

Tai Ping Carpets International Limited

Interim Report 2022/23

Incorporated in Bermuda with Limited Liability
Stock Code: 146



Table of Contents

2	Management Discussion & Analysis
5	Corporate Governance & Other Information
9	Condensed Consolidated Income Statement
10	Condensed Consolidated Statement of Comprehensive Income
11	Condensed Consolidated Statement of Financial Position
13	Condensed Consolidated Statement of Changes in Equity
14	Condensed Consolidated Statement of Cash Flows
15	Notes to the Condensed Consolidated Financial Statements
32	Corporate Information

Management Discussion & Analysis

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) hereby presents the interim report and the condensed consolidated interim financial statements of the Group for the six months ended 31 December 2022 (the “period”), together with the comparative figures for the previous corresponding period. The condensed consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 31 December 2022, and the condensed consolidated statement of financial position as at 31 December 2022, along with selected explanatory notes, all of which are unaudited and reviewed by the Audit Committee of the Company, can be found on pages 9 to 31 of this report.

BUSINESS REVIEW

The Group’s consolidated turnover for the period was HK\$265 million, an increase of 12% compared to HK\$237 million for the same period in 2021. Trading has progressively improved since the resumption of business activities post the COVID-19 pandemic.

First half operating profit was HK\$4 million, compared to HK\$3 million for the same period last year. The improvement was driven through higher sales and operating efficiency.

The Group’s profit attributable to the equity holders of the Company was HK\$4 million, compared to HK\$2 million recorded for the same period in 2021.

CARPET OPERATIONS

Sales revenue in carpet operations for the period was HK\$256 million, a 13% increase compared to the HK\$227 million recorded last year. The growth was driven from the US and EMEA regions offset slightly by Asia, which recorded a decline in revenue linked to sporadic COVID outbreaks which caused a slowdown in business activities. Total revenue benefited from an improvement in the global logistics situation that enabled faster cash conversion.

Gross profit margins across most business segments and regions remained stable compared to last year. Small changes in each region were attributed to changes in their sales mix.

MANUFACTURING OPERATIONS

The performance of the Artisan workshop in Xiamen continued to improve with gains in efficiency, productivity, and material utilisation. Proactive health and safety management, and employee commitment to vaccination, meant that the pandemic had no major impact on the Group’s manufacturing operations.

Additional investment is underway to expand the Company’s carpet manufacturing operation in the US, based at its Premier Yarn Dyers (“PYD”) facility in Georgia. The increase in capacity will support long-term growth plans for the US market.

NON-CARPET OPERATIONS

Other operations mainly represent the Company's US-based yarn-dyeing subsidiary, PYD, contributing to approximately 3% of total sales. The operating results of PYD are gradually improving supported by the new carpet manufacturing operation.

OUTLOOK

The COVID-19 pandemic, the Ukrainian war, devaluing currency, economic sanctions on Russia and Iran, new strategic alignment, and US-China competition are driving a decline in consumer spending that will impact Tai Ping's business in the near term. The tension between the US and China is of particular concern because the US is Tai Ping's biggest market while its manufacturing is in China.

These concerns notwithstanding, the Group expects to maintain its long-term strategic course including the expansion of its US manufacturing base and building a stronger brand presence in both trade and consumer markets. In the near term, investment priorities will be deployed cautiously to ensure the right balance between growth and profitability.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2021: Nil).

CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment and construction in progress incurred by the Group totaled HK\$4 million during the period (2021: HK\$4 million). As of 31 December 2022, the aggregate net book value of the Group's property, plant and equipment, investment property, land use right, construction in progress and intangible assets amounted to HK\$330 million (30 June 2022: HK\$352 million).

LIQUIDITY & FINANCIAL RESOURCES

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

As of 31 December 2022, the Group had total cash and cash equivalents and short-term fixed deposits (with maturity within 12 months) amounting to HK\$195 million (30 June 2022: HK\$163 million) and had no bank borrowings (30 June 2022: Nil).

EXPOSURE TO FOREIGN EXCHANGE RISKS

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

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

HUMAN RESOURCES & REMUNERATION POLICIES

The total number of employees at the end of December 2022 was 731, consistent with the 751 at the end of June 2022.

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

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

CONTINGENT LIABILITIES

As at 31 December 2022, the Group's total contingent liabilities amounted to HK\$16 million (30 June 2022: HK\$7 million).

Mark Stuart Worgan
Chief Executive Officer

Hong Kong, 15 February 2023

Corporate Governance & Other Information

CORPORATE GOVERNANCE

The Board of Directors and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company has complied with the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 31 December 2022, except the following:

The Company's Non-Executive Directors are not appointed for specific terms. However, the relevant Bye-laws of the Company require that every Director would retire by rotation at least once every three years, which is in line with code provision B.2.2 of the CG Code.

Mr. Roderic Noel Anthony Sage, former Independent Non-Executive Director and chairman of Audit Committee of the Company (retired upon the conclusion of the annual general meeting of the Company (the "AGM") on 9 December 2022) did not attend the AGM on 9 December 2022 as required by code provisions C.1.6 and F.2.2 of the CG Code due to his other engagement. However, all other members of the Board and the Audit Committee of the Company attended the AGM on 9 December 2022 to answer the questions in the AGM.

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 the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code during the six months ended 31 December 2022.

AUDIT COMMITTEE

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

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of the interim financial information for the six months ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the six months ended 31 December 2022. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

SHARE OPTION SCHEME

No share option scheme exist during the period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2022.

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

As at 31 December 2022, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK\$0.10 each in the Company as at 31 December 2022

Number of ordinary shares held (long position)

Name	Personal Interests (held as beneficial owner)	Corporate Interests (interests of controlled corporation)	% of the issued share capital of the Company
Tong Chi Leung David	431,910	–	0.204%
Yung Lincoln Chu Kuen	30,000	–	0.014%
Leong Kwok Fai Nelson	700,000	2,182,000 ¹	1.358%
John Jeffrey Ying	32,605,583 ²	–	15.366%

Notes:

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

² The shares were held by Peak Capital Partners I, L.P. of which Mr. John Jeffrey Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership). The shares were transferred from Peak Capital Partners I, L.P. to Mr. John Jeffrey Ying on 5 October 2022.

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company (including their spouse and children under 18 years of age) to hold any interests in the shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, 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 ¹	40,014,178	18.858%
Bermuda Trust Company Limited ¹	40,014,178	18.858%
Harneys Trustees Limited ²	77,674,581	36.607%
Lawrencium Holdings Limited ²	77,674,581	36.607%
The Mikado Private Trust Company Limited ²	77,674,581	36.607%
The Hon. Sir Michael Kadoorie ²	77,674,581	36.607%

Notes:

- ¹ 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 direct or indirect control over such company.
- ² 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.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's Annual Report 2021/22 are set out below:

Mr. Roderic Noel Anthony Sage ceased as the chairman of Remuneration Committee of the Company on 6 December 2022 and retired as the Independent Non-Executive Director and ceased as the chairman of Audit Committee of the Company upon conclusion of the AGM on 9 December 2022.

Mr. Nicholas James Debnam was elected as an Independent Non-Executive Director of the Company at the AGM on 9 December 2022. Following his appointment, he was appointed as the chairman of Audit Committee of the Company on 9 December 2022.

Mrs. Fung Yeh Yi Hao Yvette was appointed as the chairman of Remuneration Committee of the Company from a member of Remuneration Committee of the Company on 6 December 2022.

Mr. Daniel George Green was appointed as a member of Remuneration Committee of the Company and ceased as a member of Executive Committee of the Company on 6 December 2022 due to rearrangement of work.

Mr. Andrew Clifford Winawer Brandler was appointed as the Vice Chairman of the Board and the Chairman of the Finance & General Committee of CLP Holdings Limited with effect from 1 January 2023.

CONSTITUTIONAL DOCUMENTS

In order to (i) conform to the core shareholders protection standards set out in Appendix 3 to the Listing Rules; (ii) provide flexibility to the Company to hold hybrid or electronic general meeting; (iii) bring the Bye-laws of the Company in line with the relevant requirements of the Listing Rules and the applicable laws of Bermuda; and (iv) make some other house-keeping amendments; the Amended and Restated Bye-laws of the Company was approved and adopted by the shareholders of the Company at the AGM on 9 December 2022. The Amended and Restated Bye-laws of the Company has been published on the websites of the Company (www.taipingcarpets.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) on 9 December 2022.

Condensed Consolidated Income Statement

For the six months ended 31 December

	Note	Unaudited	
		2022 HK\$'000	2021 HK\$'000
Revenue	6	265,148	236,884
Cost of sales		(114,133)	(100,687)
Gross profit		151,015	136,197
Distribution costs	7	(80,714)	(74,191)
Administrative expenses	7	(69,037)	(64,431)
Other gains – net	8	3,143	5,719
Operating profit		4,407	3,294
Finance costs – net	9	(64)	(846)
Profit before income tax		4,343	2,448
Income tax expense	10	(312)	(278)
Profit for the period attributable to the owners of the Company		4,031	2,170
Profit per share attributable to the owners of the Company during the period (expressed in HK cents per share)			
Basic/diluted	12	1.90	1.02

The notes on pages 15 to 31 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December

	Unaudited	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	4,031	2,170
Other comprehensive income – net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	(16,203)	3,779
Total comprehensive (loss)/income for the period attributable to the owners of the Company	(12,172)	5,949

The notes on pages 15 to 31 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

		Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
Assets			
Non-current assets			
Land use right	13	24,209	25,600
Property, plant & equipment	14	215,398	231,629
Investment property	14	74,425	78,720
Construction in progress	14	1,772	545
Intangible assets	15	14,177	15,572
Right-of-use assets	16	93,182	98,815
Prepayments	17	4,362	3,823
		427,525	454,704
Current assets			
Inventories		58,132	57,656
Trade & other receivables	17	70,024	74,311
Derivative financial instruments		73	1,783
Financial assets measured at fair value through profit or loss		–	32,941
Current income tax assets		3,517	3,183
Pledged bank deposit	18	411	413
Fixed deposit		1,679	–
Cash & cash equivalents		193,428	163,018
		327,264	333,305
Total assets		754,789	788,009

The notes on pages 15 to 31 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital	19	21,219	21,219
Reserves	20	247,037	263,240
Retained earnings:			
Proposed final dividend		-	12,731
Others		135,972	131,941
Total equity		404,228	429,131
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,539	1,539
Retirement benefit obligations		3,699	3,623
Lease liabilities		75,708	82,452
		80,946	87,614
Current liabilities			
Trade & other payables	21	124,667	138,147
Contract liabilities – Deposits received in advance		116,062	104,836
Current income tax liabilities		3,590	3,518
Lease liabilities		25,296	24,763
		269,615	271,264
Total liabilities		350,561	358,878
Total equity & liabilities		754,789	788,009
Net current assets		57,649	62,041
Total assets less current liabilities		485,174	516,745

The notes on pages 15 to 31 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December

	Unaudited				
	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 July 2021	21,219	189,699	88,136	125,729	424,783
Comprehensive income					
Profit for the period	-	-	-	2,170	2,170
Other comprehensive income for the period – net of tax					
Currency translation differences	-	-	3,779	-	3,779
Total other comprehensive income for the period	-	-	3,779	2,170	5,949
Total contributions by and distributions to owners of the Company, recognised directly in equity					
Dividends for FY2020/21	-	-	-	(6,366)	(6,366)
Total transactions with owners	-	-	-	(6,366)	(6,366)
Balance at 31 December 2021	21,219	189,699	91,915	121,533	424,366
Balance at 1 July 2022	21,219	189,699	73,541	144,672	429,131
Comprehensive income					
Profit for the period	-	-	-	4,031	4,031
Other comprehensive income for the period – net of tax					
Currency translation differences	-	-	(16,203)	-	(16,203)
Total comprehensive (loss)/income for the period	-	-	(16,203)	4,031	(12,172)
Total contributions by and distributions to owners of the Company, recognised directly in equity					
Dividends for FY2021/22	-	-	-	(12,731)	(12,731)
Total transactions with owners	-	-	-	(12,731)	(12,731)
Balance at 31 December 2022	21,219	189,699	57,338	135,972	404,228

The notes on pages 15 to 31 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December

	Unaudited	
	2022	2021
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	28,345	36,673
Income tax paid	(341)	(136)
Interest paid	–	(13)
Net cash generated from operating activities	28,004	36,524
Cash flows from investing activities		
Purchases of property, plant & equipment and construction in progress	(3,549)	(5,200)
Acquisition of intangible assets	(553)	(940)
Proceeds from disposal of property, plant & equipment	1,966	217
Decrease in derivative financial instruments	1,275	977
Increase in fixed deposit	(1,679)	–
Redemption of financial assets measured at fair value through profit or loss	32,740	–
Interest received	1,455	597
Net cash generated from/(used in) investing activities	31,655	(4,349)
Cash flows from financing activities		
Capital element of lease rentals paid	(13,517)	(14,784)
Interest element of lease rentals paid	(1,542)	(1,493)
Repayments of borrowings	–	(15,520)
Dividend paid to the Company's shareholders	(12,731)	(6,267)
Net cash used in financing activities	(27,790)	(38,064)
Net increase/(decrease) in cash & cash equivalents	31,869	(5,889)
Cash & cash equivalents at beginning of period	163,018	178,173
Exchange loss on cash & cash equivalents	(1,459)	(783)
Cash & cash equivalents at end of period	193,428	171,501

The notes on pages 15 to 31 are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The principal office in Hong Kong is located at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

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

These condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors of the Company on 15 February 2023.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

3. CHANGES IN ACCOUNTING STANDARDS

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the financial period beginning 1 July 2022 and none of them have impact to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation for uncertain events were the same as those that applied to the consolidated financial statements for the year ended 30 June 2022.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2022.

There have been no changes in the risk management team and/or in any risk management policies since the end of 30 June 2022.

(a) Liquidity risk

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

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the end of the financial period, the Group held cash and cash equivalents of HK\$193,428,000 (30 June 2022: HK\$163,018,000) that are expected to readily generate cash inflows for managing liquidity risk.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the condensed consolidated statement of financial position date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2022	Within 1 year	After 1 year but within 5 years	More than 5 years	Total
Unaudited	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade & other payables	53,503	–	–	53,503
Lease liabilities	25,296	56,398	19,310	101,004
	78,799	56,398	19,310	154,507

As at 30 June 2022	Within 1 year	After 1 year but within 5 years	More than 5 years	Total
Audited	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade & other payables	55,690	–	–	55,690
Lease liabilities	24,763	59,813	22,639	107,215
	80,453	59,813	22,639	162,905

All of the Group's non-trading gross settled derivative financial instruments (Note 5(b)) are in hedge relationships and are due to settle within 12 months of the consolidated statement of financial position date. These contracts require undiscounted contractual cash inflows of HK\$7,540,000 (30 June 2022: HK\$25,615,000) and undiscounted contractual cash outflows of HK\$7,546,000 (30 June 2022: HK\$23,708,000).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2022, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into these levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2022.

	Level 2 HK\$'000
Assets	
Derivative financial instruments:	
Foreign currency forward contracts	73

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2022.

	Level 2 HK\$'000
Assets	
Derivative financial instruments:	
Foreign currency forward contracts	1,783
Financial assets measured at fair value through profit or loss:	
Structured bank deposits	32,941
Total	34,724

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

6. REVENUE & SEGMENT INFORMATION

(a) Revenue

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Sale of carpets & underlays	224,853	203,596
Installation of carpets & furnishing business	31,329	23,208
Sale of yarns & others	8,966	10,080
	265,148	236,884

(b) Segment information

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

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

6. REVENUE & SEGMENT INFORMATION (CONTINUED)

The segment information provided to the management for the reportable segments for the six months ended 31 December 2022 and 2021 are as follows:

For the six months ended 31 December 2022

	Asia	EMEA	America	Unallocated	Group
Unaudited	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	60,283	90,454	114,411	–	265,148
Cost of production ¹	(24,396)	(42,744)	(48,185)	–	(115,325)
Segment gross margin	35,887	47,710	66,226	–	149,823
Segment results	16,463	748	6,282	–	23,493
Unallocated expenses ²					(19,086)
Operating profit					4,407
Finance costs – net					(64)
Profit before income tax					4,343
Income tax expense					(312)
Profit for the period					4,031
Capital expenditure	(271)	(379)	(2,922)	–	(3,572)
Depreciation of right-of-use assets	(4,480)	(3,116)	(5,323)	–	(12,919)
Depreciation of property, plant & equipment (Note 14)	(5,446)	(1,687)	(1,583)	(281)	(8,997)
Amortisation of land use right (Note 13)	(303)	–	–	–	(303)
Amortisation of intangible assets (Note 15)	(101)	(35)	(69)	(1,445)	(1,650)
(Allowance for)/recovery of impairment of trade receivables – net	–	(221)	75	–	(146)

6. REVENUE & SEGMENT INFORMATION (CONTINUED)

For the six months ended 31 December 2021

Unaudited	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	65,397	76,502	94,985	–	236,884
Cost of production ¹	(21,174)	(37,923)	(43,495)	–	(102,592)
Segment gross margin	44,223	38,579	51,490	–	134,292
Segment results	23,757	(8,074)	2,247	–	17,930
Unallocated expenses ²					(14,636)
Operating profit					3,294
Finance costs – net					(846)
Profit before income tax					2,448
Income tax expense					(278)
Profit for the period					2,170
Capital expenditure	(3,415)	(336)	(514)	–	(4,265)
Depreciation of right-of-use assets	(4,398)	(3,980)	(5,259)	–	(13,637)
Depreciation of property, plant & equipment (Note 14)	(7,151)	(1,912)	(1,387)	(138)	(10,588)
Amortisation of land use right (Note 13)	(325)	–	–	–	(325)
Amortisation of intangible assets (Note 15)	–	(34)	(68)	(1,662)	(1,764)
(Allowance for)/recovery of impairment of trade receivables – net	(17)	57	(613)	–	(573)

Notes:

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

7. EXPENSES BY NATURE

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Depreciation of right-of-use assets	12,919	13,637
Depreciation of property, plant & equipment (Note 14)	8,997	10,588
Depreciation of investment property (Note 14)	948	1,015
Amortisation of land use right (Note 13)	303	325
Amortisation of intangible assets (Note 15)	1,650	1,764
Allowance for impairment of trade receivables – net	146	573
Allowance for impairment of inventories – net	767	665
Bad debts written off	2	347

8. OTHER GAINS – NET

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Net foreign exchange gain	1,032	980
(Loss)/gain on change in fair value of derivative financial instruments	(435)	2,807
Gain/(loss) on disposal of property, plant & equipment	127	(30)
Rental income	1,768	1,206
Others	651	756
	3,143	5,719

9. FINANCE COSTS – NET

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Finance income – interest income from banks	1,455	597
Finance costs – interest expenses for leases – net	(1,519)	(1,430)
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	–	(13)
Finance costs – net	(64)	(846)

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Current income tax		
Hong Kong	–	–
PRC & overseas	312	278
Deferred income tax expense	–	–
Income tax expense	312	278

11. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period. At the Board meeting held on 15 February 2023, the Board resolved not to declare any dividend for the six months ended 31 December 2022 (2021: Nil).

Distributable reserves of the Company as at 31 December 2022, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK\$550,902,000 (2021: HK\$573,336,000).

12. PROFIT PER SHARE

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

	Six months ended 31 December	
	2022	2021
Profit attributable to owners of the Company (HK\$'000)	4,031	2,170
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic profit per share (HK cents)	1.90	1.02

The Group had no dilutive potential shares outstanding during the six months ended 31 December 2022 and 2021.

13. LAND USE RIGHT

The Group's interest in land use right is also identified as right-of-use asset and its carrying amount is analysed as follows:

	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
At beginning of the period	25,600	26,959
Amortisation of land use right (Note 7)	(303)	(652)
Exchange differences	(1,088)	(707)
At end of the period	24,209	25,600

14. PROPERTY, PLANT & EQUIPMENT, INVESTMENT PROPERTY AND CONSTRUCTION IN PROGRESS

For the six months ended 31 December 2022

	Property, plant & equipment				
	Buildings HK\$'000	Other assets HK\$'000	Property, plant & equipment total HK\$'000	Investment property HK\$'000	Construction in progress HK\$'000
Unaudited					
At 1 July 2022					
Cost or valuation	211,096	229,077	440,173	82,656	545
Accumulated depreciation	(27,164)	(181,380)	(208,544)	(3,936)	–
Net book amount	183,932	47,697	231,629	78,720	545
Period ended 31 December 2022					
Opening net book amount	183,932	47,697	231,629	78,720	545
Additions	136	1,818	1,954	–	1,618
Transfer from construction in progress	–	384	384	–	(384)
Disposals	–	(1,835)	(1,835)	–	–
Depreciation (Note 7)	(2,779)	(6,218)	(8,997)	(948)	–
Exchange differences	(6,976)	(761)	(7,737)	(3,347)	(7)
Closing net book amount	174,313	41,085	215,398	74,425	1,772
At 31 December 2022					
Cost or valuation	203,301	209,401	412,702	79,136	1,772
Accumulated depreciation	(28,988)	(168,316)	(197,304)	(4,711)	–
Net book amount	174,313	41,085	215,398	74,425	1,772

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

For the six months ended 31 December 2021

Unaudited	Property, plant & equipment			Investment property HK\$'000	Construction in progress HK\$'000
	Buildings HK\$'000	Other assets HK\$'000	Property, plant & equipment total HK\$'000		
At 1 July 2021					
Cost or valuation	216,628	243,262	459,890	85,000	89
Accumulated depreciation	(22,098)	(188,552)	(210,650)	(2,024)	–
Net book amount	194,530	54,710	249,240	82,976	89
Period ended 31 December 2021					
Opening net book amount	194,530	54,710	249,240	82,976	89
Additions	177	4,088	4,265	–	336
Disposals	–	(249)	(249)	–	–
Depreciation (Note 7)	(2,924)	(7,664)	(10,588)	(1,015)	–
Exchange differences	2,807	(120)	2,687	1,458	3
Closing net book amount	194,590	50,765	245,355	83,419	428
At 31 December 2021					
Cost or valuation	219,794	246,271	466,065	86,507	428
Accumulated depreciation	(25,204)	(195,506)	(220,710)	(3,088)	–
Net book amount	194,590	50,765	245,355	83,419	428

15. INTANGIBLE ASSETS

For the six months ended 31 December 2022

Unaudited	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 July 2022						
Cost	7,259	83,207	1,971	1,962	4,701	99,100
Accumulated amortisation	(7,259)	(72,095)	–	(1,897)	(2,277)	(83,528)
Net book amount	–	11,112	1,971	65	2,424	15,572
Period ended 31 December 2022						
Opening net book amount	–	11,112	1,971	65	2,424	15,572
Additions	–	489	–	–	–	489
Amortisation (Note 7)	–	(1,281)	–	(65)	(304)	(1,650)
Exchange differences	–	(295)	41	–	20	(234)
Closing net book amount	–	10,025	2,012	–	2,140	14,177
At 31 December 2022						
Cost	7,226	83,296	2,012	1,953	4,743	99,230
Accumulated amortisation	(7,226)	(73,271)	–	(1,953)	(2,603)	(85,053)
Net book amount	–	10,025	2,012	–	2,140	14,177

15. INTANGIBLE ASSETS (CONTINUED)

For the six months ended 31 December 2021

Unaudited	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 July 2021						
Cost	7,178	83,426	2,209	1,940	2,928	97,681
Accumulated amortisation	(7,178)	(69,013)	–	(1,746)	(1,996)	(79,933)
Net book amount	–	14,413	2,209	194	932	17,748
Period ended 31 December 2021						
Opening net book amount	–	14,413	2,209	194	932	17,748
Additions	–	42	–	–	393	435
Amortisation (Note 7)	–	(1,665)	–	(65)	(34)	(1,764)
Exchange differences	–	138	(80)	–	(36)	22
Closing net book amount	–	12,928	2,129	129	1,255	16,441
At 31 December 2021						
Cost	7,178	83,639	2,129	1,940	3,248	98,134
Accumulated amortisation	(7,178)	(70,711)	–	(1,811)	(1,993)	(81,693)
Net book amount	–	12,928	2,129	129	1,255	16,441

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

16. RIGHT-OF-USE ASSETS

During the six months ended 31 December 2022, the Group entered into a number of lease agreements for use of manufacturing facilities, showrooms and offices, and therefore recognised the additions to right-of-use assets of HK\$2,870,000 (2021: HK\$783,000).

17. TRADE & OTHER RECEIVABLES

	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
Trade receivables	46,957	54,284
Less: allowance for impairment of trade receivables	(5,398)	(5,215)
Trade receivables – net	41,559	49,069
Prepayments	13,704	12,669
Value added tax receivables	1,874	985
Rental deposits	4,940	4,002
Other receivables	12,309	11,409
	74,386	78,134
Less: Non-current portion prepayments	(4,362)	(3,823)
	70,024	74,311

The carrying amounts of trade receivables approximate their fair values as at 31 December 2022 and 30 June 2022. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial period, the ageing analysis of the trade receivables based on invoice date is as follows:

	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
0 to 30 days	18,600	28,288
31 to 60 days	7,383	10,361
61 to 90 days	4,398	1,567
91 to 365 days	12,955	10,893
More than 365 days	3,621	3,175
	46,957	54,284

18. PLEDGED BANK DEPOSIT

Pledged bank deposit of approximated HK\$411,000 (30 June 2022: HK\$413,000) represented deposit made to a bank to pledge for utilities of factory in the US.

As at 31 December 2022, the effective interest rate on the Group's pledged bank deposit was 0.12% p.a. (30 June 2022: 0.18% p.a.) and the deposit will mature in 221 days (30 June 2022: 9 days).

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

19. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised – Ordinary shares of HK\$0.10 each:		
At 30 June 2022 & 31 December 2022	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK\$0.10 each:		
At 30 June 2022 & 31 December 2022	212,187,488	21,219

20. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Currency translation reserve HK\$'000	Total HK\$'000
Unaudited					
Balance at 1 July 2021	189,699	49,714	8,000	30,422	277,835
Currency translation differences	–	–	–	3,779	3,779
Balance at 31 December 2021	189,699	49,714	8,000	34,201	281,614
Unaudited					
Balance at 1 July 2022	189,699	49,714	8,000	15,827	263,240
Currency translation differences	–	–	–	(16,203)	(16,203)
Balance at 31 December 2022	189,699	49,714	8,000	(376)	247,037

21. TRADE & OTHER PAYABLES

	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
Trade payables	26,215	31,348
Accrued expenses	57,428	70,778
Other payables	41,024	36,021
	124,667	138,147

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

	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
0 to 30 days	18,917	26,734
31 days to 60 days	4,994	1,001
61 days to 90 days	538	2,752
More than 90 days	1,766	861
	26,215	31,348

22. CAPITAL COMMITMENTS

	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
Authorised but not contracted for in respect of property, plant & equipment	915	3,526
Contracted but not provided for in respect of property, plant & equipment	6,237	2,365
	7,152	5,891

23. CONTINGENT LIABILITIES

	Unaudited 31 Dec 2022 HK\$'000	Audited 30 Jun 2022 HK\$'000
Performance bond issued by banks	16,120	6,577

24. RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

(a) Sale of goods & services

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Sale of carpets and services:		
The Hongkong and Shanghai Hotels, Limited ("HSH") ¹	4,681	27

Note:

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

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

	Unaudited	Audited
	31 Dec 2022 HK\$'000	30 Jun 2022 HK\$'000
Trade receivable from related party:		
HSH	807	-

(c) Key management compensation

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

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Salaries & other short-term employee benefits	17,117	29,909

Corporate Information

Board Of Directors

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

Chief Executive Officer & Executive Director
Mr. Mark Stuart Worgan

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

Independent Non-Executive Directors
Mr. Yung Lincoln Chu Kuen
Mr. Daniel George Green
Mr. Nicholas James Debnam
Mrs. Fung Yeh Yi Hao Yvette

Executive Committee

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

Audit Committee

Mr. Nicholas James Debnam (*Committee Chairman*)
Mr. John Jeffrey Ying
Mr. Yung Lincoln Chu Kuen

Remuneration Committee

Mrs. Fung Yeh Yi Hao Yvette (*Committee Chairman*)
Mr. Tong Chi Leung David
Mr. Daniel George Green

Nomination Committee

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

Company Secretary

Mr. Lung Chi Sing Alex

Auditor

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

Principal Bankers

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

Principal Share Registrar and Transfer Agent

Appleby Global Corporate Services (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Branch Share Registrar

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
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

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