losses and impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, lease receivables and trade and other receivables); and
- contract assets as defined in HKFRS 15.

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable; and
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date;
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

### Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of work-in-progress and finished goods comprises 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)

### 2.15 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.

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2.13).

### 2.16 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.

### 2.17 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. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in Note 2.13.

### 2.18 Share capital

Ordinary shares are classified as equity.

### 2.19 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)

### 2.20 Contract liabilities

A contract liability is recognised as deposits received when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

### 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 the consolidated income statement in the period in which they are incurred.

### 2.23 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 Employee benefits

#### Pension obligations

A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administrated pension insurance plans on a mandatory, contractual or voluntary basis. 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. The contributions are recognised as employee benefit expenses 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.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of services and compensation.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when i) the Group has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) 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.

### 2.26 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)

### 2.27 Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

#### (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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Rental income form operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

### (e) Dividend income

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

### (f) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in the consolidated income statement on a systematic basis in the same periods in which the expenses are incurred.

### 2.28 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.

### 2.29 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.30 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 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.

##### (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\$"), Chinese Renminbi ("RMB") and Euro. 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 Europe, the People's Republic of China (the "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 30 June 2021, if US\$ had strengthened/weakened by 5% (2020: 5%) against Euro with all other variables held constant, pre-tax profit for the year would have been higher/lower by approximately HK\$857,000 (2020: pre-tax loss of HK\$632,000 lower/higher), 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 30 June 2021, if US\$ had strengthened/weakened by 5% (2020: 5%) against British pounds with all other variables held constant, pre-tax profit for the year would have been higher/lower by approximately HK\$526,000 (2020: pre-tax loss of HK\$539,000 lower/higher), 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.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2021, if US\$ had strengthened/weakened by 5% (2020: 5%) against RMB with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately HK\$233,000 (2020: pre-tax loss of HK\$227,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of US\$ denominated assets and liabilities in entities whose functional currency is RMB.

At 30 June 2021, if RMB had strengthened/weakened by 5% (2020: 5%) against HK\$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by approximately HK\$890,000 (2020: pre-tax loss of HK\$1,078,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of RMB denominated assets and liabilities in entities whose functional currency is HK\$.

At 30 June 2021, if Euro had strengthened/weakened by 5% (2020: 5%) against HK\$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by approximately HK\$1,444,000 (2020: pre-tax loss of HK\$1,537,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of Euro denominated assets and liabilities in entities whose functional currency is HK\$.

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. 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 card companies. 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 credit losses has been made. Due to the short duration of trade receivables and the business model adopted by the Group, the ECL allowance is not considered significant.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) 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.

As at 30 June 2021, the Group had total banking facilities of approximately HK\$317,048,000 (2020: HK\$330,880,000), of which HK\$15,520,000 (2020: HK\$31,040,000) was drawn down as bank borrowings and approximately HK\$10,353,000 (2020: HK\$2,948,000) was utilised for trade facilities. The Group's banking facilities are granted by several banks and they are subject to annual review.

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 approximately HK\$178,173,000 (2020: HK\$136,036,000) (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)

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

30 June 2021	After 1 year			Total HK\$'000
	Within 1 year HK\$'000	but within 5 years HK\$'000	More than 5 years HK\$'000	
Trade & other payables	51,997	–	–	51,997
Bank borrowings – unsecured	15,520	–	–	15,520
Lease liabilities	25,857	54,118	33,871	113,846
	93,374	54,118	33,871	181,363

30 June 2020	After 1 year			Total HK\$'000
	Within 1 year HK\$'000	but within 5 year HK\$'000	More than 5 year 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 21) are due to settle within 12 months of the consolidated statement of financial position date. These contracts require undiscounted contractual cash inflows of approximately HK\$23,633,000 (2020: HK\$12,416,000) and undiscounted contractual cash outflows of approximately HK\$22,577,000 (2020: HK\$12,416,000).

#### (d) Cash flow & fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At 30 June 2021, the Group's bank borrowings primarily represent short-term bank loans. If market interest rate had increased/decreased by 100 basis points (2020: 100 basis points) with all other variables held constant, pre-tax profit for the year would have been lower/higher by HK\$155,000 (2020: pre-tax loss of HK\$310,000 higher/lower).

The Group also holds 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. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. 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/eighteen months period and at the end of each reporting period. In the event any loan covenants were breached, the management will take immediate actions to rectify the defaults.

#### 3.3 Fair value estimation

The Group analyses the financial instruments carried at fair value as at 30 June 2021 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 tables present the Group's assets and liabilities that are measured at fair value at 30 June 2021 and 2020. The fair value measurements of the Group's foreign currency forward contracts, which are presented in the statement of financial position as derivative financial instruments, as at 30 June 2021 and 2020 are categorised into Level 2.

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Assets</b>		
Derivative financial instruments:		
Foreign currency forward contracts	550	–
<b>Liabilities</b>		
Derivative financial instruments:		
Foreign currency forward contracts	–	93

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 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 Impairment of property, plant & equipment, land use rights, construction in progress and intangible assets

Property, plant and equipment, land use rights, construction in progress and intangible assets are assessed for indication of impairment at the end of each reporting period, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists, management shall estimate the recoverable amount of the assets. The recoverable amounts are determined based on higher of assets' fair value less costs of disposal and value in use. The impairment assessment requires the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing:

- (i) whether an event has occurred that may indicate that the related asset values may not be recoverable;
- (ii) whether the carrying value of an asset can be supported by its recoverable amount, being the higher of fair value less costs of disposal and value in use; and
- (iii) appropriate key assumptions to be applied in preparing cash flow projections in determining the recoverable amount.

Changing the assumptions selected by management in assessing the recoverable amount, including discount rates or growth rate assumptions in the cash flow projections, could impact the impairment assessment results.

### 4.2 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.

## 5. REVENUES & SEGMENT INFORMATION

### (a) Revenue from contracts with customers within the scope of HKFRS 15

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Sale of carpets & underlays	414,529	642,311
Installation of carpets & furnishing business	51,577	73,459
Sale of yarns & others	15,273	22,637
	481,379	738,407

No single external customer accounted for more than 10% of the Group's revenues for the year ended 30 June 2021 and eighteen months ended 30 June 2020.

### (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 respect of 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 are considered relevant in assessing the segment's performance.

## 5. REVENUES & SEGMENT INFORMATION (CONTINUED)

The segment information provided to management for the reportable segments for the year ended 30 June 2021 and eighteen months ended 30 June 2020 are as follows:

For the year ended 30 June 2021

	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	98,498	198,588	184,293	–	481,379
Cost of production <sup>1</sup>	(42,383)	(82,891)	(80,186)	–	(205,460)
Segment gross margin	56,115	115,697	104,107	–	275,919
Segment results	22,446	19,782	11,031	–	53,259
Unallocated expenses <sup>2</sup>					(34,142)
Operating profit					19,117
Finance costs – net					(2,569)
Profit before income tax					16,548
Income tax credit					86
Profit for the year					16,634
Non-current assets	360,295	76,961	48,103	5,502	490,861
Current assets	176,594	70,691	42,265	4,466	294,016
Total assets					784,877
Segment liabilities	102,217	125,570	95,121	37,186	360,094
Capital expenditure	(4,239)	(9,597)	(671)	–	(14,507)
Impairment loss on property, plant & equipment (Note 15)	(6,566)	–	(2,561)	–	(9,127)
Amortisation of intangible assets (Note 16)	–	–	(129)	(4,092)	(4,221)
Depreciation of property, plant & equipment (Note 15)	(18,036)	(3,168)	(3,591)	(478)	(25,273)
Depreciation of investment property (Note 15)	(327)	–	–	–	(327)
Depreciation of other right-of-use assets (Note 17)	(7,879)	(9,744)	(10,387)	–	(28,010)
Amortisation of land use rights (Note 14)	(628)	–	–	–	(628)
Allowance for provision of inventories – net	(3,283)	(727)	(218)	–	(4,228)
Inventories written off	(127)	(90)	(58)	–	(275)
Recovery of impairment of trade receivables – net	113	30	828	–	971
Property, plant & equipment written off (Note 15)	–	(1,143)	(124)	–	(1,267)

## 5. REVENUES &amp; SEGMENT INFORMATION (CONTINUED)

For the eighteen months ended 30 June 2020

	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	147,562	296,344	294,501	–	738,407
Cost of production <sup>1</sup>	(68,479)	(136,434)	(130,123)	–	(335,036)
Segment gross margin	79,083	159,910	164,378	–	403,371
Segment results	17,468	2,101	(8,185)	–	11,384
Gain on disposal of non-current asset held for sale					11,089
Unallocated expenses <sup>2</sup>					(57,562)
Operating loss					(35,089)
Finance income – net					(5,170)
Loss before income tax					(40,259)
Income tax expense					1,085
Loss for the period					(39,174)
Non-current assets	347,769	76,964	62,606	5,528	492,867
Current assets	127,467	82,800	67,701	6,372	284,340
Total assets					777,207
Segment liabilities	99,571	148,227	102,802	39,687	390,287
Capital expenditure	(7,490)	(3,196)	(6,344)	–	(17,030)
Amortisation of intangible assets (Note 16)	(147)	–	(194)	(6,641)	(6,982)
Depreciation of property, plant & equipment (Note 15)	(23,747)	(4,013)	(6,304)	(929)	(34,993)
Depreciation of other right-of-use assets (Note 17)	(11,746)	(18,612)	(16,554)	–	(46,912)
Amortisation of land use rights (Note 14)	(911)	–	–	–	(911)
Allowance for provision of inventories-net	(3,390)	(977)	(430)	–	(4,797)
Inventories written off	(4,556)	(1,916)	(106)	–	(6,578)
(Allowance for)/recovery of impairment of trade receivables – net	(223)	1,006	(371)	–	412
Property, plant & equipment written off (Note 15)	(1,055)	–	(43)	–	(1,098)

## 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 consolidated income statement.
- <sup>2</sup> Unallocated expenses include corporate expenses of the Group.

## 6. EXPENSES BY NATURE

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Raw materials & consumables used	42,654	72,719
Amortisation of intangible assets (Note 16)	4,221	6,982
Depreciation of property, plant & equipment (Note 15)	25,273	34,993
Depreciation of investment property (Note 15)	327	–
Depreciation/amortisation of right-of-use assets by class of underlying assets		
– Buildings and properties (Note 17)	27,566	46,471
– Other assets (Note 17)	444	441
– Land use rights (Note 14)	628	911
Employee benefit expenses <sup>1</sup> (Note 7)	164,603	273,552
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	1,488	1,889
Variable lease payments not include in the measurement of lease liabilities	–	17
Allowance for provision of inventories – net	4,228	4,797
Inventories written off	275	6,578
Recovery of impairment of trade receivables – net	(971)	(412)
Bad debts written off	573	82
Auditor's remuneration		
– Audit services	2,425	2,617
– Non-audit services	1,701	1,029
Legal and professional fees	6,100	15,117

Note:

- <sup>1</sup> During the year ended 30 June 2021 and the eighteen months ended 30 June 2020, the Group recognised several government subsidies in related to the COVID-19 pandemic and majority of the amount was off-set with the employee benefit expenses.

## 7. EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June 2021 HK'000	For the eighteen months ended 30 June 2020 HK\$'000
Wages & salaries (including Directors' emoluments)	161,185	266,827
Pension income – defined benefit plans	(225)	(253)
Retirement benefit costs – defined contribution schemes	3,643	6,978
	164,603	273,552

## 7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (a) Retirement benefit costs – defined contribution schemes

Unvested benefits approximately HK\$44,000 (for eighteen months ended 30 June 2020: Nil) were refunded to the Group during the year. As at 30 June 2021 and 2020, no unvested benefits 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 ended 30 June 2021 included one (for the eighteen months ended 30 June 2020: one) director whose emoluments were reflected in the analysis presented in Note 38. The emoluments payable to the remaining four (for the eighteen months ended 30 June 2020: four) individuals during the year are as follows:

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Basic salaries, bonus, housing and other allowances	10,822	18,579
Retirement benefit costs	775	1,014
	11,597	19,593

The emoluments fell within the following bands:

Emolument bands	No. of individuals	
	For the year ended 30 June 2021	For the eighteen months ended 30 June 2020
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	2	–
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	–
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	–	1

## 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 transaction 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 Group recorded its share of the gain on disposal of HK\$11,089,000 during the eighteen months period ended 30 June 2020. The balance of the outstanding proceeds of HK\$5,049,000 (2020: HK\$4,887,000) was recorded as long-term other receivable as at 30 June 2021.

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

	For the eighteen months ended 30 June 2020 HK\$'000
Consideration of the disposal	34,256
Less: Direct expenses in relation to the disposal	(20,718)
Net consideration	13,538
Less: Carrying value of the non-current asset held for sale	(17,192)
Add: 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

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Gain on liquidation of a subsidiary <sup>1</sup>	6,816	–
Gain on change in fair value of derivative financial instruments	1,384	428
Rental income	1,179	–
Gain from derecognition of right-of-use assets	6	1,263
Net foreign exchange (loss)/gain	(1,026)	2,255
Property, plant & equipment written off	(1,267)	(1,098)
Loss on disposal of property, plant and equipment	(4)	(681)
Impairment loss on property, plant and equipment (Note 15)	(9,127)	–
Others	3,166	3,708
	<b>1,127</b>	<b>5,875</b>

Note:

- <sup>1</sup> In May 2021, the Group completed the liquidation of its former manufacturing subsidiary, Foshan Nanhai Tai Ping Carpets Company Limited. Since the minority interest shareholder has agreed to waive all its entitlement to the investment, the Group has recorded a one-off gain of HK\$6,816,000.

## 10. FINANCE COSTS – NET

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Finance income – interest income from banks	927	417
Finance costs – interest expenses for leases, net	(3,204)	(5,352)
Finance costs – Interests on bank loans & overdrafts wholly repayable within five years	(292)	(235)
Finance costs – net	<b>(2,569)</b>	<b>(5,170)</b>

## 11. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 30 June 2021 (for the eighteen months ended 30 June 2020: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profits for the year ended 30 June 2021 and eighteen months ended 30 June 2020 at the rates of taxation prevailing in the countries in which the Group operates.

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Current income tax		
Hong Kong	250	333
Overseas	153	1,312
Under/(over)-provision in prior years	6	(2,570)
Deferred income tax credit	(495)	(160)
Income tax credit	(86)	(1,085)

### (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 (for the eighteen months ended 30 June 2020: 16.5%).

### (b) PRC enterprise income tax

The enterprise income tax rate in the PRC of both domestic enterprise and foreign investment enterprise is 25% for the year ended 30 June 2021 (for the eighteen months ended 30 June 2020: 25%).

## 11. INCOME TAX CREDIT (CONTINUED)

### (c) United States corporate tax

Subsidiaries established in the United States are subject to United States corporate tax at a rate of 28% for the year ended 30 June 2021 (for the eighteen months ended 30 June 2020: 28%).

The tax on the operations' profit/(loss) before income tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits or losses of the consolidated operations entities due to the following:

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Profit/(loss) before income tax	16,548	(40,259)
Tax calculated at domestic tax rates applicable to losses in the respective countries	3,858	(13,221)
Income not subject to tax	(14,296)	(14,774)
Expenses not deductible for tax purposes	6,055	13,663
Utilisation of previously unrecognised tax losses	(8,140)	(2,113)
Tax losses for which no deferred income tax asset was recognised	12,560	17,618
Under/(over)-provision in prior years	6	(2,570)
Others	(129)	312
Income tax credit	(86)	(1,085)

The weighted average applicable tax rate for the year ended 30 June 2021 was 23.3% (for the eighteen months ended 30 June 2020: 32.8%).

## 12. EARNINGS/(LOSSES) PER SHARE

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

	For the year ended 30 June 2021	For the eighteen months ended 30 June 2020
Profit/(loss) attributable to owners of the Company (HK\$'000)	16,634	(37,105)
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic earnings/(losses) per share (HK cents)	7.84	(17.49)

The Group had no dilutive potential shares outstanding during the year ended 30 June 2021 and the eighteen months ended 30 June 2020.

## 13. DIVIDEND

No interim dividend was paid during the year ended 30 June 2021 (for the eighteen months ended 30 June 2020: Nil).

At the Board meeting held on 17 September 2021, the Directors proposed a final dividend of HK3 cents per share amounting to a total dividend of HK\$6,366,000 (for the eighteen months ended 30 June 2020: Nil), is subject to the approval by the shareholders at AGM on 15 November 2021. 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 30 June 2021.

## 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:

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
At 1 July 2020/1 January 2019	25,148	27,138
Amortisation of land use rights (Note 6)	(628)	(911)
Exchange differences	2,439	(1,079)
At 30 June	26,959	25,148

The leases typically run for an initial period of 30 to 50 years.

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

	Property, plant & equipment							
	Buildings	Leasehold improvements	Machinery	Furniture, fixtures & equipment	Motor vehicles	Property, plant & equipment total	Investment property	Construction in progress
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2019</b>								
Cost or valuation	218,471	70,461	181,773	57,950	2,633	531,288	-	107,893
Accumulated depreciation	(38,583)	(47,966)	(130,448)	(45,108)	(1,609)	(263,714)	-	-
Net book amount	179,888	22,495	51,325	12,842	1,024	267,574	-	107,893
<b>At 1 January 2019</b>	179,888	22,495	51,325	12,842	1,024	267,574	-	107,893
Additions	1,415	3,452	4,802	2,651	273	12,593	-	4,437
Transfer from construction in progress	97,786	-	3,433	369	-	101,588	-	(110,560)
Disposals	-	-	(646)	(193)	-	(839)	-	-
Assets written off	-	-	(1,053)	(45)	-	(1,098)	-	-
Depreciation (Note 6)	(7,918)	(6,679)	(14,178)	(5,706)	(512)	(34,993)	-	-
Exchange differences	(9,138)	(518)	(1,597)	(792)	(33)	(12,078)	-	(1,130)
At 30 June 2020	262,033	18,750	42,086	9,126	752	332,747	-	640
<b>At 30 June 2020</b>								
Cost or valuation	306,440	62,758	179,778	57,563	2,613	609,152	-	640
Accumulated depreciation	(44,407)	(44,008)	(137,692)	(48,437)	(1,861)	(276,405)	-	-
Net book amount	262,033	18,750	42,086	9,126	752	332,747	-	640
<b>At 1 July 2020</b>	262,033	18,750	42,086	9,126	752	332,747	-	640
Additions	-	9,546	3,122	1,497	254	14,419	-	88
Transfer from construction in progress	-	-	-	-	-	-	-	(606)
Reclass to investment property	(80,864)	-	-	-	-	(80,864)	80,864	-
Disposals	-	(5,621)	(859)	(16)	-	(6,496)	-	-
Assets written off	-	(1,117)	-	(150)	-	(1,267)	-	-
Depreciation (Note 6)	(7,439)	(4,497)	(9,832)	(3,230)	(275)	(25,273)	(327)	-
Impairment (Note 9)	-	-	(9,127)	-	-	(9,127)	-	-
Exchange differences	20,800	902	3,304	88	7	25,101	2,439	(33)
At 30 June 2021	194,530	17,963	28,694	7,315	738	249,240	82,976	89
<b>At 30 June 2021</b>								
Cost or valuation	216,628	58,315	129,806	52,210	2,931	459,890	85,000	89
Accumulated depreciation	(22,098)	(40,352)	(101,112)	(44,895)	(2,193)	(210,650)	(2,024)	-
Net book amount	194,530	17,963	28,694	7,315	738	249,240	82,976	89

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

Depreciation expenses of approximately HK\$15,987,000 (for the eighteen months ended 30 June 2020: HK\$20,428,000) and approximately HK\$9,613,000 (for the eighteen months ended 30 June 2020: HK\$14,565,000) have been charged to cost of sales and administrative expenses, respectively.

Certain of the Group's buildings were revalued on an open market basis at 31 December 1989 by independent professional valuers, Jones Lang Wootton (now Jones Lang LaSalle) and W. Lamar Pinson, Inc. Since the revaluation was carried out prior to 30 September 1995 and under the transitional provisions in paragraph 80AA of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16. The Group did not revalue the buildings at 30 June 2021, and the buildings were stated at cost less accumulated depreciation.

### (a) Investment property

The Group leases a portion of its self-owned property to several third parties starting from 1 May 2021. As such, the Group has reclassified the carrying value of the relevant portion of the building to investment property with effect from 1 May 2021. The fair value of the investment property as at 30 June 2021 was HK\$157,031,000.

The Group recognises the leases as operating leases and the lease period ranges from 3 to 5 years. The undiscounted income in respect of the non-cancellable operating leases at 30 June 2021 are as follows:

	30 June 2021 HK\$'000
Within 1 year	3,858
After 1 year but within 2 years	3,858
After 2 years but within 3 years	3,839
After 3 years but within 4 years	3,743
After 4 years but within 5 years	3,119
	18,417

### (b) Impairment loss

During the year ended 30 June 2021, impairment charges over machinery amounting to HK\$9,127,000 (for the eighteen months ended 30 June 2020: Nil) was recorded resulting from the decline in the market values of two sets of manufacturing machines. At 30 June 2021, the recoverable amounts of the relevant machines were determined based on fair value less costs of disposal.

## 16. 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
<b>At 1 January 2019</b>						
Cost	7,197	69,543	2,152	1,945	2,880	83,717
Accumulated amortisation & impairment	(7,197)	(58,060)	–	(1,426)	(1,970)	(68,653)
Net book amount	–	11,483	2,152	519	910	15,064
<b>At 1 January 2019</b>						
At 1 January 2019	–	11,483	2,152	519	910	15,064
Additions	–	3,101	–	–	–	3,101
Transfer from construction in progress	–	8,972	–	–	–	8,972
Amortisation (Note 6)	–	(6,788)	–	(194)	–	(6,982)
Exchange differences	–	(267)	(62)	(2)	(26)	(357)
At 30 June 2020	–	16,501	2,090	323	884	19,798
<b>At 30 June 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>At 1 July 2020</b>						
At 1 July 2020	–	16,501	2,090	323	884	19,798
Additions	–	616	–	–	–	616
Transfer from construction in progress	–	606	–	–	–	606
Amortisation (Note 6)	–	(4,092)	–	(129)	–	(4,221)
Exchange differences	–	782	119	–	48	949
At 30 June 2021	–	14,413	2,209	194	932	17,748
<b>At 30 June 2021</b>						
Cost	7,178	83,426	2,209	1,940	2,928	97,681
Accumulated amortisation & impairment	(7,178)	(69,013)	–	(1,746)	(1,996)	(79,933)
Net book amount	–	14,413	2,209	194	932	17,748

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

Amortisation expenses of approximately HK\$4,221,000 (for the eighteen months ended 30 June 2020: HK\$6,982,000) have been charged to administrative expenses.

## 17. RIGHT-OF-USE ASSETS

The following table shows the movement of the Group's right-of-use assets by class of underlying asset during the year ended 30 June 2021 and eighteen months ended 30 June 2020:

	Buildings and Properties HK\$'000	Other assets HK\$'000	Total HK\$'000
At 1 January 2019 with impact of HKFRS 16 at transition	99,133	561	99,694
Additions	57,418	547	57,965
Modification	(2,425)	(3)	(2,428)
Depreciation (Note 6)	(46,471)	(441)	(46,912)
Exchange differences	(1,106)	(18)	(1,124)
At 30 June 2020	106,549	646	107,195
<b>At 30 June 2020</b>			
Cost or valuation	152,820	1,083	153,903
Accumulated depreciation	(46,271)	(437)	(46,708)
Net book amount	106,549	646	107,195
<b>At 1 July 2020</b>			
	106,549	646	107,195
Additions	23,100	428	23,528
Modification	(2)	–	(2)
Depreciation (Note 6)	(27,566)	(444)	(28,010)
Disposals	(437)	(357)	(794)
Exchange differences	3,737	41	3,778
At 30 June 2021	105,381	314	105,695
<b>At 30 June 2021</b>			
Cost or valuation	180,038	1,155	181,193
Accumulated depreciation	(74,657)	(841)	(75,498)
Net book amount	105,381	314	105,695

Depreciation expense of approximately HK\$1,687,000 (for the eighteen months ended 30 June 2020: HK\$2,181,000) and approximately HK\$26,323,000 (for the eighteen months ended 30 June 2020: HK\$44,731,000) have been charged to cost of sales and administrative expenses, respectively.

## 17. RIGHT-OF-USE ASSETS (CONTINUED)

### (a) Buildings and properties

The Group has obtained the right to use certain buildings and properties as its manufacturing facilities, offices, showrooms, staff accommodations and warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 12 years. Lease payments are usually increased every 1 to 2 years to reflect market rentals.

The Group leases a showroom in Hong Kong which contains variable lease payment that is based on sales generated from the showroom and a fixed minimum annual lease payment. The amount of lease payments for the year ended 30 June 2021 and eighteen months ended 30 June 2020 are summarised below:

	Fixed Payments HK\$'000	Variable payments HK\$'000	COVID-19 related concession HK\$'000	Total payments HK\$'000
30 June 2021				
Showroom – Hong Kong	2,614	–	(486)	2,128
30 June 2020				
Showroom – Hong Kong	4,443	17	(197)	4,263

### (b) Other assets

The Group has office equipments and motor vehicles under leases expiring from 2 to 5 years. Some leases include an option to purchase the leased equipments at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

## 18. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2021:

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
<b>Shares held indirectly:</b>				
Tai Ping Carpets (Xiamen) Company Limited	PRC, limited liability company	Carpet manufacturing in PRC	US\$65,000,000	100%
Premier Yarn Dyers, Inc.	United States of America, limited liability company	Yarn dyeing in United States of America	1,100 shares of US\$100 each	100%
Tai Ping Carpets Americas, Inc.	United States of America, limited liability company	Carpet trading and manufacturing in United States of America	220,900 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 Limited	Hong Kong, limited liability company	Carpet trading in Hong Kong	HK\$20,000,000	100%
Tai Ping Carpets International Trading (Shanghai) Company Limited	PRC, limited liability company	Carpet trading in PRC	US\$200,000	100%
Manufacture des Tapis de Cogolin	France, limited liability company	Carpet trading in France	EUR2,200,000	100%

Note:

<sup>1</sup> None of the subsidiaries had issued any debt securities at the year ended 30 June 2021.

## 19. INVENTORIES

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Raw materials	31,901	33,853
Work in progress	6,956	6,583
Finished goods	28,192	38,851
Consumable stores	66	52
	67,115	79,339
Less: provision of inventories	(15,809)	(10,782)
	51,306	68,557

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$42,654,000 (for the eighteen months ended 30 June 2020: HK\$72,719,000).

Movements on the Group's provision of inventories are as follows:

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
At 1 July 2020/1 January 2019	10,782	11,465
Allowance for provision of inventories	5,668	5,462
Reversal of provision previously recognised	(1,440)	(665)
Inventories written back/(off) against provision	10	(5,080)
Exchange differences	789	(400)
At 30 June	15,809	10,782

## 20. TRADE &amp; OTHER RECEIVABLES

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Trade receivables	39,682	46,637
Less: allowance for impairment of trade receivables	(3,541)	(5,005)
Trade receivables – net	36,141	41,632
Prepayments	10,962	9,228
Value added tax receivables	3,133	3,001
Rental deposits	4,147	6,724
Other receivables	12,869	16,602
	67,252	77,187
Less: Non-current portion prepayments	(2,698)	(1,369)
Less: Non-current portion other receivable (Note 8)	(5,049)	(4,887)
Current portion	59,505	70,931

The carrying amounts of trade receivables approximate their fair values as at 30 June 2021 and 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 year/period, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
0 to 30 days	31,733	23,828
31 to 60 days	2,572	6,231
61 to 90 days	312	1,030
91 to 365 days	1,517	8,937
More than 365 days	3,548	6,611
	39,682	46,637

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

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
At 1 July 2020/1 January 2019	5,005	9,448
Recovery of impairment of trade receivables – net	(971)	(412)
Receivables written off as uncollectible	(578)	(3,969)
Currency translation difference	85	(62)
At 30 June	3,541	5,005

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

## 20. TRADE & OTHER RECEIVABLES (CONTINUED)

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.

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

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
US\$	20,909	25,574
Chinese Renminbi	8,432	5,016
Euro	26,432	37,378
HK\$	5,412	3,288
British pounds	1,003	1,042
Others	5,064	4,889
	67,252	77,187

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Financial assets		
Foreign currency forward contracts	550	–
Financial liabilities		
Foreign currency forward contracts	–	93

The notional principal amount of outstanding foreign currency forward contracts of financial liabilities at 30 June 2021 were US\$300,000 (approximately HK\$2,328,000) and Euro2,200,000 (approximately HK\$20,249,000) (30 June 2020: US\$1,600,000 (approximately HK\$12,416,000)).

Management purchased these forward contracts to manage the foreign currency exposure of Chinese Renminbi to US\$ and Euro. Changes in fair value of these forward contracts are recognised in the consolidated income statement. These contracts generally mature within 12 months from the date of purchase.

## 22. LEASE RECEIVABLES

The Group sub-leases out properties under finance leases. The leases run for an initial period of 2 to 6 years. Lease payments are usually increased every year to reflect market rentals.

The following table shows the Group's undiscounted lease payments receivable under finance leases in place at 30 June 2021 and 2020:

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Within 1 year	1,083	2,186
After 1 year but within 2 years	–	1,083
	1,083	3,269

## 23. PLEDGED BANK DEPOSIT

Pledged bank deposit of approximately HK\$407,000 (30 June 2020: HK\$402,000) represented deposit made to a bank to pledge for utilities of factory in the US.

As at 30 June 2021, the effective interest rate on the Group's pledged bank deposit was 0.18% p.a. (30 June 2020: 1.39% p.a.) and the deposit will mature in 374 days (30 June 2020: 344 days).

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

## 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:

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Chinese Renminbi	70,741	35,720
US\$	43,098	53,557
Euro	50,176	37,169
HK\$	9,890	5,220
British pounds	3,933	3,869
Argentine pesos	25	37
Singapore dollars	23	22
Macau patacas	2	1
Others	285	441
	178,173	136,036

As at 30 June 2021, the Group's cash and bank balances included approximately HK\$39,233,000 (30 June 2020: HK\$33,157,000) placed with certain banks in the PRC by the local subsidiaries. These balances are subject to exchange controls.

## 25. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised – Ordinary shares of HK\$0.10 each:		
At 30 June 2020 & 2021	400,000,000	40,000
Issued and fully paid – Ordinary shares of HK\$0.10 each:		
At 30 June 2020 & 2021	212,187,488	21,219

## 26. SHARE PREMIUM &amp; 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 2019	189,699	55,928	4,161	8,000	17,911	275,699
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	–	–	–	–	(16,681)	(16,681)
Balance at 30 June 2020	189,699	49,714	–	8,000	(3,138)	244,275
Balance at 1 July 2020	189,699	49,714	–	8,000	(3,138)	244,275
Currency translation differences	–	–	–	–	34,343	34,343
Forfeiture from non-controlling interests attribute to the liquidation of a subsidiary	–	–	–	–	(783)	(783)
Balance at 30 June 2021	189,699	49,714	–	8,000	30,422	277,835

## 27. DEFERRED INCOME TAX

The analysis of deferred tax liabilities is as follows:

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Deferred tax liabilities to be recovered after 12 months	1,570	2,065

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

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
At 1 July 2020/1 January 2019	2,065	2,225
Credited to the consolidated income statement	(495)	(160)
At 30 June	1,570	2,065

## 27. DEFERRED INCOME TAX (CONTINUED)

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

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$154,177,000 (30 June 2020: HK\$159,748,000) in respect of tax losses of approximately HK\$590,898,000 (30 June 2020: HK\$610,040,000) that can be carried forward against future taxable income, of which tax losses of approximately HK\$221,434,000 (30 June 2020: HK\$205,012,000) are not subject to expiry. The expiry dates of the remaining tax losses of approximately HK\$369,464,000 (30 June 2020: HK\$405,028,000) range from fiscal year 2021 to 2040 (30 June 2020: 2020 to 2039).

### Deferred tax liabilities

	Accelerated tax depreciation allowance		Unremitted service fees		Depreciation of right-of-use assets		Total	
	2021 <sup>1</sup>	2020 <sup>2</sup>	2021 <sup>1</sup>	2020 <sup>2</sup>	2021 <sup>1</sup>	2020 <sup>2</sup>	2021 <sup>1</sup>	2020 <sup>2</sup>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2020/1 January 2019	890	1,028	1,197	1,197	(22)	–	2,065	2,225
Credited to the consolidated income statement	(451)	(138)	–	–	(44)	(22)	(495)	(160)
At 30 June	439	890	1,197	1,197	(66)	(22)	1,570	2,065

<sup>1</sup> For the year ended 30 June 2021

<sup>2</sup> For the eighteen months ended 30 June 2020

## 28. RETIREMENT BENEFIT OBLIGATIONS

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Pension benefits plans – France	3,738	3,719

As at 30 June 2021, the defined benefit plans are final salary defined plans in France, which are valued by qualified actuaries using the project unit credit method. The defined benefit plans were valued at 30 June 2020 by SPAC Actuaries in France.

## 28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

## Pension benefits

The Group operates defined benefit pension plans in 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:

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Present value of unfunded obligations	3,738	3,719

The movements in defined benefit obligations are as follows:

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
As 1 July 2020/1 January 2019	3,719	3,460
Actuarial loss on remeasurement	26	612
Current service costs	295	436
Interest costs	27	68
Benefit forfeited	(547)	(757)
Exchange differences	218	(100)
At 30 June	3,738	3,719

	For the year ended 30 June 2021 HK'000	For the eighteen months ended 30 June 2020 HK'000
The amount recognised in the consolidated income statements are as follows:		
Current service costs included in employee benefit expenses	295	436
Interest costs	27	68
Benefit forfeited	(547)	(757)
	(225)	(253)

## 28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The principal actuarial assumptions were as follows:

	30 June 2021 & 2020
Discount rate	0.75% – 1.50%
Inflation rate	2%
Expected return on plan assets	N/A
Salary growth	2% – 4%
Turnover rate	0% – 20%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in France. Mortality assumptions for France is based on post-retirement mortality tables and INSEE TD/TV 2014-2016.

## 29. TRADE & OTHER PAYABLES

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Trade payables	19,667	27,330
Deposits received in advance	91,830	97,047
Accrual for expenses	75,282	59,017
Other payables	35,748	50,635
	222,527	234,029
Less: Contract liabilities – Deposits received in advance (Note 30)	(91,830)	(97,047)
	130,697	136,982

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

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
0 to 30 days	13,811	15,615
31 days to 60 days	4,703	6,988
61 days to 90 days	654	1,603
More than 90 days	499	3,124
	19,667	27,330

**29. TRADE & OTHER PAYABLES (CONTINUED)**

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

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Chinese Renminbi	24,518	37,099
US\$	62,030	68,362
HK\$	63,440	48,504
Euro	60,141	73,904
British pounds	11,727	5,542
Others	671	618
	<b>222,527</b>	<b>234,029</b>

**30. CONTRACT LIABILITIES – DEPOSITS RECEIVED IN ADVANCE**

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Customer deposits		
– Deposits received in advance	91,830	97,047

During the year, movement in contract liabilities included increase in deposits received in advance amounting to approximately HK\$332,968,000 (for the eighteen months ended 30 June 2020: HK\$495,495,000), net off by a decrease of approximately HK\$338,185,000 (for the eighteen months ended 30 June 2020: HK\$481,612,000) as a result of recognising revenues.

Contract liabilities are recognised when considerations from customers are received, or the Group has the rights to an amount of consideration that is unconditional before the Group performs a service or delivery of carpets to customers.

### 31. BANK BORROWINGS – UNSECURED

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Current		
Short-term bank borrowings	15,520	31,040

The bank borrowings outstanding as at 30 June 2021 amounted to HK\$15,520,000 (30 June 2020: HK\$31,040,000). The bank borrowings are unsecured and interest bearing at 1.68% p.a. (30 June 2020: 1.86% – 2.47% p.a.). The carrying amounts approximated their respective fair values as at 30 June 2021.

As at 30 June 2021, the Group had total banking facilities of approximately HK\$317,048,000 (30 June 2020: HK\$330,800,000), of which HK\$15,520,000 (30 June 2020: HK\$31,040,000) was drawn down as bank borrowings and approximately HK\$10,353,000 (30 June 2020: HK\$2,948,000) was utilised for trade facilities. The Group's banking facilities are subjected to annual review.

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

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
US\$	15,520	31,040

### 32. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the year/period:

	30 June 2021		30 June 2020	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	25,857	28,572	25,349	28,476
After 1 year but within 5 years	54,118	59,761	49,358	56,244
More than 5 years	33,871	34,889	42,350	44,141
Non-current portion	87,989	94,650	91,708	100,385
Total	113,846	123,222	117,057	128,861
Less: Total future interest expenses	–	(9,376)	–	(11,804)
<b>Present value of lease liabilities</b>	<b>113,846</b>	<b>113,846</b>	<b>117,057</b>	<b>117,057</b>

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## (a) Cash generated from operations

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
<b>Continuing operations</b>		
Profit/(loss) before income tax	16,548	(40,259)
Adjustments for:		
Amortisation of intangible assets	4,221	6,982
Recovery of impairment of trade receivables – net	(971)	(412)
Bad debts written off	573	82
Inventory written off	275	6,578
Retirement benefit obligations	(225)	(253)
Depreciation of property, plant & equipment	25,273	34,993
Property, plant & equipment written off	1,267	1,098
Loss on disposal of property, plants & equipment	4	681
Impairment loss on property, plant & equipment	9,127	–
Depreciation of investment property	327	–
Depreciation of other right-of-use assets	28,010	46,912
Amortisation of land use rights	628	911
Gain from derecognition of right-of-use assets	(6)	(1,263)
Allowance for provision of inventories – net	4,228	4,797
Gain on disposal of non-current asset held for sale	–	(11,089)
Gain on liquidation of a subsidiary	(6,816)	–
Gain on change in fair value of derivative financial instruments	(1,384)	(428)
Finance costs	3,496	5,587
Finance income	(927)	(417)
Operating gain before changes in working capital	83,648	54,500
Inventories	9,011	5,862
Trade & other receivables	8,640	38,864
Trade & other payables	(8,182)	(31,379)
Capital element of lease rental received	2,225	6,022
Interest element of lease rental received	106	377
Prepayments – non-current	6	1,345
Cash generated from operations	95,454	75,591

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

## (b) Changes in liabilities arising from financing activities

This section sets out an analysis of changes in liabilities arising from financing activities for the year ended 30 June 2021 and the eighteen months ended 30 June 2020:

	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 January 2019 with impact on initial application of HKFRS 16	–	(113,550)	(113,550)
<b>Changes from financing cash flows:</b>			
Proceeds from borrowings	(46,680)	–	(46,680)
Repayments of borrowings	15,560	–	15,560
Capital element of lease rentals paid	–	50,697	50,697
Interest element of lease rentals paid	–	5,897	5,897
<b>Total changes from financing cash flows</b>	<b>(31,120)</b>	<b>56,594</b>	<b>25,474</b>
Foreign exchange adjustments	80	1,166	1,246
<b>Other changes:</b>			
Capitalisation of new leases	–	(57,965)	(57,965)
Modification of leases	–	2,428	2,428
Financing charges	–	(5,730)	(5,730)
<b>Total other changes</b>	<b>–</b>	<b>(61,267)</b>	<b>(61,267)</b>
As at 30 June 2020	(31,040)	(117,057)	(148,097)
As at 1 July 2020	(31,040)	(117,057)	(148,097)
<b>Change from financing cash flows:</b>			
Proceeds from borrowings	(23,250)	–	(23,250)
Repayments of borrowings	38,790	–	38,790
Capital element of lease rentals paid	–	29,838	29,838
Interest element of lease rentals paid	–	3,393	3,393
<b>Total changes from financing cash flows</b>	<b>15,540</b>	<b>33,231</b>	<b>48,771</b>
Foreign exchange adjustments	(20)	(3,983)	(4,003)
<b>Other changes:</b>			
Capitalisation of new leases	–	(23,528)	(23,528)
Modification of leases	–	2	2
Early termination of leases	–	799	799
Financing charges	–	(3,310)	(3,310)
<b>Total other changes</b>	<b>–</b>	<b>(26,037)</b>	<b>(26,037)</b>
As at 30 June 2021	(15,520)	(113,846)	(129,366)

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

## (c) Total cash inflow/(outflow) for leases

Amounts included in the cash flow statement for leases comprise the following:

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Within operating cash flows	843	4,493
Within financing cash flows	(33,231)	(56,594)
	(32,388)	(52,101)

## (d) Non-cash transaction

There was no net inflow/outflow of cash and cash equivalents in respect of the liquidation of a subsidiary during the year.

## 34. CAPITAL COMMITMENTS

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Authorised but not contracted for in respect of property, plant & equipment	–	2,589
Contracted but not provided for in respect of property, plant & equipment	2,300	460
	2,300	3,049

## 35. CONTINGENCIES

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Performance bonds issued by banks	7,371	–

### 36. RELATED PARTY TRANSACTIONS

#### (a) Subsidiaries

Interests in subsidiaries are set out in Note 18.

#### (b) Transactions with other related parties

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.

##### Sale of goods and services

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Sale of carpets and services:		
The Hongkong and Shanghai Hotels, Limited ("HSH") <sup>1</sup>	2,388	8,691

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.

#### (c) Year-end balances arising from sale of goods and services

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Trade receivables from related party:		
HSH	919	2,535

#### (d) 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:

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Salaries & other short-term employee benefits	17,721	33,719

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

	Note	30 June 2021 HK\$'000	30 June 2020 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	18	367,787	367,787
<b>Current assets</b>			
Other receivables		104	90
Amounts due from subsidiaries		314,411	317,470
Cash & cash equivalents		1,005	1,294
		315,520	318,854
<b>Total assets</b>		<b>683,307</b>	<b>686,641</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	21,219	21,219
Reserves		277,467	277,467
Retained earnings:			
Proposed final dividend		6,366	–
Others		300,171	308,964
<b>Total equity</b>		<b>605,223</b>	<b>607,650</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts due to subsidiaries		77,600	77,600
Other payables		484	1,391
<b>Total liabilities</b>		<b>78,084</b>	<b>78,991</b>
<b>Total equity &amp; liabilities</b>		<b>683,307</b>	<b>686,641</b>
<b>Net current assets</b>		<b>237,436</b>	<b>239,863</b>
<b>Total assets less current liabilities</b>		<b>605,223</b>	<b>607,650</b>

The statement of financial position was approved by the Board of Directors on 17 September 2021 and were signed on its behalf:

Nicholas Timothy James Colfer  
Chairman

Mark Stuart Worgan  
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 2019	189,699	87,768	312,154
Loss for the year	-	-	(3,249)
Dividend forfeited	-	-	59
At 30 June 2020	189,699	87,768	308,964
At 1 July 2020	189,699	87,768	308,964
Loss for the year	-	-	(2,518)
Dividend forfeited	-	-	91
At 30 June 2021	189,699	87,768	306,537

## 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 of the Company:							
	Fees	Salaries	Discretionary	Housing	Employer's	Others	Total
	HK\$'000	HK\$'000	bonuses	allowance	contribution	HK\$'000	HK\$'000
			HK\$'000	HK\$'000	to a		
					retirement		
					benefit		
					scheme		
					HK\$'000		
<b>Year ended 30 June 2021</b>							
Nicholas Timothy James Colfer <sup>1</sup>	-	-	-	-	-	-	-
Andrew Clifford Winawer Brandler <sup>1</sup>	-	-	-	-	-	-	-
Tong Chi Leung David <sup>1</sup>	-	-	-	-	-	-	-
Leong Kwok Fai Nelson <sup>1</sup>	-	-	-	-	-	-	-
John Jeffrey Ying	170	-	-	-	-	-	170
Fung Yeh Yi Hao Yvette	150	-	-	-	-	-	150
Roderic Noel Anthony Sage	200	-	-	-	-	-	200
Yung Lincoln Chu Kuen	170	-	-	-	-	-	170
Daniel George Green	110	-	-	-	-	-	110
Mark Stuart Worgan	-	3,068	-	1,200	388	340	4,996
	800	3,068	-	1,200	388	340	5,796

Note:

- <sup>1</sup> Mr. Nicholas Timothy James Colfer, Mr. Andrew Clifford Winawer Brandler, Mr. Tong Chi Leung David and Mr. Leong Kwok Fai Nelson waived their Directors' fees for the year ended 30 June 2021.

## 38. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

Emoluments paid or receivable in respect of a person's services as a director of the Company:							
					Employer's contribution to a retirement benefit scheme	Others	Total
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Eighteen months ended 30 June 2020</b>							
Nicholas Timothy James Colfer	180	–	–	–	–	–	180
Andrew Clifford Winawer Brandler	150	–	–	–	–	–	150
Tong Chi Leung David	225	–	–	–	–	–	225
Leong Kwok Fai Nelson	165	–	–	–	–	–	165
John Jeffrey Ying	255	–	–	–	–	–	255
Fung Yeh Yi Hao Yvette	225	–	–	–	–	–	225
Roderic Noel Anthony Sage	300	–	–	–	–	–	300
Yung Lincoln Chu Kuen	172	–	–	–	–	–	172
Li Kwok Sing Aubrey <sup>1</sup>	220	–	–	–	–	–	220
Daniel George Green	165	–	–	–	–	–	165
Mark Stuart Worgan	–	4,624	2,250	1,800	551	709	9,934
	2,057	4,624	2,250	1,800	551	709	11,991

Note:

<sup>1</sup> Mr. Li Kwok Sing Aubrey retired as Independent Non-Executive Director of the Company on 18 May 2020.

## (b) Directors' retirement benefits and termination benefits

The directors did not receive any retirement or termination benefits for the year ended 30 June 2021 and for the eighteen months ended 30 June 2020.

## (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 director's services for the year ended 30 June 2021 and for the eighteen months ended 30 June 2020.

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

No loans, quasi-loans and other dealings were made available in favour of the directors, controlled bodies corporate by and connected entities with such director subsisted at the end of the year/period or at any time during the year ended 30 June 2021 and for the eighteen months ended 30 June 2020.

### 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/period or at any time during the year ended 30 June 2021 and for the eighteen months ended 30 June 2020.

# Senior Management

Name	Position held	Age	Joined Group	Business experience
Mr. Lung Chi Sing Alex	Chief Financial Officer and Company Secretary	50	2016	Financial management
Mr. Shawn David Hiltz	Chief Strategy Officer	54	2018	Business strategy
Ms. Yeung Yuk Sim Celia	Managing Director – Asia	51	2008	Sales & business development
Mr. Anthony William Ash	Managing Director – EMEA	58	2019	Sales & business development
Mr. Michael Allen Reagan	Senior Vice President – Americas	51	2013	Sales & business development

## Remuneration to senior management

The remuneration to senior management fell within the following band

Remuneration bands	No. of Individuals	
	Year ended 30 June 2021	Eighteen months ended 30 June 2020
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	2	–
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	–
HK\$5,000,001 – HK\$5,500,000	–	1

# Corporate Information

## 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

## Bankers

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

## Company Secretary

Lung Chi Sing Alex

## 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  
Shops 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

Units 1801-1804, 18th Floor  
909 Cheung Sha Wan Road  
Cheung Sha Wan  
Kowloon  
Hong Kong  
Tel: (852) 2848 7668  
Fax: (852) 2845 9363  
Website: [www.taipingcarpets.com](http://www.taipingcarpets.com)

## Stock Code: 146

## Photography/Designer Credits:

Baur Au Lac  
Dassault Aviation  
Francis Amiand  
Giorgio Baroni  
Ivan Kwok  
Joe Schmelzter of Treasure Bite Studio  
Michael J. Lee  
Nick D'Emilio  
Peninsula Merchandising Limited

