

Tai Ping Carpets International Limited

Interim Report 2023/24

Incorporated in Bermuda with Limited Liability
Stock Code: 146



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Management Discussion & Analysis

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) hereby presents the interim report and the condensed consolidated interim financial statements of the Group for the six months ended 31 December 2023 (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 2023, and the condensed consolidated statement of financial position as at 31 December 2023, 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 27 of this report.

BUSINESS REVIEW

The Group’s consolidated turnover for the period was HK\$306 million, an increase of 16% compared to HK\$265 million for the same period in 2022. Trading has progressively improved since the resumption of business activities following the COVID-19 pandemic. Gross margin increased by 5% to 62% driven by the combined effects of normalised freight costs, a favourable sales mix, and better economies of scale in manufacturing resulting from the higher sale volume.

Profit before income tax for the period was HK\$23 million, compared to HK\$4 million for the same period last year. The improvement was the result of higher sales, gross margin expansion and operating efficiency. The profit before income tax included a one-time loss on derecognition of right-of-use asset of HK\$6 million relating to the strategic decision to sublet one of its showrooms in New York.

The Group’s profit attributable to the equity holders of the Company increased to HK\$22 million, significantly higher than the HK\$4 million recorded for the same period last year.

CARPET OPERATIONS

Sales revenue in carpet operations for the period was HK\$299 million, an increase of 17% compared to HK\$256 million recorded in the same period last year. Revenue for the Asia region increased by 38%, a significant recovery from the previous year which was impacted by the continuing effects of COVID-19 in Hong Kong and China. Sales in EMEA also grew strongly, with revenue up by 30% reflecting a gradual improvement in consumer confidence following the reduction in local inflationary pressure and easing of the energy crisis. The US region recorded a revenue decline which was partly a phasing issue, a higher proportion of projects are expected to ship and invoice in the second half of the financial year. Total revenue growth benefitted from an improvement in the global logistics situation which supported faster cash conversion.

MANUFACTURING OPERATIONS

Employee retention at our Artisan workshop in Xiamen has been strong since the COVID-19 pandemic. This has enabled the continuous upskilling of workers and a renewed focus on lean best practices to drive efficiency and material utilisation, while reducing manufacturing costs. Long-term plans are also progressing to further strengthen the Group's sustainability position.

New carpet manufacturing operations in the US, located at the Premier Yarn Dyers ("PYD") facility in Georgia, continued to stabilise and mature throughout the period, with production capacity expanded to support projected demand.

NON-CARPET OPERATIONS

Other operations mainly represent the Company's US-based yarn-dyeing subsidiary, PYD, contributing to approximately 2% of total sales. The operating results of PYD are stable and will gradually improve with the new carpet manufacturing operation.

OUTLOOK

High interest rates, the war in Ukraine and economic sanctions on Russia and Iran continue to impact consumer confidence, with the recent Red Sea crisis adding to the instability and having a direct impact on supply chain shipment time and higher freight costs. The continuing tension between the US and China is of particular concern because the US is one of Tai Ping's key markets while its manufacturing is in China.

These uncertainties 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, stringent costs control will continue, and investment priorities will be progressed with caution to ensure the right balance between growth and profitability.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2022: Nil).

CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment and construction in progress incurred by the Group totaled HK\$9 million during the period (2022: HK\$4 million). As of 31 December 2023, 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\$320 million (30 June 2023: HK\$317 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 2023, the Group had total cash and cash equivalents and short-term fixed deposits (with maturity over three months but within one year) amounting to HK\$222 million (30 June 2023: HK\$218 million) and had no bank borrowings (30 June 2023: 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 2023 was 745, consistent with the 736 at the end of June 2023.

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 2023, the Group's total contingent liabilities amounted to HK\$1 million (30 June 2023: HK\$5 million).

Mark Stuart Worgan
Chief Executive Officer

Hong Kong, 23 February 2024

Corporate Governance & Other Information

CORPORATE GOVERNANCE

The Board of Directors and Management of Tai Ping Carpets International Limited (the "Company") are committed to promoting good corporate governance to safeguard the interests of shareholders of the Company. 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 2023, except the Company's Non-Executive Directors and Independent 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.

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 2023.

AUDIT COMMITTEE

The Audit Committee was established in 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 control system. Detailed terms of reference of the Audit Committee are accessible on the Company's website.

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 2023.

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 2023. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2023.

SHARE OPTIONS

No share options scheme exists during the period and no share options hold by the Directors.

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

As at 31 December 2023, 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 2023

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%
Leong Kwok Fai Nelson	1,366,666	182,000 ¹	0.730%
John Jeffrey Ying	32,605,583	–	15.366%

Note:

¹ 182,000 shares are held by Fontana Enterprises Limited, company in which Mr. Leong Kwok Fai Nelson holds 40% equity interests and has controlling interest.

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 2023, 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%
Lawrencium Holdings Limited ²	77,674,581	36.607%
The Mikado Private Trust Company Limited ²	77,674,581	36.607%
Harneys Trustees 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.

APPOINTMENT OF NEW DIRECTORS

Ms. Yung Ka Sing Kathryn had been elected as an Independent Non-Executive Director of the Company at the annual general meeting of the Company (the "AGM") on 7 December 2023. Following her appointment, she had been appointed as the member of the Audit Committee and Nomination Committee of the Company on 7 December 2023. Ms. Yung is the daughter of Mr. Yung Lincoln Chu Kuen, the retired Independent Non-Executive Director of the Company at the conclusion of the AGM. Except for the foregoing fact which did not meet the independence guideline set out in Rules 3.13(6) of the Listing Rules, Ms. Yung had satisfied all the independence criteria under Rule 3.13 of the Listing Rules. The Board was not aware of any factors that might affect her independence as an independent non-executive director. The Board was of the view that being a daughter of a retired Independent Non-Executive Director on the Board should not automatically be deemed to adversely affect or impair Ms. Yung's independence as an Independent Non-Executive Director herself. Considering Ms. Yung's extensive experience and professional qualification, Ms. Yung has the calibre, attributes and appropriate experience to act as a director of the Company. The Company believes that Ms. Yung is capable of exercising her professional judgement and draw upon her knowledge and experience in the asset management and banking

industries to bring contribution and benefits to the Board. Before the appointment of Ms. Yung, the Company had one female director on the Board and the introduction of Ms. Yung to the Board would diversify the Board's composition as well as to further enhance the gender diversity of the Board. Furthermore, the Company had written to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Rule 3.14 of the Listing Rules to demonstrate, and the Stock Exchange had agreed, that Ms. Yung is independent to act as an independent non-executive director. Save for Rule 3.13(6) of the Listing Rules mentioned above, Ms. Yung had confirmed that she met the independence criteria as set out in Rule 3.13 of the Listing Rules. Her biographical details had been disclosed in the announcement of the Company dated 18 October 2023 and the circular issued by the Company on 20 October 2023.

Mr. Frederick Edward Elkin Mocatta had been appointed as a Non-Executive Director of the Company with effect from 15 December 2023. His biographical details had been disclosed in the announcement of the Company dated 15 December 2023. Mr. Mocatta had also been appointed as a member of the Executive Committee of the Company on 23 February 2024.

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 2022/23 are set out as below:

Mr. Yung Lincoln Chu Kuen had retired as an Independent Non-Executive Director and had ceased as a member of the Audit Committee and Nomination Committee of the Company upon conclusion of the AGM on 7 December 2023.

Mr. Andrew Clifford Winawer Brandler had resigned as a Non-Executive Director of the Company with effect from 15 December 2023.

Mr. Nicholas Timothy James Colfer had been appointed as the chairman of the board of directors and the chairman of the Nomination Committee of Nanyang Holdings Limited (whose shares had been listed on the Stock Exchange, Stock Code: 212) with effect from 1 January 2024.

CONSTITUTIONAL DOCUMENTS

The Company has published its constitutional documents on the websites of the Company and the Stock Exchange. During the period, there was no change in Company's constitutional documents.

Condensed Consolidated Income Statement

For the six months ended 31 December

	Note	Unaudited	
		2023 HK\$'000	2022 HK\$'000
Revenue	6	306,417	265,148
Cost of sales		(117,014)	(114,133)
Gross profit		189,403	151,015
Distribution costs	7	(84,688)	(80,714)
Administrative expenses	7	(77,455)	(69,037)
Other (losses)/gains – net	8	(5,224)	3,143
Operating profit		22,036	4,407
Finance income/(cost) – net	9	714	(64)
Profit before income tax		22,750	4,343
Income tax expense	10	(476)	(312)
Profit for the period attributable to the owners of the Company		22,274	4,031
Profit per share attributable to the owners of the Company during the period (expressed in HK cents per share)			
Basic/diluted	12	10.50	1.90

The notes on pages 15 to 27 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December

	Unaudited	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	22,274	4,031
Other comprehensive income – net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	7,866	(16,203)
Total comprehensive income/(loss) for the period attributed to the owners of the Company	30,140	(12,172)

The notes on pages 15 to 27 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

		Unaudited 31 Dec 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
	Note		
Assets			
Non-current assets			
Land use right	13	23,269	23,162
Property, plant & equipment	14	208,068	209,883
Investment property	14	71,504	71,192
Construction in progress	14	5,884	270
Intangible assets	15	11,554	12,539
Right-of-use assets	16	85,953	114,797
Lease receivable		7,360	–
Prepayments	17	5,597	4,187
		419,189	436,030
Current assets			
Inventories		49,591	46,418
Trade & other receivables	17	109,279	91,618
Current income tax assets		533	529
Lease receivable		1,011	–
Pledged bank deposit	18	626	615
Fixed deposits		28,266	–
Cash & cash equivalents		193,697	217,657
		383,003	356,837
Total assets		802,192	792,867

The notes on pages 15 to 27 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 31 Dec 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital	19	21,219	21,219
Reserves	20	244,839	236,973
Retained earnings:			
Proposed final dividend		-	19,097
Others		173,579	151,305
Total equity		439,637	428,594
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,380	1,380
Retirement benefit obligations		4,192	4,161
Lease liabilities		89,370	97,775
		94,942	103,316
Current liabilities			
Trade & other payables	21	145,158	153,931
Contract liabilities – Deposits received in advance		96,757	76,591
Current income tax liabilities		3,625	4,092
Lease liabilities		22,073	26,343
		267,613	260,957
Total liabilities		362,555	364,273
Total equity & liabilities		802,192	792,867
Net current assets		115,390	95,880
Total assets less current liabilities		534,579	531,910

The notes on pages 15 to 27 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 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 other 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
Balance at 1 July 2023	21,219	189,699	47,274	170,402	428,594
Comprehensive income					
Profit for the period	-	-	-	22,274	22,274
Other comprehensive income for the period – net of tax					
Currency translation differences	-	-	7,866	-	7,866
Total comprehensive income for the period	-	-	7,866	22,274	30,140
Total contributions by and distributions to owners of the Company, recognised directly in equity					
Dividends for FY2022/23	-	-	-	(19,097)	(19,097)
Total transactions with owners	-	-	-	(19,097)	(19,097)
Balance at 31 December 2023	21,219	189,699	55,140	173,579	439,637

The notes on pages 15 to 27 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December

	Unaudited	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	46,082	28,345
Income tax paid	(944)	(341)
Net cash generated from operating activities	45,138	28,004
Cash flows from investing activities		
Purchases of property, plant & equipment and construction in progress	(8,144)	(3,549)
Acquisition of intangible assets	(1,416)	(553)
Proceeds from disposal of property, plant & equipment	1	1,966
Decrease in derivative financial instruments	–	1,275
Increase in fixed deposits	(28,266)	(1,679)
Redemption of financial assets measured at fair value through profit or loss	–	32,740
Interest received	2,768	1,455
Net cash (used in)/generated from investing activities	(35,057)	31,655
Cash flows from financing activities		
Capital element of lease rentals paid	(13,284)	(13,517)
Interest element of lease rentals paid	(2,138)	(1,542)
Dividend paid to the Company's shareholders	(19,097)	(12,731)
Net cash used in financing activities	(34,519)	(27,790)
Net (decrease)/increase in cash & cash equivalents	(24,438)	31,869
Cash & cash equivalents at beginning of period	217,657	163,018
Exchange gain/(loss) on cash & cash equivalents	478	(1,459)
Cash & cash equivalents at end of period	193,697	193,428

The notes on pages 15 to 27 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 23 February 2024.

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 2023 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 2023, 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 2023 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 2023.

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 2023.

There have been no changes in the risk management team and/or in any risk management policies since the end of 30 June 2023.

(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\$193,697,000 (30 June 2023: HK\$217,657,000) 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 2023	After 1 year but			Total
	Within 1 year	within 5 years	More than 5 years	
Unaudited	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade & other payables	61,685	–	–	61,685
Lease liabilities	22,073	67,387	21,983	111,443
	83,758	67,387	21,983	173,128

As at 30 June 2023	After 1 year but			Total
	Within 1 year	within 5 years	More than 5 years	
Audited	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade & other payables	60,853	–	–	60,853
Lease liabilities	30,499	80,813	26,924	138,236
	91,352	80,813	26,924	199,089

The Group does not hold any derivative financial instruments as at 31 December 2023 and 30 June 2023.

6. REVENUE & SEGMENT INFORMATION

(a) Revenue

	Six months ended	
	2023	2022
	HK\$'000	HK\$'000
Sale of carpets & underlays	264,044	224,853
Installation of carpets & furnishing business	34,692	31,329
Sale of yarns & others	7,681	8,966
	306,417	265,148

6. REVENUE & SEGMENT INFORMATION (CONTINUED)

(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.

The segment information provided to the management for the reportable segments for the six months ended 31 December 2023 and 2022 are as follows:

For the six months ended 31 December 2023

Unaudited	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	83,211	117,493	105,713	–	306,417
Cost of production ¹	(29,067)	(45,311)	(41,487)	–	(115,865)
Segment gross margin	54,144	72,182	64,226	–	190,552
Segment results	31,216	23,236	2,704	–	57,156
Unallocated expenses ²					(35,120)
Operating profit					22,036
Finance income – net					714
Profit before income tax					22,750
Income tax expense					(476)
Profit for the period					22,274
Capital expenditure	(2,405)	(4,800)	(1,407)	(21)	(8,633)
Depreciation of right-of-use assets	(5,151)	(3,765)	(5,808)	–	(14,724)
Depreciation of property, plant & equipment (Note 14)	(4,077)	(1,447)	(1,937)	(282)	(7,743)
Amortisation of land use right (Note 13)	(294)	–	–	–	(294)
Amortisation of intangible assets (Note 15)	(81)	(37)	(5)	(1,223)	(1,346)
(Allowance for)/recovery of impairment of trade receivables – net	(20)	1,066	248	–	1,294

6. REVENUE & SEGMENT INFORMATION (CONTINUED)

For the six months ended 31 December 2022

Unaudited	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group 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 cost – 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)

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 loss on derecognition of right-of-use assets, corporate expenses and income of the Group.

7. EXPENSES BY NATURE

	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets	14,724	12,919
Depreciation of property, plant & equipment (Note 14)	7,743	8,997
Depreciation of investment property (Note 14)	919	948
Amortisation of land use right (Note 13)	294	303
Amortisation of intangible assets (Note 15)	1,346	1,650
(Recovery of)/allowance for impairment of trade receivables – net	(1,294)	146
Allowance for impairment of inventories – net	7,908	767
Bad debts written off	5	2

8. OTHER (LOSSES)/GAINS – NET

	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Rental income	1,729	1,768
Loss on change in fair value of derivative financial instruments	–	(435)
(Loss)/gain on disposal of property, plant & equipment	(2)	127
Net foreign exchange (loss)/gain	(1,068)	1,032
Loss on derecognition of right-of-use assets	(6,436)	–
Others	553	651
	(5,224)	3,143

9. FINANCE INCOME/(COST) – NET

	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Finance income – interest income from banks	2,768	1,455
Finance cost – interest expenses for leases – net	(2,054)	(1,519)
Finance income/(cost) – net	714	(64)

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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	
	2023 HK\$'000	2022 HK\$'000
Current income tax		
Hong Kong	335	–
PRC & overseas	141	312
Deferred income tax expense	–	–
Income tax expense	476	312

11. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period. At the Board meeting held on 23 February 2024, the Board resolved not to declare any dividend for the six months ended 31 December 2023 (2022: Nil).

Distributable reserves of the Company as at 31 December 2023, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK\$522,359,000 (2022:HK\$550,902,000).

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	
	2023	2022
Profit attributable to owners of the Company (HK\$'000)	22,274	4,031
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic profit per share (HK cents)	10.50	1.90

The Group had no dilutive potential shares outstanding during the six months ended 31 December 2023 and 2022.

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	Audited
	31 Dec 2023	30 Jun 2023
	HK\$'000	HK\$'000
At beginning of the period	23,162	25,600
Amortisation of land use right (Note 7)	(294)	(608)
Exchange differences	401	(1,830)
At end of the period	23,269	23,162

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

For the six months ended 31 December 2023

Unaudited	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
At 1 July 2023					
Cost or valuation	196,673	216,921	413,594	76,668	270
Accumulated depreciation	(31,144)	(172,567)	(203,711)	(5,476)	–
Net book amount	165,529	44,354	209,883	71,192	270
Period ended 31 December 2023					
Opening net book amount	165,529	44,354	209,883	71,192	270
Additions	–	2,840	2,840	–	5,793
Transfer from construction in progress	–	194	194	–	(194)
Disposals	–	(3)	(3)	–	–
Depreciation (Note 7)	(2,523)	(5,220)	(7,743)	(919)	–
Exchange differences	2,573	324	2,897	1,231	15
Closing net book amount	165,579	42,489	208,068	71,504	5,884
At 31 December 2023					
Cost or valuation	199,622	218,102	417,724	78,004	5,884
Accumulated depreciation	(34,043)	(175,613)	(209,656)	(6,500)	–
Net book amount	165,579	42,489	208,068	71,504	5,884

For the six months ended 31 December 2022

Unaudited	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
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

15. INTANGIBLE ASSETS

For the six months ended 31 December 2023

Unaudited	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 July 2023					
Cost	83,016	2,053	1,959	12,035	99,063
Accumulated amortisation	(74,385)	–	(1,959)	(10,180)	(86,524)
Net book amount	8,631	2,053	–	1,855	12,539
Period ended 31 December 2023					
Opening net book amount	8,631	2,053	–	1,855	12,539
Additions	245	–	–	–	245
Amortisation (Note 7)	(1,039)	–	–	(307)	(1,346)
Exchange differences	93	16	–	7	116
Closing net book amount	7,930	2,069	–	1,555	11,554
At 31 December 2023					
Cost	83,413	2,069	1,952	12,025	99,459
Accumulated amortisation	(75,483)	–	(1,952)	(10,470)	(87,905)
Net book amount	7,930	2,069	–	1,555	11,554

For the six months ended 31 December 2022

Unaudited	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
At 1 July 2022					
Cost	83,207	1,971	1,962	11,960	99,100
Accumulated amortisation	(72,095)	–	(1,897)	(9,536)	(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	83,296	2,012	1,953	11,969	99,230
Accumulated amortisation	(73,271)	–	(1,953)	(9,829)	(85,053)
Net book amount	10,025	2,012	–	2,140	14,177

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

16. RIGHT-OF-USE ASSETS

During the six months ended 31 December 2023, 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\$1,391,000 (2022: HK\$2,870,000).

During the six months ended 31 December 2023, the Group early terminated two lease agreements resulting in a disposal of right-of-use assets of HK\$15,426,000 (2022: Nil).

17. TRADE & OTHER RECEIVABLES

	Unaudited 31 Dec 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
Trade receivables	84,049	70,100
Less: allowance for impairment of trade receivables	(5,365)	(6,657)
Trade receivables – net	78,684	63,443
Prepayments	13,409	11,613
Value added tax receivables	583	651
Rental deposits	5,299	4,984
Other receivables	16,901	15,114
	114,876	95,805
Less: Non-current portion prepayments	(5,597)	(4,187)
	109,279	91,618

The carrying amounts of trade receivables approximate their fair values as at 31 December 2023 and 30 June 2023. 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 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
0 to 30 days	33,754	43,630
31 to 60 days	18,743	6,018
61 to 90 days	5,235	2,680
91 to 365 days	21,346	9,668
More than 365 days	4,971	8,104
	84,049	70,100

18. PLEDGED BANK DEPOSIT

Pledged bank deposit of approximated HK\$626,000 (30 June 2023: HK\$615,000) represented deposit made to a bank to pledge for utilities of factory in the US.

As at 31 December 2023, the effective interest rate on the Group's pledged bank deposit was 4.41% p.a. (30 June 2023: 4.41% p.a.) and the deposit will mature in 93 days (30 June 2023: 277 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 2023 & 31 December 2023	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK\$0.10 each:		
At 30 June 2023 & 31 December 2023	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 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
Unaudited					
Balance at 1 July 2023	189,699	49,714	8,000	(10,440)	236,973
Currency translation differences	–	–	–	7,866	7,866
Balance at 31 December 2023	189,699	49,714	8,000	(2,574)	244,839

21. TRADE & OTHER PAYABLES

	Unaudited 31 Dec 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
Trade payables	32,638	29,158
Accrued expenses	75,535	88,943
Other payables	36,985	35,830
	145,158	153,931

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 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
0 to 30 days	29,226	22,575
31 days to 60 days	1,801	6,073
61 days to 90 days	938	204
More than 90 days	673	306
	32,638	29,158

22. CAPITAL COMMITMENTS

	Unaudited 31 Dec 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
Authorised but not contracted for in respect of property, plant & equipment	7,527	–
Contracted but not provided for in respect of property, plant & equipment	3,182	1,757
	10,709	1,757

23. CONTINGENT LIABILITIES

	Unaudited 31 Dec 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
Performance bond issued by banks	1,240	5,096

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	
	2023 HK\$'000	2022 HK\$'000
Sale of carpets and services:		
The Hongkong and Shanghai Hotels, Limited (“HSH”) ¹	4,846	4,681

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.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Unaudited 31 Dec 2023 HK\$'000	Audited 30 Jun 2023 HK\$'000
Trade receivable from related party:		
HSH	343	1,539

(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	
	2023 HK\$'000	2022 HK\$'000
Salaries & other short-term employee benefits	20,311	17,117

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. Frederick Edward Elkin Mocatta¹
Mr. Andrew Clifford Winawer Brandler²

Independent Non-Executive Directors
Mr. Daniel George Green
Mr. Nicholas James Debnam
Mrs. Fung Yeh Yi Hao Yvette
Ms. Yung Ka Sing Kathryn³
Mr. Yung Lincoln Chu Kuen⁴

Executive Committee

Mr. Nicholas Timothy James Colfer (*Committee Chairman*)
Mr. Mark Stuart Worgan
Mr. Tong Chi Leung David
Mr. Leong Kwok Fai Nelson
Mr. Frederick Edward Elkin Mocatta⁵

Audit Committee

Mr. Nicholas James Debnam (*Committee Chairman*)
Mr. John Jeffrey Ying
Ms. Yung Ka Sing Kathryn³
Mr. Yung Lincoln Chu Kuen⁴

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*)
Mrs. Fung Yeh Yi Hao Yvette
Ms. Yung Ka Sing Kathryn³
Mr. Yung Lincoln Chu Kuen⁴

Company Secretary

Mr. Lung Chi Sing Alex

Notes:

¹ appointed on 15 December 2023

² resigned on 15 December 2023

³ appointed on 7 December 2023

⁴ retired on 7 December 2023

⁵ appointed on 23 February 2024

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor
Registered in accordance with the
Accounting and Financial Reporting Council Ordinance
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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

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