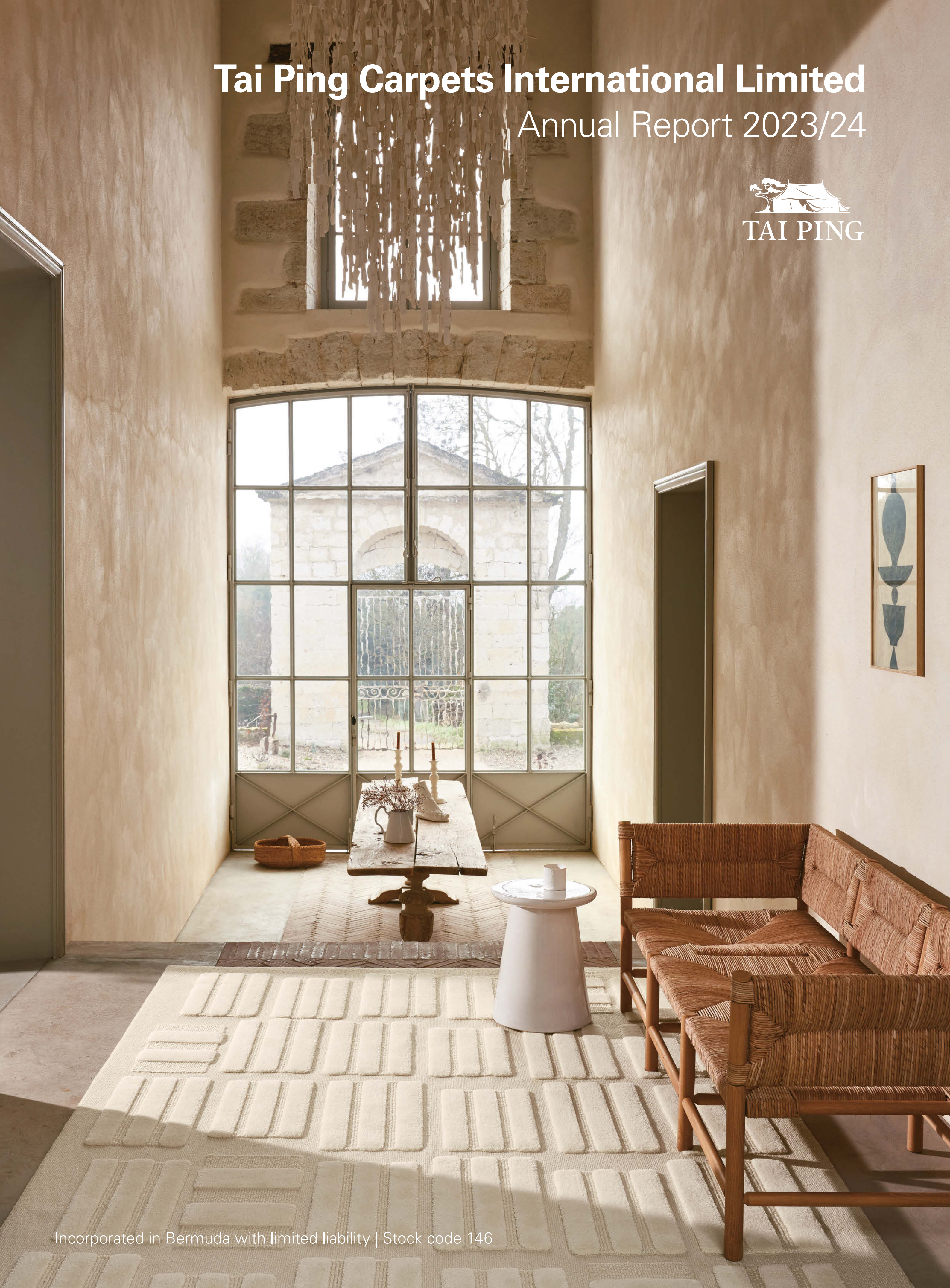
Tai Ping Carpets International Limited

Annual Report 2023/24

TAI PING



Incorporated in Bermuda with limited liability | Stock code 146

Tai Ping Carpets International Limited

Annual Report 2023/24

TAI PING

Vision

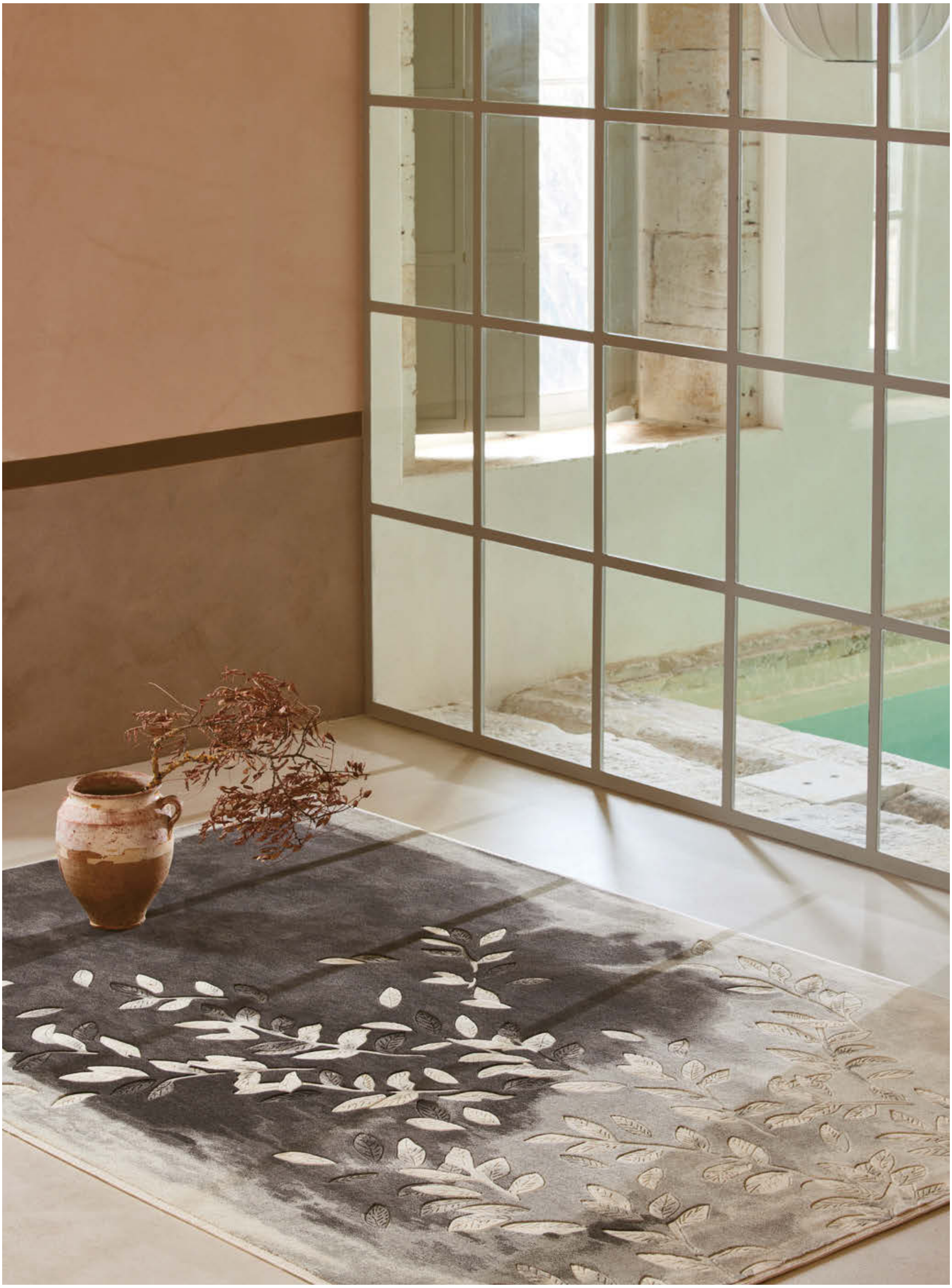
Tai Ping will be a leader in the creation and distribution of exceptional products and services for prestigious interiors ranging from royal palaces and private residences of discerning homeowners, the world's most exceptional yachts and aircraft, luxury boutique stores, corporate offices and high-end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

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

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

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

Peerless since 1956



Neroli I from the Biophilic Collection, Tai Ping
Hand tufted in wool

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Tai Ping at-a-Glance

Tai Ping is a global leader in the premium custom carpet sector. The Company was founded in 1956 by a group of visionary businessmen and has been publicly traded since 1973. The Company's shares are traded under stock code 146 on The Stock Exchange of Hong Kong Limited.

Tai Ping focuses on handmade or traditionally woven carpets that target high-end business segments including luxury residential, private yachts and jets, boutique stores, and premium or VIP areas of corporate offices, luxury hotels and resorts. With its superior design and manufacturing capabilities, Tai Ping can transform the most complicated custom design into a work of art for the most discerning buyer.

FINANCIAL HIGHLIGHTS

In thousands of Hong Kong dollars except per share amounts

		2024	2023
Per share	Net worth per share (HK$)	2.14	2.02
	Basic earnings per share (HK cents)	19.85	18.11
	Final dividend declared per share (HK cents)	12.00	9.00
For the year	Turnover	640,215	600,596
	Profit for the year attributable to the owners of the Company	42,113	38,424
	Additions to land use right, property, plant & equipment, construction in progress and intangible assets	16,003	11,844
As at 30 June	Capital & reserves attributable to owners of the Company	454,940	428,594
	Shares in issue (in thousands)	212,187	212,187
Ratio	Return on capital & reserves attributable to owners	9.3%	9.0%

Five-year Consolidated Financial Summary

Assets & Liabilities

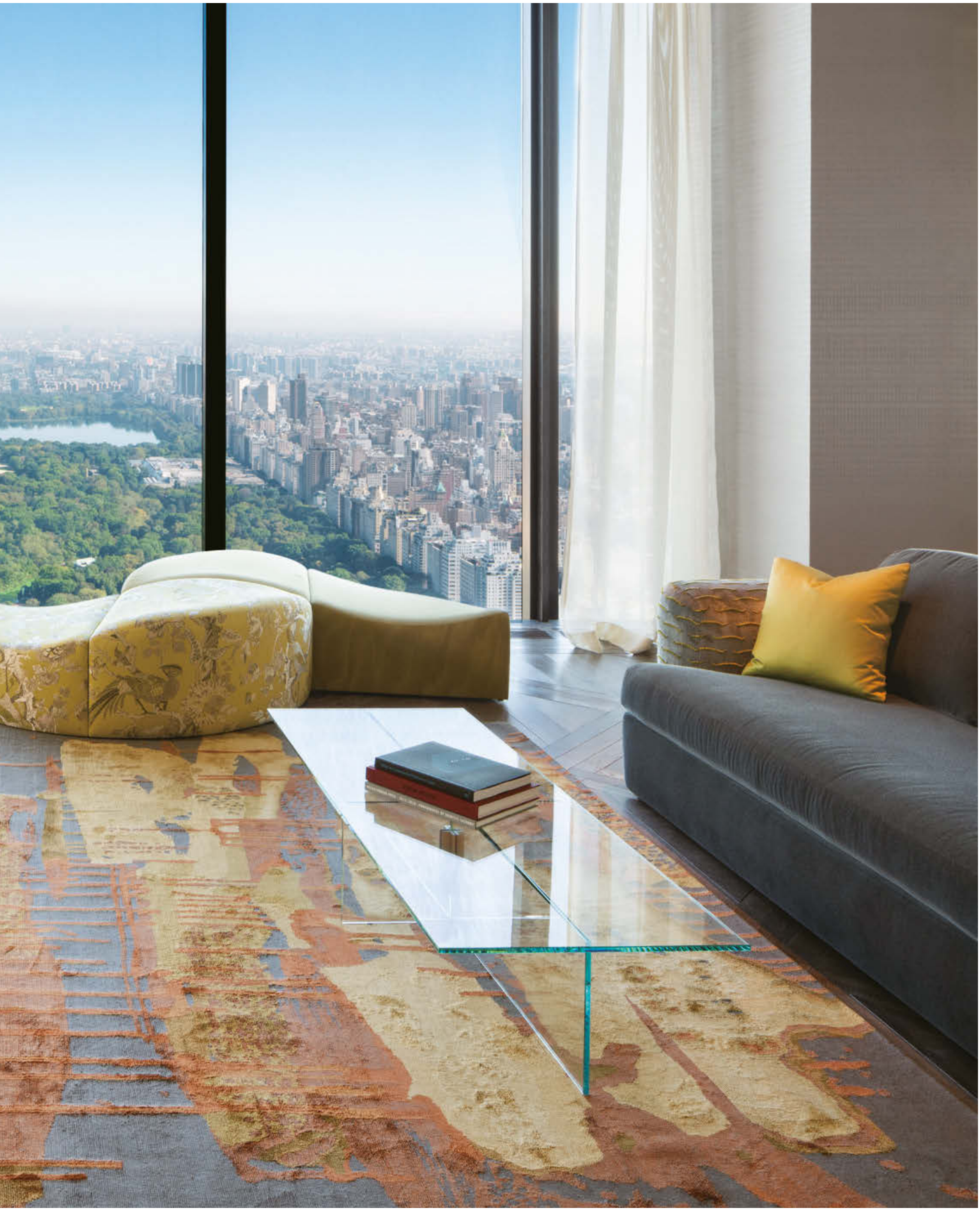
	30 June 2024 HK$'000	30 June 2023 HK$'000	30 June 2022 HK$'000	30 June 2021 HK$'000	30 June 2020[Δ] HK$'000
Total assets	832,566	792,867	788,009	784,877	777,207
Total liabilities	377,626	364,273	358,878	360,094	390,287
Total equity	454,940	428,594	429,131	424,783	386,920

Consolidated Income Statement

	For the year ended 30 June 2024 HK$'000	For the year ended 30 June 2023 HK$'000	For the year ended 30 June 2022 HK$'000	For the year ended 30 June 2021 HK$'000	For the eighteen months ended 30 June 2020[Δ] HK$'000
Profit/(loss) attributable to:					
Owners of the Company	42,113	38,424	25,275	16,634	(37,105)
Non-controlling interests	–	–	–	–	(2,069)
	42,113	38,424	25,275	16,634	(39,174)

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

Cirrus I Madder from the Callidus Guild Collection by Yolande Batteau for Tai Ping
Hand knotted in silk



Chairman's Statement

The fiscal year ending 30 June 2024 demonstrated continuing progress and improvement in-line with Tai Ping's growth strategy. Management's focus on cost control, efficiency, channel and product diversification delivered another year of revenue growth and financial results that were the best since the divestment of the Commercial business in 2017.

Total turnover for the Group for the year ended 30 June 2024 was HK$640 million, an increase of 7% over the HK$601 million achieved in the previous year. All regions delivered revenue growth led by a 12% improvement in EMEA, despite the continuing Ukraine and Middle East conflicts. Asia delivered a 7% increase, after the more extended impact of the COVID-19 pandemic in that region, while the Americas grew by 3%, impacted by Residential trading that became a little sluggish compared to the post-pandemic surge of the previous two years. Profit before tax increased by 19% to HK$48 million driven by the higher sales, stringent cost control, an improving sales mix and productivity gains in manufacturing. Profit attributable to shareholders was HK$42 million, reflecting a 10% increase compared to HK$38 million last year.

Throughout the year Tai Ping maintained its active participation in prominent design events in Milan, Paris, Monaco, and Las Vegas, as well as placing more emphasis on newer brand-building events timed to coincide with design weeks in London, San Francisco, Los Angeles, New York, Shanghai and Hong Kong. Several outstanding collections were launched including the Biophilic Program, the Company's first 100% natural product line that demonstrates Tai Ping's commitment to sustainability. Continuing its strategy to establish flagship locations that are more accessible to end-users as well as the interior design community, new showrooms were opened in Shanghai, London and Hong Kong. Showcasing a broader array of the Company's products, and raising brand awareness, these and the other flagship locations provide much improved infrastructure to support product diversification and further growth.

The promotion of the Company's brands, products, heritage, craftsmanship, sustainability credentials, enhanced business model and new points of sale takes place through events, press, social media and the Company's websites. Emphasis continues to be placed on digital promotion where increased investment is focused on reaching target customers, and driving the resulting growth, as directly and efficiently as possible.

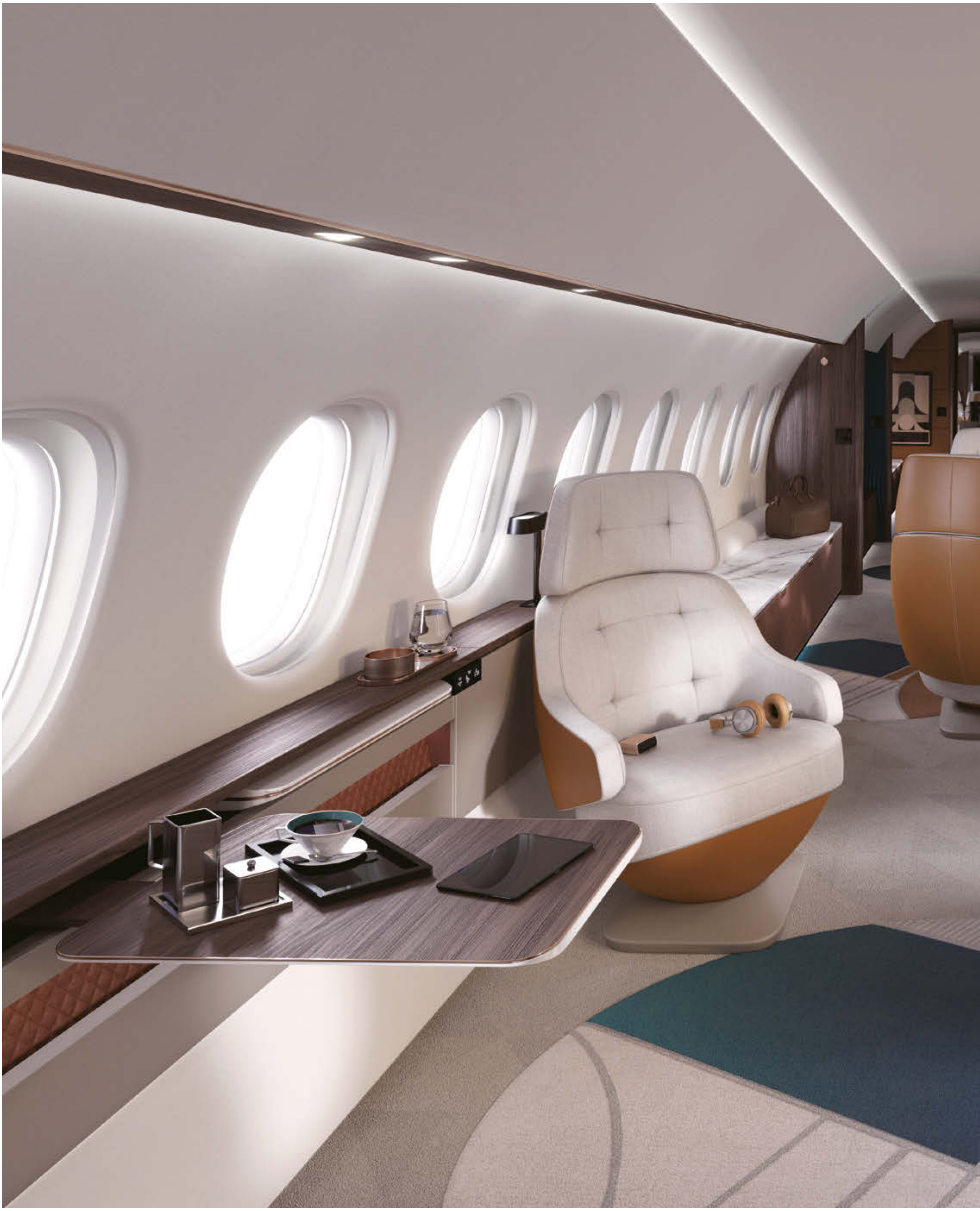
The Group's Xiamen workshop in China continues to make a significant contribution to the Company's financial performance, anchored in our stable and supportive workforce. An increase in customer visits, including their audit of our environmental, and ethical sourcing credentials, has also served to reinforce existing and establish new client relationships supporting revenue growth. Continuing investment in innovation, technology, skills and training will secure further improvement, while the health and safety of our employees will always be a high priority.

In the year ahead, regional conflicts, political instability and uncertainties in the global economy will constitute a continuing business challenge. Further escalation of the geopolitical tensions in Europe or between the US and China, and potential deflation in China are particular concerns. The difficult trading environment may slow progress and put the Company's short-term business growth at risk, but management will continue to monitor and make adaptations to its strategic plan when this is prudent or necessary. The Company's sustained financial progress is clear, and cautious optimism remains that longer-term goals will be realised.

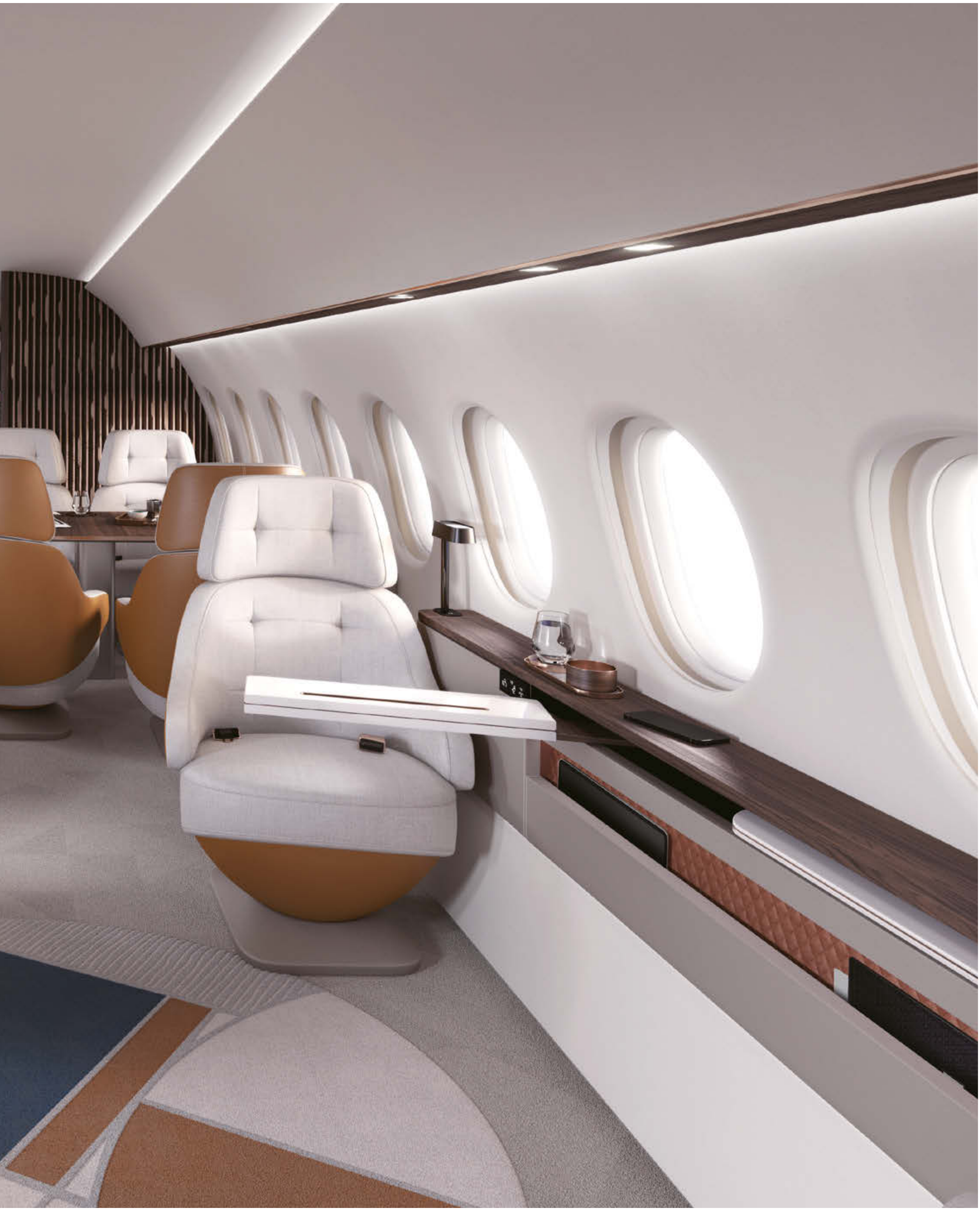
On behalf of all the members of the Board, I would like to thank Tai Ping management and staff who continue to work diligently to deploy the agreed strategy, delivering improved profitability and business resilience. I would also like to thank the Directors for their continued advice and support.

Nicholas Timothy James Colfer
Chairman

Hong Kong, 20 September 2024



Falcon 10X by Dassault Aviation
Custom Tai Ping carpet, hand tufted in wool



Management Discussion & Analysis

BUSINESS REVIEW

The Group's consolidated turnover for the financial year ended 30 June 2024 increased to HK$640 million, up 7% compared to HK$601 million in the prior year. This was the third consecutive year of growth since the COVID-19 pandemic.

The Group's gross margin was 62%, a 2% increase from last year, driven by a favourable sales mix, ongoing productivity improvements at the Xiamen manufacturing facility and lower global freight costs. Total operating expenses amounted to HK$349 million, up 9% from HK$320 million last year. The higher spend was consistent with the increase in sales, expansion of marketing and promotional activities to support growth, and investment in strategic initiatives. A one-time loss of HK$6 million relating to the derecognition of a right-of-use asset for the sublet of a showroom in New York also contributed. The higher sales and improved gross margin resulted in an operating profit of HK$46 million, an improvement of 14% compared to the HK$40 million recorded in 2023.

The Group's net profit attributable to the equity holders of the Company for the year ended 30 June 2024 was HK$42 million, an increase of 10% compared to the HK$38 million reported in the previous year.

CARPET OPERATIONS

Revenue from carpet operations was HK$625 million, up 7% compared to HK$582 million recorded last year. EMEA reported the highest sales growth at 12%, despite ongoing uncertainties surrounding the conflicts in Ukraine and the Middle East. Revenue in Asia increased by 7%, slowing in the second half due to economic uncertainty in the region. The Americas grew by 3%, with the residential sector slowing down after a post-pandemic surge in the previous two years.

Overall gross margin for the carpet operations for the year was 63%, significantly up from 61% last year due to improved economy of scale from higher sales, the continued normalisation in global freight costs, a favourable sales mix and productivity gains in manufacturing operations.

Manufacturing Operations

The performance of the Artisan workshop in Xiamen, China continued to improve with productivity improvements, better material utilisation and increased efficiency. A stable, skilled workforce combined with increased sales enabled economy of scale to be realised, mitigating the impact of local inflationary pressures. Long-term plans are also progressing to further strengthen the Group's sustainability position.

The new carpet manufacturing operation in the US, located at the Premier Yarn Dyers ("PYD") facility in Georgia, continued to develop during the year with investment and capacity increased to meet projected demand.

Total headcount for manufacturing operations as of the 30 June 2024 was 571, compared to 576 at the same period last year.

Human Resources

The total number of Company employees at the end of June 2024 was 740, consistent with 736 as at 30 June 2023.

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

The primary focus for Human Resources during the year was to establish stability and retain talent through a period of continued organisational change.

Information Technology

Throughout the year the Company successfully upgraded the Oracle ERP system to keep it current and stable to support daily operations. Ongoing developments are focused on the further automation of sales processes and the elimination of manual tasks.

Following the launch of a new retail point-of-sales system, additional enhancements are being progressed to expand its functionality and application.

Enhancement of the ERP system at the US manufacturing unit is underway to support capacity expansion, better control over manufacturing processes and support efficiency improvement.

Design and Marketing

During the year House of Tai Ping continued to maintain its position as a creative leader through the launch of innovative new collections across its brands.

Highlights included:

Callidus Guild Collection, by Yolande Batteau, features 10 hand knotted designs inspired by woodblock printing, Italian lime plaster and Japanese urushi. The carpets showcase innovative techniques and debuted at Maison et Objet in Paris.

The Biophilic Program features a collection of 16 rugs fabricated using only naturally renewable, undyed materials. Illustrating Tai Ping's long-term commitment to sustainability, no synthetic materials or chemicals of any kind are involved. The collection was launched at Fuorisalone, Milan, and has since been featured at client events in Paris, London and Hong Kong.

Photorealism tapestry by Tai Ping, draws inspiration from the Queen Victoria memorial statue outside Buckingham Palace. This wall-hanging showcases the advanced artistry of Tai Ping's artisans who have achieved near-photographic detail. The carpet was launched at London Craft Week.

Reverence Addition by Fernando Mastrangelo for Edward Fields adds four new designs to the highly successful *Reverence Edition*, inspired by natural phenomena including earthquakes, forest fires and rising water temperatures. The Addition was launched in New York.

Ocean Matters, Every Action Matters by Francesca Muzio features a coral reef divided into two areas: one with a more intense natural blue colour, the other in shades of grey, bleached and impoverished by pollution. The rug debuted at the Monaco Yacht Show 2023.

Tai Ping's marketing approach consistently highlights its core brand messages of craftsmanship, heritage and responsibility. Promotional content is channelled through social media, as well as the Company's websites and e-shops, which now feature advanced search capabilities and an archive of over 2,500 designs.

Seven Tai Ping showrooms are now strategically located in prime shopping districts in major cities, boosting brand visibility and enabling both retail and trade sales growth. This year new Shanghai, Hong Kong and London showrooms have been established consistent with this strategy, allowing the display of a broader product range with a new aesthetic that elevates the Company's brands.

NON-CARPET OPERATIONS

The Company's other operations mainly comprise its US-based dyeing subsidiary PYD, which account for roughly 2% of total sales. Due to falling demand for one of its core products, the operation incurred a loss this year. To address this, the facility is being realigned with its dyeing capability re-focused to support in-house carpet manufacture while allowing the expansion of other product options for sale to third parties.

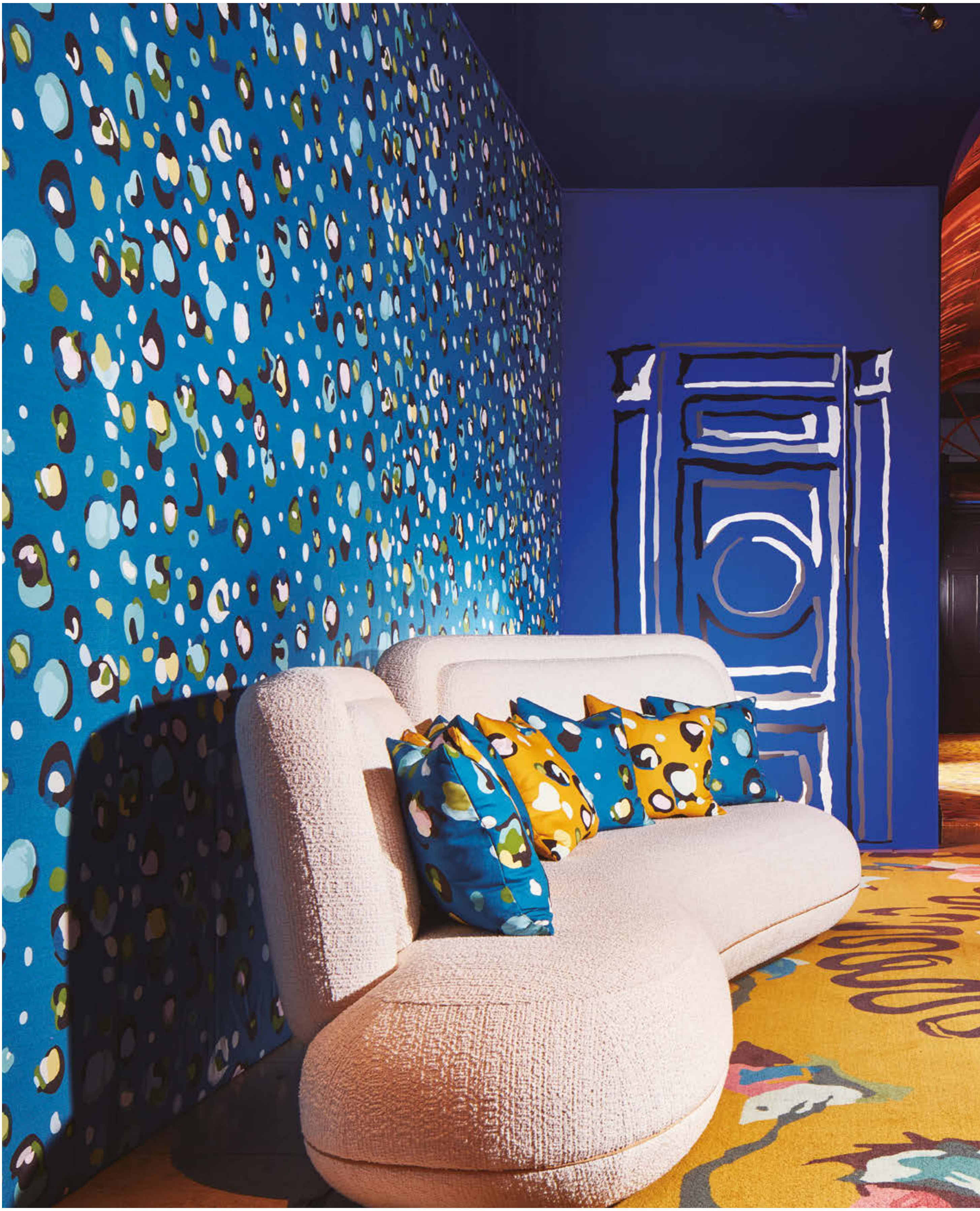
LIQUIDITY & FINANCIAL RESOURCES

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.

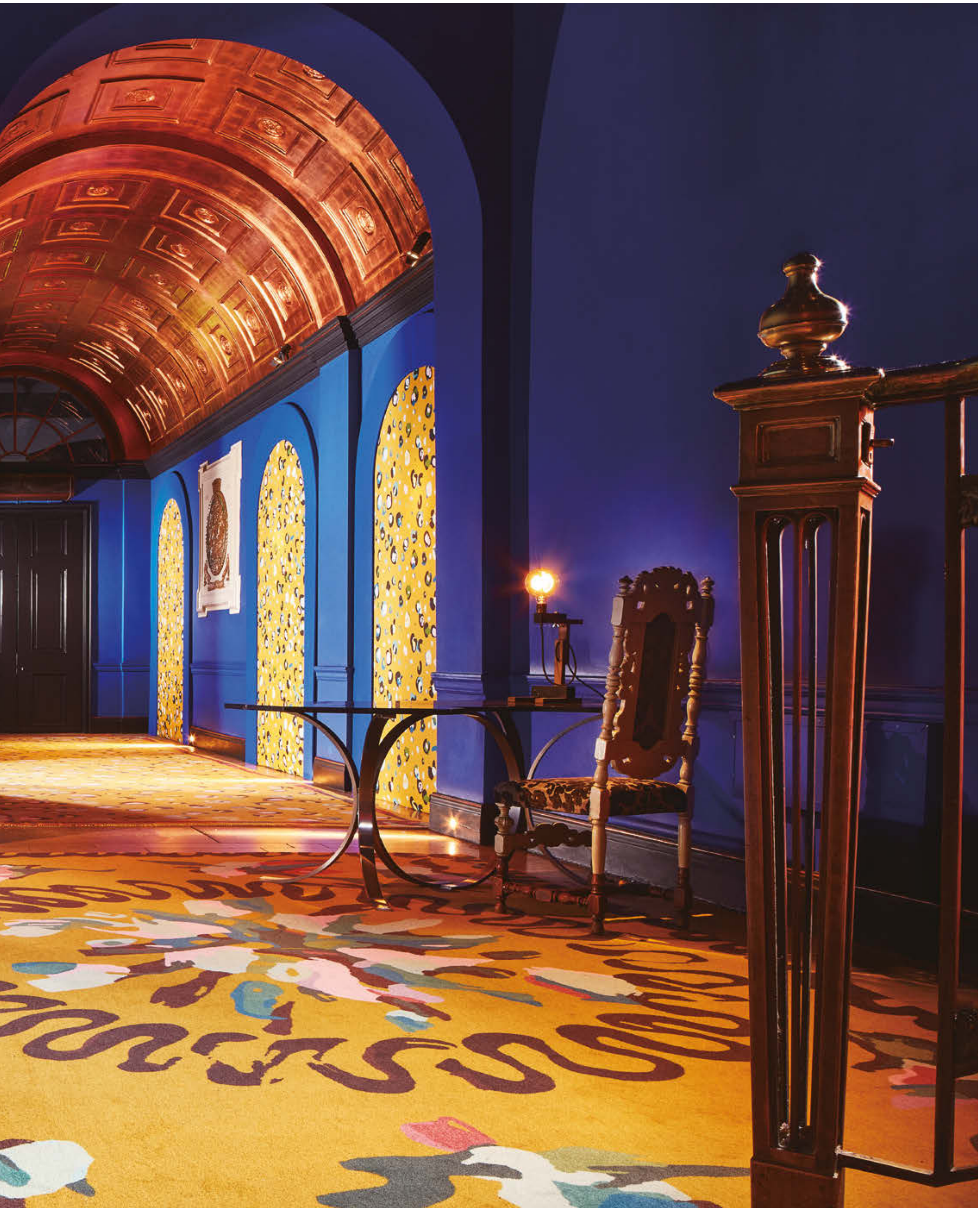
On 30 June 2024 the Group had total cash and bank balances and short-term fixed deposits (with maturity over three months but within one year) amounting to HK$263 million (at 30 June 2023: HK$218 million) and had no unsecured bank borrowings (at 30 June 2023: Nil).

Mark Stuart Worgan
Chief Executive Officer

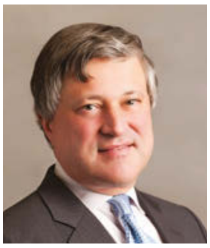
Hong Kong, 20 September 2024



Scenography by La Manufacture Cogolin at Sketch London for the London Design Festival
Fabrics from the Idylle fabric collection, by Christian Bérard
Hand woven wool rugs from the Idylle rug collection, by Christian Bérard



Board of Directors

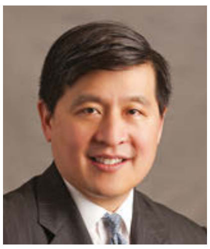


Chairman & Non-Executive Director
Nicholas Timothy James Colfer: aged 64
Chairman since 2005; Non-Executive Director since 2003; Chairman of the Executive and Nomination Committees

Mr. Colfer is a Director of Sir Elly Kadoorie & Sons Limited*, a Non-Executive Director of The Hongkong and Shanghai Hotels, Limited# and the Chairman of the Board and an Independent Non-Executive Director of Nanyang Holdings Limited#. He has over 40 years' experience of corporate management in the Asia-Pacific region, principally in real estate, manufacturing and distribution. He holds Bachelor of Arts and Master of Arts degrees from the University of Oxford.

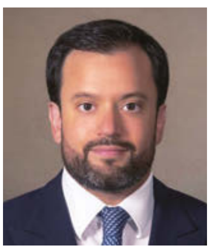
Chief Executive Officer & Executive Director
Mark Stuart Worgan: aged 60
Chief Executive Officer and Executive Director since 2018; Member of the Executive Committee

Mr. Worgan joined Tai Ping in 2008 and was the Vice President of Operations and Chief Operation Officer of Tai Ping. He is a director of a number of subsidiaries of Tai Ping. He has over 40 years of experience in textiles and floorcovering industry and prior to joining Tai Ping, he held various positions including global operations director, and chief executive officer of the US operations of Brintons Carpets Limited. He holds a Bachelor of Science degree from the University of Aston in Birmingham, United Kingdom.



Non-Executive Director
John Jeffrey Ying: aged 62
Non-Executive Director since 1999; Member of the Audit Committee

Mr. Ying is the Managing Director of Peak Capital, a private investment firm focused on investments in Greater China and was the Chairman of Bracell Limited. He holds a Master of Business Administration degree from the Wharton School, a Master of Arts degree from the University of Pennsylvania and a Bachelor of Science degree from the Massachusetts Institute of Technology.



Non-Executive Director
Frederick Edward Elkin Mocatta: aged 37
Non-Executive Director since 2023; Member of the Executive Committee

Mr. Mocatta is an executive at Sir Elly Kadoorie & Sons Limited*. From 2017 to 2022, he led a division of Shanghai Pharmaceuticals Holding Co., Limited^ ("SPH"), latterly as Managing Director responsible for SPH's investments. He started his career financing industrial projects and in investment management. He serves as an Alternate Director of EnergyAustralia, and as a board member of various charitable institutions, including Carmel School. He studied Chinese at Yale University and National Taiwan University. He holds a Bachelor of Arts degree from Yale University.

Non-Executive Director
Tong Chi Leung David: aged 53
Non-Executive Director since 1997; Member of the Executive and Remuneration Committees

Mr. Tong is a Director of Sir Elly Kadoorie & Sons Limited*, CLP Power Hong Kong Limited, Hong Kong Business Aviation Centre Limited and serves on several other corporate boards in Hong Kong. He is a Chartered Engineer and a Fellow Member of the Hong Kong Institution of Engineers. He holds a Bachelor of Engineering degree from Imperial College London.

Non-Executive Director
Leong Kwok Fai Nelson: aged 60
Non-Executive Director since 2012; Member of the Executive Committee

Mr. Leong is an Executive Director of Henry G. Leong Estates, Limited, a Director of Fontana Enterprises Limited and a number of companies involved in real estate in Hong Kong and North America. He holds a Master of Business Administration degree from the University of Toronto and a Bachelor of Arts degree from Brown University.

Independent Non-Executive Director
Fung Yeh Yi Hao Yvette: aged 63
Independent Non-Executive Director since 2004; Chairman of the Remuneration Committee and Member of the Nomination Committee

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

Independent Non-Executive Director
Daniel George Green: aged 50
Independent Non-Executive Director since 2018; Member of the Remuneration Committee

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

Independent Non-Executive Director
Nicholas James Debnam: aged 59
Independent Non-Executive Director since 2022; Chairman of the Audit Committee

Mr. Debnam is an Independent Non-Executive Director of Wing On Company International Limited# and is also the treasurer for the Society for the Protection of Animals in Hong Kong. He was an audit partner with KPMG in Hong Kong for 20 years, from 1997 until his retirement in March 2017. Prior to his retirement, in addition to his role as an audit partner, he also led the Consumer Markets practice for KPMG in Asia. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. He holds a degree in Physics from Imperial College London.

Independent Non-Executive Director
Yung Ka Sing Kathryn: aged 50
Independent Non-Executive Director since 2023; Member of the Nomination and Audit Committees

Ms. Yung is the Chief Investment Officer of Nanyang Holdings Limited#, and is overlooking the investment and properties portfolios of the company. Prior to that, she was the Regional Client Leader of the Asia Pacific region for Allspring Global Investments (Hong Kong) Limited (previously known as Wells Fargo Asset Management ("WFAM")) and led the sales and relationship management team for the Asia Pacific region ex-Japan. Prior to joining WFAM, she served as a Vice President and senior manager of Commercial Banking at Wells Fargo Bank, N.A. She has over 25 years in the asset management and banking industries. She holds a Bachelor's degree in Economics from Harvard University. She also earned the right to use the Chartered Financial Analyst® (CFA®) designation and is a member of CFA Institute and CFA Society Hong Kong.

The securities of these companies are currently listed on the Hong Kong Stock Exchange
^ The securities of this company are currently listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange
* Sir Elly Kadoorie & Sons Limited oversees a number of Kadoorie family interests in Hong Kong and overseas and, as such, is associated with the substantial shareholders of the Company

Corporate Governance

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") and Management of Tai Ping Carpets International Limited (the "Company") are committed to promoting good corporate governance to safeguard the interests of shareholders 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") for the year ended 30 June 2024, except for the deviation as disclosed in this report.

CORPORATE CULTURE & STRATEGY

The Company is firmly committed to a high level of corporate governance and adherence to the governance principles and practices emphasising transparency, independence, accountability, responsibility and fairness. These principles and practices are reviewed and revised regularly as appropriate to reflect the ever changing regulatory requirements and corporate governance development. The Board believes that the high standards of corporate governance is the essential core for sustaining the Group's long term performance and value creation for our shareholders, the investing public and the other stakeholders.

The Company also recognises the importance of integrity, ethical conduct, and responsible business practices, which are instilled and continually reinforced across the Group. The Company's culture and values of acting lawfully, ethically, and responsibly are integral to its operations, long-term growth and sustainability, and is essential to its success.

The Board has established the Company's vision, values and strategy, and has satisfied itself that the Company's culture is aligned. By acting with integrity and leading by example, the Directors will strive for promoting the desired culture within the Group.

SUMMARY OF THE BOARD DIVERSITY POLICY

The Board considers that its diversity, including gender diversity, is a vital asset to the business and has adopted a Board Diversity Policy (the "Diversity Policy") which sets out the approach to achieve diversity on the Board. Board appointments will be based on individual merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, independence, cultural and educational background, ethnicity, professional experience, skills, expertise, knowledge and length of service. The Company remains committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Nomination Committee will review the Diversity Policy, as appropriate but at least annually, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee will report annually on the Board's composition under the diversified perspectives, and monitor the implementation of the Diversity Policy.

The Board currently comprises two female Directors and eight male Directors. The Board will increase the proportion of female members over time when selecting and making recommendation of suitable candidates for Board appointments to ensure appropriate balance of gender diversity is achieved. Directors are aged from 37 to 64 years old.

During the year, the Nomination Committee has reviewed the implementation and effectiveness of the Diversity Policy, and concluded that the Policy had been effectively implemented.

DIVERSITY AT WORKFORCE LEVEL

In terms of employment, the Group insists on the principle of fairness and equal treatment regardless of citizenship, nationality, race, gender, religious belief and cultural background, and does not impose any restrictive requirements on gender, ethnicity, nationality and region.

The gender ratio in the workforce of the Group, including the senior management, as of 30 June 2024 is set out below:

	Number of employees	Percentage of total number of employees
Male employees	335	45.3%
Female employees	405	54.7%

The Group encourages gender diversity across its workplace. To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered. The Group has also established talent management and training programs to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees.

During the year under review, the total gender diversity of the Group is balanced, and the Group will continue to maintain the gender diversity in the workforce.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company (the "Tai Ping Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made to all Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code throughout the year end 30 June 2024.

BOARD OF DIRECTORS

The Board is accountable to the shareholders for the leadership, management and control of the business of the Company. The Board has established various committees to manage and oversee the specified affairs of the Company. The Board delegates to the Chief Executive Officer ("CEO") and his management team day-to-day management of the Company's business.

As at the date of this annual report, the Board comprises ten Directors, consisting of one Executive Director, five Non-Executive Directors and four Independent Non-Executive Directors. Two of the ten Directors are female. The composition of the Board is set as below:

Chairman & Non-Executive Director
Nicholas Timothy James Colfer

Chief Executive Officer & Executive Director
Mark Stuart Worgan

Non-Executive Directors
Tong Chi Leung David
John Jeffrey Ying
Leong Kwok Fai Nelson
Frederick Edward Elkin Mocatta

Independent Non-Executive Directors
Fung Yeh Yi Hao Yvette
Daniel George Green
Nicholas James Debnam
Yung Ka Sing Kathryn

During the year, Mr. Andrew Clifford Winawer Brandler had resigned as a Non-Executive Director and Mr. Frederick Edward Elkin Mocatta had been appointed as a Non-Executive Director with effect from 15 December 2023 and Mr. Yung Lincoln Chu Kuen had retired as an Independent Non-Executive Director and Ms. Yung Ka Sing Kathryn had been appointed as an Independent Non-Executive Director with effect from the conclusion of the annual general meeting of the Company (the "AGM") on 7 December 2023.

Ms. Yung Ka Sing Kathryn is the daughter of Mr. Yung Lincoln Chu Kuen, the retired Independent Non-Executive Director of the Company at the conclusion of the AGM on 7 December 2023. 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 is 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.

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

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set out on pages 20 to 21 of this annual report and an updated list of Directors and their role and function is accessible on the websites of the Company and the Stock Exchange. During the year, all Directors have given sufficient time and attention to the Company's affairs.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is primarily responsible for overseeing and managing the Company's affairs, including the adoption of long term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objectives of the Group. The Board is also responsible for determining the Company's corporate governance policies which include: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) to review the Company's disclosure in the Corporate Governance Report. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the bye-laws of the Company (the "Bye-laws") and the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the Bye-laws). With the composition of members of the Nomination Committee, the Remuneration Committee and the Audit Committee, the Independent Non-Executive Directors are able to effectively devote their time to perform the duties required by the respective Board committees. The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the CEO. Clear guidance has been made as to the matters that should be reserved for the Board's decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with Shareholders, Board membership, delegation of authority and corporate governance.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 30 June 2024 have been reviewed by the Audit Committee and audited by the external auditor, KPMG. The Board acknowledges its responsibility for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group. The consolidated financial statements set out on pages 86 to 147 were prepared on the basis set out in Note 2 to the Consolidated Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and regulatory requirements. The declaration of reporting responsibility issued by KPMG on the Company's consolidated financial statements is set out in the Independent Auditors' Report on pages 81 to 85.

DIRECTORS' & OFFICERS' LIABILITY INSURANCE

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

CHAIRMAN & CHIEF EXECUTIVE OFFICER

The posts of the Chairman of the Board (the "Chairman") and the CEO are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman is Mr. Nicholas Timothy James Colfer and the CEO is Mr. Mark Stuart Worgan. The division of responsibilities between the Chairman and the CEO was formally set out in writing. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO, supported by his management team, is responsible for the day-to-day management of the business of the Company.

NON-EXECUTIVE DIRECTORS

There are no service contracts between the Company and the Non-Executive Directors and the Independent Non-Executive Directors of the Company, but they have the letters of appointment from the Company detailing the terms of their appointment. The Company's Non-Executive Directors and Independent Non-Executive Directors are not appointed for specific terms. However, the relevant Bye-laws require that every Director will retire by rotation at the AGM at least once every three years, which is in line with code provision B.2.2 of the CG Code.

The Company considers that its Non-Executive Directors and Independent Non-Executive Directors bring to the Board a good mix of expertise and experience in the fields of accounting, manufacturing, investment and business. Currently, the Company has four Independent Non-Executive Directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

MECHANISMS ENSURING INDEPENDENT VIEWS AVAILABLE TO THE BOARD

The Board has also established mechanisms to ensure independent views and input are available to the Board. The Board endeavours to ensure the appointment of at least three Independent Non-Executive Directors and at least one-third of its members being Independent Non-Executive Directors (or such higher threshold as may be required by the Listing Rules from time to time). Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, Independent Non-Executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

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

Independent Non-Executive Directors (as well as Non-Executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at the Board meetings. They can also seek assistance from the company secretary of the Company (the "Company Secretary") and, where necessary, independent advice from external professional advisers at the Company's expense. Independent Non-Executive Directors (as well as Non-Executive Directors) shall not vote or be counted in the quorum on any Board resolution approving any contract or arrangement in which such Director or any of his close associates has a material interest. No equity-based remuneration (e.g. share options or grants) with performance related elements will be granted to Independent Non-Executive Directors as this may lead to bias in their decision making and compromise their objectivity and independence.

During the year, a meeting was held between the Chairman and the Independent Non-Executive Directors without the presence of other Directors to discuss major issues and any concerns.

To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board. The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year end 30 June 2024.

APPOINTMENT & RE-ELECTION OF DIRECTORS

The appointment of a new Director is made on the recommendation by the Nomination Committee or by the shareholders of the Company in a general meeting. Shareholders may propose a candidate for election as a Director in accordance with the Nomination Policy and the Bye-laws. The nomination procedures for shareholders to propose a person for election as a Director are published on the website of the Company. Any Director who is appointed by the Board shall hold office until the next following AGM and shall then seek for re-election.

In accordance with bye-law 109 of the Bye-laws, one-third of Directors for the time being, or, if their number is not three or multiple of three, then the number nearest one-third but not less than one-third, shall retire from office by rotation. The retiring Directors shall be eligible for re-election at each AGM. For avoidance of doubt, each Director shall retire at least once every three years.

UPDATE ON DIRECTORS' INFORMATION

Mr. Frederick Edward Elkin Mocatta had been appointed as an Alternate Director of EnergyAustralia with effect from 1 April 2024. Ms. Yung Ka Sing Kathryn had been appointed as the Chief Investment Officer of Nanyang Holdings Limited (whose shares had been listed on the Hong Kong Stock Exchange, Stock Code: 212) with effect from 14 March 2024.

CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including relevant rules and regulations and are able to make further enquiries and they may seek independent professional advice and consultation when necessary. To enhance proper and up-to-date understanding of the Company's operations and business, legal and other regulatory requirements and appropriate emphasis on the roles, functions and duties of Directors, the Company has arranged training and briefing and provided reading materials as professional development programs to the Directors. During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills. The Company has received training records of the Directors as below:

	Training records received by the Company
Chairman & Non-Executive Director	
Nicholas Timothy James Colfer	✓
Chief Executive Officer & Executive Director	
Mark Stuart Worgan	✓
Non-Executive Directors	
Leong Kwok Fai Nelson	✓
Tong Chi Leung David	✓
John Jeffrey Ying	✓
Frederick Edward Elkin Mocatta	✓
Independent Non-Executive Directors	
Fung Yeh Yi Hao Yvette	✓
Danial George Green	✓
Nicholas James Debnam	✓
Yung Ka Sing Kathryn	✓

During the year, Mr. Frederick Edward Elkin Mocatta, the newly appointed Non-Executive Director, and Ms. Yung Ka Sing Kathryn, the newly appointed Independent Non-Executive Director, have also received formal, comprehensive and tailored induction and training to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

BOARD MEETINGS

The Board held a total of four Board meetings during the year in which two meetings were held to approve the interim and final results of the Group; the other meetings were held to consider financial and operating performances of the Group. The Chief Financial Officer ("CFO") and the Company Secretary, attended all Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial perspectives. Notice of at least 14 days has been given to all directors an opportunity to attend and all directors have the opportunity to include matters in the agenda for regular Board meetings. For regular Board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers have to be sent, in full, to all Directors in a timely manner before the date of Board meeting or Board committee meeting. All

Directors are entitled to have access to board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. Queries raised by the Directors have to receive a prompt and full response, if possible. All businesses transacted at the Board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

The proceedings of the Board at the meetings are conducted by the Chairman who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda. In addition, equal opportunities are being given to Directors to speak, express their views and share their concerns. Board meeting minutes record in sufficient detail for the matters considered by the Board and the decisions reached. The draft of each Board meeting minutes are sent to all Directors for comments.

If a substantial shareholder of the Company or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with a physical Board meeting rather than a written resolution. Independent Non-Executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

BOARD COMMITTEES

The Company currently has four Board committees, namely, Nomination Committee, Executive Committee, Audit Committee and Remuneration Committee. The Company provides sufficient resources to the Board committees to perform their duties. Where necessary, the Board committees should seek independent advice, at the Company's expenses, to perform their responsibilities. Full minutes of the Board committees' meetings are kept by the Company Secretary. Draft and final versions of meeting minutes are sent to all committees' members for their comments and records within a reasonable time after the meeting.

Nomination Committee

The Nomination Committee was established in 2012 and the terms of reference for the Nomination Committee are aligned with the CG Code. Detailed terms of reference of the Nomination Committee are accessible on the Company's website. Given below are main duties of the Nomination Committee and when considering matters related to nomination, the members of the Nomination Committee and the Board will have to abide by these principles:

– review the structure, size, composition and diversity of perspectives (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
– identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships
– assess the independence of Independent Non-Executive Directors
– make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive

The Director Nomination Policy of the Company setting out the current nomination practice, such as the criteria and procedures for the selection, appointment and re-appointment of the Directors, and the Board Diversity Policy had been adopted by the Company.

During the year, the Nomination Policy and the Board Diversity Policy have been reviewed by the Nomination Committee. In addition, the Nomination Committee also recommended the appointment of a new Independent Non-Executive Director and a new Non-Executive Director to the Board, and reviewed and considered the structure, size, composition and diversity of the Board to be appropriate. The range of professional expertise and experience represented by the Board members was both diverse and extensive. The independence of the Independent Non-Executive Directors was considered and the retirement and re-appointment of the Directors were also reviewed.

During the year, Mr. Yung Lincoln Chu Kuen had ceased and Ms. Yung Ka Sing Kathryn had been appointed as a member of the Nomination Committee with effect from the conclusion of the AGM on 7 December 2023.

As at the date of this annual report, the membership of Nomination Committee is set as follows:

Name of Director	Members of the Nomination Committee
Chairman & Non-Executive Director	
Nicholas Timothy James Colfer	Chairman of Nomination Committee
Independent Non-Executive Director	
Yung Ka Sing Kathryn	Member of Nomination Committee
Fung Yeh Yi Hao Yvette	Member of Nomination Committee

Executive Committee

The Executive Committee was established in 2005 and operates as an executive management committee under the Board to monitor and control the financial and operational performance of the Group.

During the year, Mr. Frederick Edward Elkin Mocatta had been appointed as a member of the Executive Committee with effect from 23 February 2024.

As at the date of this annual report, the Executive Committee consists of the Executive Director and four Non-Executive Directors as follows:

Name of Director	Members of the Executive Committee
Chairman & Non-Executive Director	
Nicholas Timothy James Colfer	Chairman of Executive Committee
Executive Director	
Mark Stuart Worgan	Member of Executive Committee
Non-Executive Director	
Tong Chi Leung David	Member of Executive Committee
Leong Kwok Fai Nelson	Member of Executive Committee
Frederick Edward Elkin Mocatta	Member of Executive Committee

The Executive Committee is primarily responsible for monitoring business and operational performance and progress of the Group's strategy deployment, reviewing financial performance against budget, facilitating the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters which arise between regularly scheduled Board meetings. Eight meetings were held during the year and the meeting minutes of the Executive Committee and monthly management reports were provided to the Board for review after each meeting.

Management is invited to join the meetings, where appropriate, to provide information to the Directors to enable the Executive Committee to make informed decisions. Where queries are raised by Directors, prompt and full responses will be given if possible.

During the year ended 30 June 2024, the Executive Committee oversaw the business operations of the Group and made timely business decisions.

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 systems. Detailed terms of reference of the Audit Committee are accessible on the Company's website.

During the year, the Audit Committee held four meetings with management and the external auditor for reviewing the interim and annual reports before submission to the Board for consideration and approval, reviewed the annual audit plan and scope of work for both external audit and internal audit, and discussed issues arising from the audits including financial reporting, risk management and internal control.

During the meeting, the CEO and CFO addressed the queries from the Audit Committee on matters concerning financial reporting, business performance, risk assessments, effectiveness of the internal audit function and compliance. External auditor reported on matters concerning the audit.

The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the year.

During the year, Mr. Yung Lincoln Chu Kuen had ceased and Ms. Yung Ka Sing Kathryn had been appointed as a member of the Audit Committee with effect from the conclusion of the AGM on 7 December 2023.

As at the date of this annual report, the members of the Audit Committee are as follows:

Name of Director	Members of the Audit Committee
Independent Non-Executive Director	
Nicholas James Debnam	Chairman of Audit Committee
Yung Ka Sing Kathryn	Member of Audit Committee
Non-Executive Director	
John Jeffrey Ying	Member of Audit Committee

Remuneration Committee

The Remuneration Committee was established in 2005 and the terms of reference of the Remuneration Committee are aligned with the CG Code. Detailed terms of reference of the Remuneration Committee are accessible on the Company's website. Given below are main duties of the Remuneration Committee:

– make recommendations on the Company's policies and structure for remuneration of the Directors and senior executives
– make recommendations to the Board on remuneration of Non-Executive Directors, Executive Director and senior executives
– review and approve performance-based remuneration
– review and approve compensation in connection with any loss or termination of office or appointment of any Executive Directors and senior executives

During the year, three meetings were held and the Remuneration Committee evaluated the remuneration packages of the Executive Director and the senior executives by linking their performance against corporate objectives, the profits of the Group and their potential contribution to the development of the Group. Determined on the basis of market benchmarks, experience, responsibilities and workload, the Remuneration Committee recommended to the Board the fees for the Non-Executive Directors and the Independent Non-Executive Directors. Senior management succession plan, which includes training and development needed for potential candidates, had also been reviewed.

As at the date of this annual report, the members of the Remuneration Committee are as follows:

Name of Director	Members of the Remuneration Committee
Independent Non-Executive Director	
Fung Yeh Yi Hao Yvette	Chairman of Remuneration Committee
Daniel George Green	Member of Remuneration Committee
Non-Executive Director	
Tong Chi Leung David	Member of Remuneration Committee

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the meetings of the Board, the Nomination Committee, the Executive Committee, the Audit Committee and the Remuneration Committee, and the general meeting of the Company held during the year ended 30 June 2024 is set out in the table below:

Name of Directors	Board Meeting	Nomination Committee Meeting	Executive Committee Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Annual General Meeting
Nicholas Timothy James Colfer	4/4	2/2	7/8	N/A	N/A	1/1
Mark Stuart Worgan	4/4	N/A	8/8	N/A	N/A	1/1
John Jeffrey Ying	4/4	N/A	N/A	4/4	N/A	1/1
Andrew Clifford Winawer Brandler[1]	2/2	N/A	N/A	N/A	N/A	1/1
Tong Chi Leung David	4/4	N/A	7/8	N/A	3/3	1/1
Frederick Edward Elkin Mocatta[2]	2/2	N/A	3/3	N/A	N/A	N/A
Leong Kwok Fai Nelson	3/4	N/A	6/8	N/A	N/A	1/1
Fung Yeh Yi Hao Yvette	3/4	2/2	N/A	N/A	3/3	1/1
Daniel George Green	4/4	N/A	N/A	N/A	3/3	1/1
Yung Lincoln Chu Kuen[3]	0/1	2/2	N/A	2/2	N/A	1/1
Nicholas James Debnam	4/4	N/A	N/A	4/4	N/A	1/1
Yung Ka Sing Kathryn[4]	3/3	0/0	N/A	2/2	N/A	N/A

Notes:

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

2 Mr. Frederick Edward Elkin Mocatta had been appointed as a Non-Executive Director and a member of the Executive Committee with effect from 15 December 2023 and 23 February 2024, respectively.

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

4 Ms. Yung Ka Sing Kathryn had been appointed as an Independent Non-Executive Director and a member of the Nomination Committee and the Audit Committee with effect from the conclusion of the AGM on 7 December 2023.

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-Executive Directors without the presence of the Executive Director and the Non-Executive Directors during the year for discussing, amongst other matters, Directors' time commitment and contribution in performing their responsibilities to the Company and the Group's strategy. All Independent Non-Executive Directors had attended the meeting except Mr. Yung Lincoln Chu Kuen due to other business engagements.

DIRECTOR NOMINATION POLICY

The Company has adopted a Director Nomination Policy (the "Nomination Policy") which set out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the following criteria in evaluating and selecting candidates for directorships, including but not limited to the following:

- Diversity on the Board including but not limited to gender, age, independence, cultural and educational background, ethnicity, professional experience, skills, expertise, knowledge and length of service in accordance with the Diversity Policy;
- Reputation for integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Meeting the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of Independent Non-Executive Directors; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Nomination Policy also sets out the procedures for the selection and appointment of new and replacement Directors and re-election of Directors at general meetings and nomination of Directors by the shareholders of the Company. During the year, the Nomination Committee has reviewed the Nomination Policy to ensure its effectiveness.

REMUNERATION POLICY

The principle of the Remuneration Policy is to promote enthusiasm, initiatives and motivate employees at all levels to achieve the Company's strategic objectives. Compensations for individual employees are based on market references in respect of the job definitions as well as individual performance, qualification and competence. Moreover, the Group provides its employees with training and various benefits including medical care, bonuses and other incentives.

Remuneration Committee reviews the remuneration of Directors and senior management and makes recommendation to the Board at least annually. Annual discretionary bonuses of Executive Director and senior management will be determined by reference to the performance against corporate objectives, agreed strategy deployment, the Group's profits and contribution to the Company's long-term growth. The fees for the Non-Executive Directors (including Independent Non-Executive Directors) are determined based on market benchmarks, experience, responsibilities and workload.

During the year, the Remuneration Committee has reviewed the implementation and effectiveness of the Remuneration Policy for Directors and senior management, and concluded that the Policy had been effectively implemented.

WHISTLEBLOWING POLICY & ANTI-CORRUPTION POLICY

The Board has adopted the Whistleblowing Policy and Anti-Corruption Policy. The Board and the Audit Committee will review the Whistleblowing Policy and the Anti-Corruption Policy periodically to ensure their effectiveness. Further details of the Company's Whistleblowing Policy and the Anti-Corruption Policy are set out in the Environment, Social & Governance Report contained in this annual report.

DIVIDEND POLICY

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

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

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

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

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that the Board's policy and procedures are followed with good information flow. In addition, the Company Secretary advises the Directors on relevant legislative, regulatory and corporate governance developments. All members of the Board have access to the advice and service of the Company Secretary. Board meeting and Board committees meeting minutes are kept by the Company Secretary and are opened for inspection by any Director upon requests.

Mr. Lung Chi Sing Alex is the CFO and has been the Company Secretary since 17 November 2016. He is a fellow member of the Association of Chartered Certified Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. He has complied with the requirements of Rule 3.29 of the Listing Rules during the year.

AUDITOR'S REMUNERATION

For the year under review, the fees charged to the financial statements of the Company and its subsidiaries by the Group's external auditor, KPMG and other member firms under KPMG, for services provided are analysed as follows:

	HK$'000
KPMG:	
Audit service	2,803
Non-audit services	360

RISK MANAGEMENT & INTERNAL CONTROLS

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

The Board is responsible for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and establishing and maintaining the appropriate and effective risk management and internal control systems.

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

Management of the Company performed risk assessment and implemented the systems of internal control and reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year.

During the year, enterprise risk management system has been further enhanced to report, evaluate, and resolve risks associated with the business. The system includes a well-defined governance structure, roles and responsibilities of different parties within the Group for risk management activity and describes the risk assessment methodology, which is defined and supported by the approved risk management policy.

The Group's risk assessment methodology comprises of five core stages, i.e. risk identification, risk assessment, risk response, risk monitoring, and risk reporting. The management maintains a risk register which set out current and emerging major risks, including ESG risks. The key risks identified are then evaluated in terms of likelihood and impact. The management determines the appropriate risk response and develops effective control activities, which are recorded in the risk register to facilitate the ongoing review. The Audit Committee and the Board review the risk management report quarterly to ensure key risks are captured, assessed, and controlled.

The internal audit function, which is independent of the Group's management, conducts internal audits of the Company, and its subsidiaries to review the effectiveness of the Group's risk management and internal control systems based on the internal audit plan and ad hoc requests from the Audit Committee. The annual internal audit plan is developed based on an assessment of various business and operational risks of the Group and is approved by the Audit Committee. It covers audits on financial, operational and compliance controls. The Audit Committee reviews the findings and opinion from the internal audit in respect of the effectiveness of the Group's risk management and internal control systems periodically, and reports to the Board the key findings of such reviews. Implementation of the agreed remedial actions by the relevant members of the management teams are tracked and followed up regularly. The status is also reported to the Audit Committee.

During the year, the Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the respective reports from management and internal audit quarterly and considered that, for the year ended 30 June 2024, the risk management and internal control systems of the Company were effective and adequate. The Audit Committee also reviewed the adequacy of resources, qualifications, experience and training programme arranged for internal audit staff and accounting and financial reporting staff and considered that the staffing was adequate and the staffs were competent to carry out their roles and responsibilities.

HANDLING & DISSEMINATION OF INSIDE INFORMATION

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

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at the general meetings of the Company, including but not limited to the election of individual Directors. All shareholders have the right to speak and vote at the general meetings. All resolutions put forward at the general meetings of the Company will be voted on by poll pursuant to the Listing Rules. The chairman of the general meeting has to ensure that an explanation is provided of the detailed procedures for conducting a poll and answer the questions from the shareholders on voting by poll. The poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting of the Company.

Procedures for shareholders to convene a special general meeting ("SGM") and put forward proposal at general meeting

Pursuant to bye-law 70 of the Bye-laws, the Board may, whenever it thinks fit, convene a special general meeting, and shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act.

The written requisition (i) must state the objects of the special general meeting ("SGM"), signed by the shareholders concerned and may consist of several documents in like form, each signed by one or more of those shareholders; (ii) shall be deposited at the Company's principal office in Hong Kong at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong for the attention of the Company Secretary; and (iii) will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, the SGM will not be convened as requested.

Procedures for shareholders to propose a person for election as a Director

Pursuant to bye-law 114 of the Bye-laws, no person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

If a shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's principal office in Hong Kong at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong, for the attention of the Company Secretary. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the shareholder concerned including the information/documents to verify the identity of the shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgement of the Notice shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Shareholders' enquiry

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Units 1801-1804, 18th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

A Shareholders' Guide with answers to the most frequent asked questions by shareholders regarding their interests in the shares of the Company and contact details of the Company is accessible on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Summary of Shareholders Communication Policy

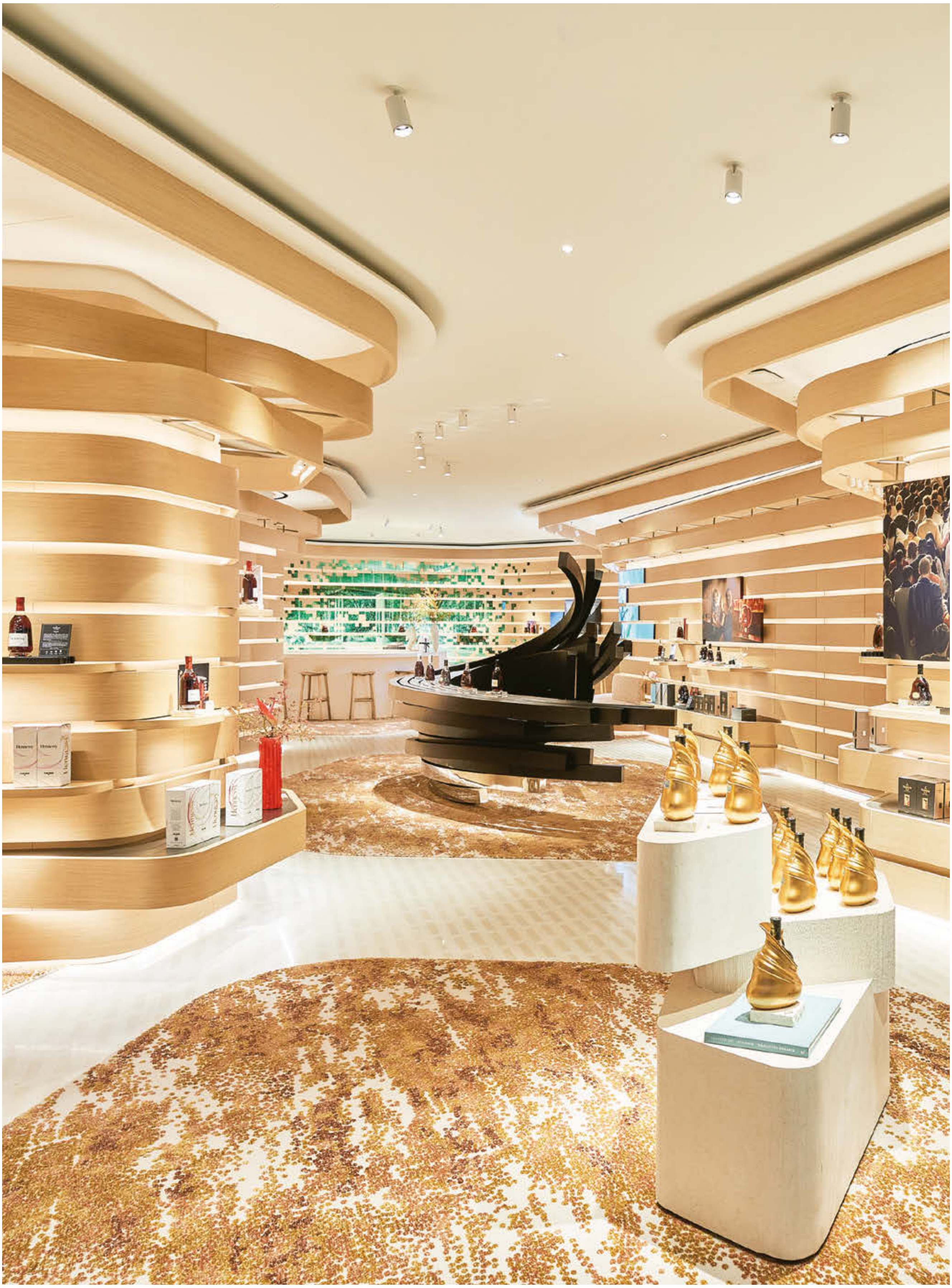
The Shareholders Communication Policy aims to set out the strategies of the Company for maintaining effective, transparent, accurate, continuous and open communication with the shareholders and the investment community at large. This policy reinforces the Company's commitment to promoting investor confidence by keeping the market fully informed at all times of the material information about the Company, so that shareholders and investment community have simultaneous access to the information relating to the Company's financial performance, strategic goals and plans, material development of its projects, corporate exercises and governance issues.

The policy states out various communication channels including, among others, the website of the Company, investor briefings and shareholders' meetings, through which the shareholders and investment community may communication with the Company from time to time. The policy is regularly reviewed to ensure its effectiveness and is available on the website of Company.

During the year, all members of the Board and the Board committees and KPMG, the external auditor of the Company, have attended the AGM on 7 December 2023 to answer the questions in the AGM. The Board considers that the Shareholders Communication Policy is effective during the year ended under review.

CONSTITUTIONAL DOCUMENTS

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



Hennessy flagship store in Taikoo Li Qiantan, Shanghai
Custom Tai Ping rugs

Environmental, Social & Governance Report

ABOUT THIS REPORT

Aim of the Report

Tai Ping is pleased to present our Environmental, Social and Governance ("ESG") report, covering our ESG management approach and performance for the financial year 2023/24. This report has summarised measures undertaken by the Group in its pursuit of sustainability and the evaluation of the environmental and social impact as a result of these actions.

Reporting Period

This report covers Tai Ping's ESG management approach and performance for the period from 1 July 2023 to 30 June 2024 ("the Reporting Period").

Scope of this Report

The scope of this report primarily covers Tai Ping's core business, including the key manufacturing workshop based in Xiamen, China, as well as showrooms and sales offices located in major cities around the world including the United States, Europe, the Middle East and Africa ("EMEA"), Asia, and the Premier Yarn Dyers ("PYD") facility in Georgia, the United States.

Reporting Guidelines

This report is compiled in accordance with the ESG Reporting Guide under Appendix C2 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited ("HKEX"), meeting the "mandatory disclosure requirements" and "comply or explain" provisions of the ESG Reporting Guide. This report summarises the initiatives, quantitative data, and approach that the Group undertakes to manage its material ESG issues, as well as discloses environmental quantitative information related to its sustainability performance and involvement which aims to provide the transparency and accountability of the Group's actions to stakeholders. For more information relating to the Group's business and its corporate governance practices, please refer to the Corporate Governance section in this Annual Report.

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

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

Endorsement and Approval

The Board is responsible for overseeing the statutory compliance, stakeholder engagement, ESG performance and risk management of Tai Ping. The approval of this ESG Report from the Board was obtained on 20 September 2024.

Feedback for this Report

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

ESG GOVERNANCE

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

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

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

To effectively manage sustainability initiatives, the Group's Director of Innovation is responsible for sustainable development in a global capacity. This role serves as the central point of contact for all team members regarding sustainability matters, including the management of sustainability assessments and the provision of information on the Group's certifications, accreditations, testing records, and other related resources.

Close collaboration has been established with the management of our production facilities to provide a client perspective, and with our worldwide sales and marketing teams to offer insights from a manufacturing standpoint. A series of monthly sustainability training sessions have been hosted for all Tai Ping associates. These sessions cover a wide array of topics, including concepts, regulations, certifications, metrics, audits, and more, further enhancing Tai Ping's knowledge and engagement in sustainable development.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Recognising the importance of engaging with its stakeholders, Tai Ping considers their input key to the sustainable development of the Group. We are dedicated to maintaining effective communication and interaction with different stakeholders through diversified communication channels and have collected opinions and suggestions from government and regulatory authorities, shareholders of the Group, employees, suppliers, customers and the general public to understand and meet their expectations and demands as far as possible.

Tai Ping has identified stakeholders that are likely to be impacted by our business activities, or likely to have impact on the Group. By engaging with different stakeholder groups on an ongoing basis, we understand and address the expectations, interests, concerns and needs of stakeholders and build trusted relationships with them.

Stakeholder	Communication Channel
Government and regulatory authorities	• Compliance management • Comply with policies
Shareholders of the Company	• General meeting • Regular reporting • Direct communication • Company website
Employees	• Regular performance assessment • Direct communication • Team-building activities
Suppliers	• Comprehensive management of bidding and tendering • Carry out projects in accordance with contracts • Assessment and review regularly
Customers	• Carry out customer satisfaction survey • Maintain interactions and open ways of communication with our customers • Regular external audit performed by specific customers
General public	• Charity activities • Company website • Staff volunteer activities

Materiality assessment was carried out in the financial year 2020/21 through stakeholder survey to prioritise Tai Ping's material issues. Following the stakeholder survey, Tai Ping conducted a review on the list of ESG topics in the financial year 2022/23 through desktop research on the latest sustainability trends and reassessing the material topics from the materiality assessment. 13 material topics were identified, and steps were taken as follows:

Identification of ESG topics

A review on the Group's sustainability-related practices and the material topics from the previous Reporting Period was carried out to identify a list of ESG topics relevant to the Group.

Prioritisation of ESG topics

With reference to the global sustainability trends, material topics of industry peers and local and international sustainability reporting standards, a re-evaluation of ESG topics was carried out to identify topics that are material to the Group.

Validation of sustainability topics

The list of material topics is revised and validated by the management based on their understandings of the Group's businesses and operations.

As there were no major changes in Tai Ping''s business in financial year 2023/24, the 13 material topics below continue to represent the key material topics that are relevant to our stakeholders.

Material topics of the Group	Relevant sections of the Report
Use of chemicals	• Water Resource Management and Wastewater Treatment • Pollution Prevention
Air pollutants and effluent discharge	• GHG Reduction and Energy Conservation • Water Resource Management and Wastewater Treatment
Sustainable use of resources	• Waste Management • Sustainable Manufacturing • Supply Chain Management
Climate change	• GHG Reduction and Energy Conservation • Climate Resilience and Adaptation
Product quality and safety	• Product Responsibility
Data privacy	• Product Responsibility
Product and process innovations	• Sustainable Manufacturing
Product lifecycle	• Sustainable Manufacturing
Corporate governance	• ESG Governance • Anti-Corruption
Human rights and labour practices	• Employment • Employee Welfare • Labour Standards
Occupational health and safety	• Occupational Health and Safety
Employee wellbeing and development	• Employment • Employee Welfare • Development and Training
Sustainable sourcing	• Supply Chain Management

Acknowledging that effective engagement is vital to continuous success and sustainable development of Tai Ping, we will continue to actively communicate and engage with our stakeholders and incorporate their insights into our sustainability management approach and align them with our long-term strategic planning.

ENVIRONMENTAL PROTECTION

Recognising the escalating risks to climate change on the Group's businesses and operations, Tai Ping is committed to shifting towards a low carbon economy and is taking adaptive measures through energy and water efficiency initiatives, as well as working to reduce the amount of waste production.

The Group strictly complies with relevant laws and regulations on environmental protection, including the *Environmental Protection Law of the People's Republic of China* (the "PRC") (《中華人民共和國環境保護法》), the *Law of the PRC on the Prevention and Control of Air Pollution* (《中華人民共和國大氣污染防治法》), the *Law of the PRC on the Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》) and the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》).

In addition to the annual internal and external environmental audit conducted to ensure the environmental management practices are up to standard, the Group also undertook the Ecovadis sustainability performance assessment to enhance the Group's commitment to corporate social responsibility. The Ecovadis rating system employs a comprehensive framework of non-financial management criteria, encompassing vital aspects such as environmental responsibility, labour and human rights, ethical practices, and sustainable procurement strategies. Following this assessment Tai Ping obtained a scoring class of Silver in the prior year, positioning itself among the top 23% of evaluated enterprises. This accomplishment underscores Tai Ping's dedication to sustainable practices and responsible business conduct. The Group initiated work on the upcoming Ecovadis assessment during the Reporting Period and intends to formulate a corrective action plan based on the identified areas of improvement during the assessments to further enhance the Group's sustainability performance and Ecovadis ratings.

During the Reporting Period, there have been no reports of non-compliance with regulations.

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

Environmental Targets in 2024

KPIs	Methods	2024 Targets	Status
Environmental pollution accident	Calculated by complaints received from nearby resident and enterprises or government judgment	0	Target met
Water emission level shall adhere with the Standard of Emission Limits of Water Pollution	The third-party monitoring report	Comply	Target met
Gas emission level shall adhere with the Standard of Emission Limits of Air Pollution	The third-party monitoring report	Comply	Target met
The noise level shall adhere with the Emission Standard for Industrial Enterprise Noise at Boundary	The third-party monitoring report	Comply	Target met

GHG Reduction and Energy Conservation

Tai Ping is committed to reducing its GHG emissions, which are primarily generated from manufacturing and transportation. Striving to reduce GHG emissions, Tai Ping has adopted various measures to limit emissions created from transportation with our regional operating facilities in the United States, Europe and Asia, which are in closer proximity to local markets. Standard Operation Procedures ("SOP") have been developed and implemented for environmental monitoring to track and control the emissions of GHG and other air pollutants.

The Group promotes the principles of energy conservation and GHG emissions reduction in the daily operations of the Xiamen manufacturing workshop. On top of the aforementioned environmental targets, an annual energy reduction target has been set at the Xiamen manufacturing workshop to reduce the average electricity consumption. During the Reporting Period, the energy usage target for the Xiamen manufacturing workshop has been met. The Group will continue reviewing the energy usage and further enhancing our energy-saving initiatives.

To reduce power consumption, the Group has installed frequency converters in various facilities of the Xiamen manufacturing workshop. Shipments are consolidated and heavy crafting and wrapping materials are reduced to eliminate extraneous journeys. Modern glass facades of the Group's buildings make use of natural light and minimise the amount of artificial lighting to reduce electricity costs. Other energy-efficient measures carried out include adopting energy-efficient LED lighting systems, promptly repairing malfunctioning equipment and leakages, switching off idle electric appliances, and setting a machine operating schedule.

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

Although the measured concentrations of exhaust emissions from the manufacturing workshop in Xiamen are all lower than the regulatory requirements and close to natural concentrations, the Group employs innovative technologies to further reduce emissions and pollutants from the source. For example, our carpets emit limited volatile organic compounds ("VOCs") and allergens, providing cushioning, anti-slip, acoustic and thermal benefits to homes while also benefiting allergy sufferers.

Climate Resilience and Adaptation

Recognising the potential ramifications of climate change on business operations, Tai Ping is dedicated to actively controlling the associated risks. The Group's business operations could be threatened by climate change through a rise in extreme weather incidents such as typhoons, floods, and heavy storms, which could disrupt our operations and cause physical damage to our manufacturing facilities and showrooms, resulting in financial losses. The escalation in the intensity of extreme weather conditions could disrupt the Group's supply chain, influencing the availability and cost of raw materials, and could result in additional costs due to logistic delays. The Group could also face transition risks due to alterations in the regulatory and market landscape brought on by climate change.

In light of these potential climate-related risks, climate-related considerations have been included in the Group-wide annual strategic risks assessment, in order to evaluate the likelihood and impact of climate-related risks. The Group plans to conduct a more comprehensive climate risk assessment to identify and assess material climate-related risks, which will form the foundation for our future climate resilience assessment and enhancement.

In addition to enhancing the Group's capability to cope with climate-related risks through strategic response plans, the Group is also committed to improving energy efficiency and minimising our carbon footprint in daily business operations. The Group is committed to close collaboration with upstream and downstream partners in mitigating climate-related risks and combatting climate change.

Water Resource Management and Wastewater Treatment

The potential climate-related risks could impact the stability of water supply and interfere the carpet manufacturing processes. In addressing such risks, the Group has taken active implementations to conserve freshwater resources. Due to local water restriction during part of the Reporting Period, the Group did not formulate an annual water reduction target at the Xiamen manufacturing workshop during the Reporting Period. The Group will continue to review the water conservation performance for the development of water reduction targets in the future, in order to move forward with the Group's effort to enhance our water-saving initiatives and minimise water consumption.

Initiatives on enhancing water efficiency

Use recycled water whenever possible to reduce the use of underground water.	Review the use of applicable new technologies on an annual basis for optimisation of water efficiency in production.	Upcycle soft-water discharged from the Wastewater Treatment System for use in bathrooms and irrigation systems to water outdoor grounds and employee rest areas to minimise effluent discharged to the environment.

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

Water and wastewater management at artisan workshop

The Tai Ping artisan workshop is a zero-pollutant discharge facility that fulfils 100% of its water needs through recycling and rainwater harvesting. Through its wastewater treatment plant, the Xiamen manufacturing workshop thoroughly processes the water, resulting in clean water that is effectively repurposed for yarn dyeing, bathrooms, cooling equipment in the factory and irrigation systems for the grounds and outdoor employee rest areas.

Pollution Prevention

Fully dedicating to minimising pollution and environmental impacts, Tai Ping has introduced various guidelines and procedures to ensure proper management of chemicals throughout the entire production process.

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

To reduce the impact on the environment and protect staff occupational health and safety, the emergency response procedures for handling hazardous chemicals are outlined in our *EHS Management Regulations for Hazardous Chemicals* (《危險化學品EHS管理規定》). Each department has responsibility for managing the storage, transportation, use and disposal of hazardous chemicals, with the EHS Department supervising the implementation of respective regulations and suggesting rectification measures to further mitigate risk. To minimise the potential impact of pollution, the *Emergency Procedure for Chemical Leakage* (《化學品洩漏應急預案》) is in place to set out the detailed emergency response procedures in case of an accidental leakage in the process of storage, transportation, use and disposal of hazardous chemicals. A new VOC treatment system has been implemented since the prior Reporting Period in the Xiamen manufacturing workshop to further minimise adverse environmental impacts from its air emissions.

Waste Management

Comprehensive internal policies and procedures are formulated by Tai Ping to set out appropriate methods for managing waste to ensure strict compliance with the regulations concerning waste and packaging materials. Furthermore, effective waste processing management is employed across all operations to minimise any adverse environmental impact.

Initiatives on minimising waste

To promote waste reduction, the Group has implemented a continuous improvement program for waste reduction, imposed stringent control of the weight and length of input materials and standardised the method of carpet fabrication.	To achieve waste reduction at the source, recyclable wastes will not be disposed of immediately and be prioritised for reuse in the manufacturing workshop. Offcuts (yarn and other materials) are reused in manufacturing through re-dyeing or in other projects.	Any materials not reused or recycled are donated or sold as raw materials to selected partners or innovators, used in a variety of ways such as for bedding materials and flexible outdoor sports surfaces, or for art installations such as sculptures and more.

Various types of waste, including fibres, fabrics, glue, plastics, solid waste, and sludge, are generated throughout the production process, packaging, office operations, and wastewater treatment due to the nature of carpet manufacturing. To ensure the proper classification of waste and processing, the Group has formulated and implemented the *Waste Management Procedure* (《廢棄物管理程序》). A waste segregation system is in place under which employees are required to collect and separate waste according to different categories. Different hazardous wastes are stored separately by category. Both hazardous wastes and non-hazardous wastes are collected by third-party contractors, who are authorised by a regulatory body to properly process and dispose of waste in fulfilment of environmental protection requirements.

Sustainable Manufacturing

Sustainable manufacturing and environmental stewardship are critical in Tai Ping's business operations. The Group is dedicated to continuously modernising operational processes to enhance efficiency and minimise environmental impact. The Group sources predominantly natural sustainable fibres, such as wool, silk, cashmere, cotton, jute and flax, which remain the source of economic vibrancy for millions of people, including small-scale processors and farmers. These natural fibres are renewable, recyclable, biodegradable, have anti-soiling properties and are flame resistant. These are preferable to synthetic fibres which are produced using fossil fuels and consume significant amounts of energy, shed microfibres and produce dangerous emissions.

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

As part of Tai Ping's commitment to sustainable development, the Biophilic Programme was launched at Milano Fuorisalone 2024 exemplifying the Group's dedication to creating high-quality, durable products while minimising environmental impact. This initiative aligns with the Group's core sustainability values, focusing on reducing waste, energy, and water usage, and phasing out synthetic materials. The programme features carpets crafted entirely from natural, undyed materials such as New Zealand and Berber wools, silk, flax, and linen, all of which are 100% biodegradable and sourced from ethical suppliers. By eliminating the dyeing process, the Biophilic Programme achieves a remarkable 60% water saving and an 85% reduction in energy consumption, ensuring the programme's products are non-polluting and environmentally responsible.

SOCIAL RESPONSIBILITY

Employment

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

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

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

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

Employee Welfare

A wide range of benefits are made available to employees. These include accommodation for workers relocated from different provinces, meal plans, paid leave, medical insurance plans, regular body check-ups, educational programmes, free transportation to and from work, and transportation subsidies for migrant workers to visit families at home. We have also acquired supplementary medical insurance for employees organised by the Xiamen General Labour Union, where employees may reimburse a portion of the cost of hospitalisation for common illnesses. Family-friendly initiatives such as paternity leave for male employees are also in place. In addition, Tai Ping also contributes to China's social security system on behalf of employees to support pension funds, medical insurance, industrial injury insurance, unemployment insurance and maternity insurance. Besides social insurance, the Group also provides accident insurance for employees in the Xiamen manufacturing workshop.

A healthy work-life balance for employees helps build a cohesive work environment and maintains a low employee turnover rate. A wide variety of initiatives have been implemented to enable effective management of work responsibilities and the personal lives of employees.

Initiatives on enhancing employee wellness

Interest groups are arranged for employees to promote active and healthy lifestyles, such as the fishing association, basketball club, and square-dancing association.	Female employees are granted half-day leave on International Women's Day to demonstrate appreciation for their hard work and dedication throughout the year.	Social activities are organised from time to time, such as Spring Festival reunion dinners, monthly birthday gatherings, Mid-Autumn Festival parties and lucky draws, and Christmas celebrations, to foster a sense of togetherness.

Sports Day at Xiamen manufacturing workshop

The Annual Sports Day was held during the Reporting Period, where employees were divided into teams to compete in various exciting contests. Not only did the event provide an excellent platform for employees from different departments to interact and build connections, but it also created a positive corporate culture of health by motivating employees to embrace sports and physical activities. Over 150 employees participated in the event this year, serving as a key demonstration of Tai Ping's commitment to holistic employee wellness.

Occupational Health and Safety ("OHS")

Viewing employees as our greatest asset, the wellbeing of employees is the foremost concern of Tai Ping. The Group's occupational health and safety system has been accredited with the ISO 45001 Occupational Health and Safety Standard. To ensure the safety of employees at our factories, the Group has comprehensive policies and procedures in place, including the *Control Procedures for Environmental Operation* (《環境操作的控制程序》), *Hazardous Chemicals EHS Management Regulations* (《危險化學品環境、健康及安全管理條例》) and the *Control Procedures for Occupational Health and Safety Operation* (《職業健康安全運行的控制程序》) that safeguard compliance with applicable occupational health and safety laws and regulations.

Our dedicated Safety Committee comprises senior executives from all key business units and continues to take responsibility for administering the health and safety management system of the Group and ensuring that its procedures are adopted in its day-to-day operations. Regular reviews of the internal occupational health and safety management systems are arranged. To drive continuous improvement in safeguarding the health and safety of employees, the feedback from employees and contractors will be taken into consideration. Safety meetings were regularly organised by employee representatives during the Reporting Period. Internal and external OHS audits have also been conducted annually.

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

OHS Targets in 2024

KPIs	Methods	2024 Targets	Status
Workplace injuries	Total number of workplace injuries as defined by the Identification of Industrial Injury in 2024	≤ 4	Target met
Workplace injuries (including serious injury, lead to over 105 lost days)	Total number of workplace injuries in 2024 and workplace injuries defined by the Identification of Industrial Injury, including the number of serious injury (lead to over 105 lost days)	0	Target met
Pitfall correction rate	(The number of corrective pitfall/Total pitfall) *100%	100%	Target met
Occupational disease	The number of occupational diseases	0	Target met
Direct economic loss of non-personnel casualties which over RMB20,000	The number of direct economic loss of non-personnel casualties which over RMB20,000	0	Target met

Operational staff are provided with regular safety training sessions to raise safety awareness and reduce the risks of fatalities, severe work-related injuries, and significant errors arising from equipment and facility failure. This approach effectively enhances safety awareness and minimises the potential workplace hazards across the workshops. We also organise fire drills, practice emergency drills and workshops on different workplace hazards to enhance the emergency preparedness of employees in case of any accident. Besides, workers are required to wear protective gear, including safety shoes, safety glasses, ear protection, gloves and task-specific protection, at all times when in the manufacturing site to ensure health and safety. Annual occupational body checks are arranged for all workers to ensure early diagnostic and treatment of any occupational diseases.

OHS risk mitigations at the Xiamen manufacturing workshop

Reinforce safety glass with shatter-resistant films to minimise the risk of injuries and damage caused by broken glass fragments.	Introduce logo printers as a replacement for manual spray-painting to minimise employees' exposure to harmful fumes.	Implement automated rack system modification to reduce the risk of falls during the lifting process.

Development and Training

Tai Ping believes fostering the personal growth and development of its employees is a key component in achieving sustainable business development. To achieve this, a wide variety of development and training opportunities are provided, aiming to empower employees to thrive. Investing in employees to grow their skills will not only boost productivity but also help retain talents by encouraging people to build a rewarding career with Tai Ping.

In order to improve employees' knowledge and skill sets in the premium custom carpet manufacturing industry, the Group formulates internal training plans every year to offer our employees tailored on-the-job training and self-learning programs. In addition, additional training sessions and team-building activities collaborated with external professional institutes and environmental operation training are arranged to strengthen team bonding and deepen employees' sense of belonging to the Group. An effective performance assessment mechanism, comprising the *Goal and Performance Management* (《目標與績效管理》) and the *Performance Improvement Plan* (《績效改善計劃》), is in place to motivate employees to deliver high performance. The mechanism enables the Group to evaluate employees' performance as well as plan relevant training and development programmes effectively.

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

During the Reporting Period, a total of 531 employees participated in the training sessions on different topics, for example, first aid skills training was arranged at the Xiamen production workshop to enhance the employees' capabilities in response to medical emergencies. In addition, comprehensive sustainability training was provided to our global sales team, particularly in preparation for the launch of Tai Ping's environmentally designed Biophilic Programme in Milan this year. This training was designed to deepen understanding of fundamental sustainability concepts and alignment with Tai Ping's core sustainability values and actions, with the aim to equip our team with the knowledge and skills necessary to navigate the evolving market landscape, foster more sustainable business practices and empower the team to confidently communicate on the Group's sustainability commitments to customers and stakeholders.

Labour Standards

Tai Ping respects and safeguards human rights and implements fair labour practices in all aspects of business operations. Our *Human Rights Policy* (《人權政策》) is in line with the international standard, Social Accountability 8000 (SA8000). Tai Ping firmly opposes the employment of child labour and upholds high labour standards. The Group also requires suppliers to apply the same standard in their operations to prevent child and forced or trafficked labour. *Child Labour Protection Procedures* (《防止童工政策》) are developed and implemented at the regional and local levels in compliance with the related regulations and laws. In the recruitment process, identity checks are performed by the human resource department to ensure all recruited employees are above the legal working age. All employees working in the Xiamen manufacturing workshop have signed employment contracts with working hours and overtime strictly regulated to protect their rights and interests.

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

Supply Chain Management

An efficient, reliable and stable supply chain serves as the cornerstone of product quality assurance. Tai Ping has established and implemented various SOPs on supply chain management, including the *Management of Raw Materials Suppliers* (《外部供方的管理》), *Procurement Control* (《採購控制》), *Suppliers' EHS Management* (《供應商環境安全管理程式》) to effectively manage environmental and social risks throughout the value chain.

Tai Ping demands the highest ethical and environmental standards throughout its global business operations and within its supply chain. The source of all incoming materials and the ethical standards of all approved suppliers are verified. Suppliers are required to sign the *Social Responsibility Commitment* (《社會責任承諾書》) and the *Hazardous Substances Restriction Commitment* (《有害物質限制承諾使用書》) to declare their commitment to Workplace Conditions Assessment ("WCA") standard and compliance with *Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals* (《化學品的註冊、評估、授權和限制》) of the European Union and the *Restricted Substances List for Textile Products* (《紡織產品限用物質清單》) of China.

In addition, a supplier management system is in place to verify their qualifications, assess their performance, review their occupational health and safety measures and ensure suppliers meet the Group's internal environmental and social standards. Annual audits on aspects such as the implementation of the supplier's EHS management system, crisis management and hazardous material handling are arranged for suppliers. Suppliers who fail to meet the standard and show no improvement after remedial actions were communicated will be removed from the approved supplier list. World-renowned luxury brands have registered Tai Ping as an approved supplier based on external auditing of its ethical sourcing.

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

Tai Ping & Label STEP partnership for hand knot production

During the Reporting Period, the Group's hand knotted division continued the partnership with Label STEP to ensure and certify that Tai Ping's partnered production in Nepal adheres to ethical, environmental, and social responsibilities.

This organisation was selected because of their collaborative approach to working with the mills, as opposed to a top-down, punitive approach for non-compliance. Label STEP also focuses on environmental concerns with a view to creating solutions that are sustainable in the long term, with the mills taking ownership of maintenance and development. The partnership will be effective both in the selected mills' existing policies and socially responsible management combined with Label STEP's holistic auditing structure.

Product Responsibility

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

To better understand the needs of its customers, the Group collects feedback on its services and product quality through communication channels such as the annual customer satisfaction survey. The Group will review the content and data of the customer's feedback, identify room for improvement according to the survey result and formulate corrective measures where practicable.

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

The Group's human resources policies include practices regarding conflict of interests, confidentiality, intellectual property, copyright protection and sensitive data privacy protection. A *Confidential Data Policy* (《資料保密政策》) has been established to lay out standards for the use of confidential data and outline specific security controls for the protection of this data. In order to protect the Group's confidential data, internal network has been developed where the company server and email cannot be accessed through public network. Unless specifically authorised, the use of smart devices with cameras is strictly prohibited in the workplace. A secure storage place is arranged for employees to store these devices before entering the workplace.

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

Anti-Corruption

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

The *Global Code of Conduct* outlines an employee's expected behaviour. Employees are required to comply with all applicable anti-corruption laws and specific guidance on the Group's stance on the payment to government officials, bribes and kickbacks, gifts, and conflicts of interest. This is introduced to all new employees during their orientation sessions. In addition, employees are required to sign the compliance declaration for the *Global Code of Conduct*, the *Global Anti-Corruption Policy* and the *Whistleblower Policy* (《舉報政策》) on an annual basis to ensure that they are familiar with the requirements. The *Whistleblower Policy* provides an official communication channel for the employees to raise their legitimate concerns of malpractice to the Audit Committee. Confidentiality is safeguarded with no form of retaliation allowed for reports or complaints made in good faith. In order to ensure that all complaints are treated promptly and fairly, investigation procedures are instigated as follows:

- Internal Audit Manager will carry out an initial review of the allegation received to assess whether the matter has any substance and falls under the purview of this *Whistleblower Policy* after consulting with the Chairman of Audit Committee.

- The whistleblower will be informed as to whether any initial inquiries have been made.
- In conducting an investigation, precautions will be taken to safeguard against unfounded, inaccurate, or unwarranted accusations.
- The target of any investigation will have the opportunity to present relevant evidence and to understand the nature of the allegations.

- The format and length of an investigation will vary depending on the nature and particular circumstances of each reported case. Where appropriate, the matters raised may be referred to local regulatory authorities.

Tai Ping has also established the *Global Anti-Corruption Policy* in 2022 to set out the responsibilities of the Group, and all individuals who work for the Group, in observing and upholding Tai Ping's position on bribery and corruption and provide information and guidance to those individuals working for the Group on how to recognise and deal with bribery and corruption issues. All employees are required to comply with the *Global Anti-Corruption Policy*, and training had also been arranged for all employees globally to introduce the *Global Anti-Corruption Policy*, as well as concepts on corruption and bribery and the Group's resources to anti-bribery.

Ongoing monitoring, regular reviews, and periodical staff training are carried out to ensure the effectiveness of the *Whistleblower Policy*. During the Reporting Period, 531 employees attended anti-corruption related trainings, with approximately 265.5 training hours in total. The Group had no known material instances of non-compliance with relevant laws and regulations regarding bribery, extortion, fraud, or money laundering in its countries of employment.

Community Investment

Tai Ping remains strongly committed to the social obligations towards the communities. The Group fully realises the importance of the contributing factors to its success and strives to support the sustainable development of the communities and create long-term value for stakeholders. The Group acts as a responsible corporate citizen by fostering an ideal workplace, emphasising employing locals wherever possible to boost the domestic economy at Xiamen. In addition, employees are encouraged to participate in local charity activities and create greater value for society.

Appendix I: Key Performance Data

Environmental

Environmental KPIs	Unit	FY2023/24[1]	FY2022/23	FY2021/22[1]
NOx emissions[2]	tonne	0.03	0.03	0.03
Total greenhouse gas (GHG) emissions[3]	tonne CO_2e	3,436.90	3,363.27	3,636.78
Scope 1 – Direct emissions[4]	tonne CO_2e	51.62[5]	79.64	164.21
Scope 2 – Energy indirect emissions[6]	tonne CO_2e	3,385.29	3,283.63	3,472.57
By revenue	kg CO_2e/revenue (HK$'000)	5.29	5.47	6.23
Total hazardous waste produced	tonne	2.26[7]	1.22	0.65
By revenue	kg/revenue (HK$'000)	0.004	0.002	0.001
Total non-hazardous waste produced	tonne	129.40	137.42	158.35
By revenue	kg/revenue (HK$'000)	0.20	0.23	0.27
Total energy consumption	kWh	7,479,795.71	7,190,275.92	7,698,569.95
Total direct energy consumption[8]	kWh	47,710.59	59,121.92	61,204.95
Petrol	kWh	47,710.59	45,764.28	50,501.71
Diesel	kWh	0[9]	13,357.65	10,703.24
By revenue	kWh/revenue (HK$'000)	0.07	0.10	0.10
Total indirect energy consumption[8]	kWh	7,432,085.12	7,131,154.00	7,637,365.00
Purchased electricity	kWh	2,536,985.12[10]	2,147,154.00	2,093,365.00
Purchased steam	kWh	4,895,100.00	4,984,000.00	5,544,000.00
By revenue	kWh/revenue (HK$'000)	11.61	11.87	13.09
Total water consumption	m^3	83,051.00	84,583.00	79,730.00
By revenue	m^3/revenue (HK$'000)	0.13	0.14	0.14
Total packaging materials	tonne	41.40	41.00	43.53
By revenue	kg/revenue (HK$'000)	0.06	0.07	0.07

Social

Social KPIs	Unit	FY2023/24[11]	FY2022/23[11]
Number of employees			
Total number of employees	No.	531	536
Number of employees by employment type			
Full-time employees	No.	531	536
Part-time employees	No.	0	0
Number of employees by contract type			
Permanent	No.	529	533
Temporary	No.	2	3
Number of employees by gender			
Male	No.	267	265
Female	No.	264	271
Number of employees by age group			
Below 30	No.	80	91
30 – 50	No.	391	399
Above 50	No.	60	46
Number of employees by employment category			
Managers	No.	15	14
General employees	No.	516	522
Number of employees by geographical region			
Mainland China	No.	530	535
India	No.	1	1
Turnover			
Total number of resigned employees	No.	83	103
Number of full-time employees turnover by gender			
Male	No.	44	53
Female	No.	39	50
Full-time employee’s turnover rate by gender			
Male	%	16.48%	20.00%
Female	%	14.77%	18.45%
Number of full-time employees turnover by employee category			
Managers	No.	0	0
General employees	No.	83	103
Full-time employee’s turnover rate by employee category			
Managers	%	0.00%	0.00%
General employees	%	16.09%	19.73%
Number of full-time employees turnover by age group			
Below 30	No.	25	38
30 – 50	No.	56	63
Above 50	No.	2	2
Full-time employee’s turnover rate by age group			
Below 30	%	31.25%	41.76%
30 – 50	%	14.32%	15.79%
Above 50	%	3.33%	4.35%

Social KPIs	Unit	FY2023/24[11]	FY2022/23[11]
Number of full-time employees turnover by geographical region			
Mainland China	No.	83	103
India	No.	0	0
Full-time employee's turnover rate by geographical region			
Mainland China	%	15.66%	19.25%
India	%	0.00%	0.00%
Health and Safety			
Number of work-related fatalities	No.	0	0
Number of lost days due to work injury	Days	84[12]	20
Training			
Number of trained full-time employees	No.	531	528
Number of trained full-time employees by gender			
Male	No.	267	260
Female	No.	264	268
Percentage of trained full-time employees by gender			
Male	%	100.00%	98.11%
Female	%	100.00%	98.89%
Number of trained full-time employees by employee category			
Managers	No.	15	11
General employees	No.	516	517
Percentage of trained full-time employees by employee category			
Managers	%	100.00%	78.57%
General employees	%	100.00%	99.04%
Training Hours			
Average number of training hours completed by full time employee by gender			
Male	Hours	11.70	12.26
Female	Hours	13.10	12.98
Average number of training hours completed by full time employee by employee category			
Managers	Hours	24.03[13]	12.14
General employees	Hours	12.06	12.63
Number of suppliers by geographical region			
Hong Kong	No.	1	0
Mainland China	No.	32	25
New Zealand	No.	1	1
Other region	No.	1	2
Products			
Total products sold or shipped	No.	81,697	80,914
Total products sold or shipped subject to recalls for safety and health reasons	No.	0	0
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0.00%	0.00%
Total complaints received for products	No.	3	4
Total complaints received for services	No.	0	0

[1] The scope of the Environmental Performance data covers the key manufacturing workshop based in Xiamen.

[2] Air emissions comes from vehicles owned by the Group. The emission data is calculated according to the *How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs* issued by the HKEX.

[3] The GHG emission data is calculated using the latest available emission factors in line with United States Environmental Protection Agency's "Emission Factors for Greenhouse Gas Inventories, the Sixth Assessment Report by the Intergovernmental Panel on Climate Change and the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong* published by the Environmental Protection Department and the Electrical and Mechanical Services Department of the Hong Kong SAR Government.

[4] Scope 1 emission data was calculated according to the emission factors in the *How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the HKEX and the Greenhouse Gas Protocol*.

[5] The Scope 1 emissions in FY2023/24 decreased by 35.18% as compared with FY2022/23. It was mainly due to less refrigerant consumption for maintenance during the Reporting Period, and the backup diesel generators were not used as there were no power outages during the Reporting Period.
R410A is mainly used for air conditioning maintenance, if leakage or consumption is found, it can be replenished.

[6] Scope 2 emissions was calculated according to the national emission factors for mainland China published by The Ministry of Ecology and Environmental of People's Republic of China (2023).

[7] The amount of total hazardous waste produced in FY2023/24 increased by 85.25% as compared with FY2022/23. It was mainly due to the replacement of filter cartridges in softening water systems during the Reporting Period.

[8] Definition of direct and indirect energy refers to Part 2 of the ISO14064-1 standard.

[9] There was no diesel consumption in FY2023/24 as there were no power outages during the Reporting Period and the backup diesel generators were not used.

[10] The amount of electricity consumption in FY2023/24 increased by 18.16% as compared with FY2022/23. It was mainly due to some of the steam facilities was replaced with electricity.

[11] The scope of the Social Performance data covers the key manufacturing workshop based in Xiamen.

[12] There were two incidents during the Reporting Period due to mishandling of equipment, leading to minor injuries of two employees. Appropriate medical treatment was promptly arranged to ensure adequate rest and healing for the injured employees. The Group has also reviewed the injury cases and implemented corresponding preventive measures to avoid similar accidents in the future.

[13] The average number of training hours completed by full time managerial employee increased by 97.94% as compared with FY2022/23. It was mainly due to the ISO system training arranged for managers during the Reporting Period.

Appendix II: HKEX ESG Reporting Guide Index

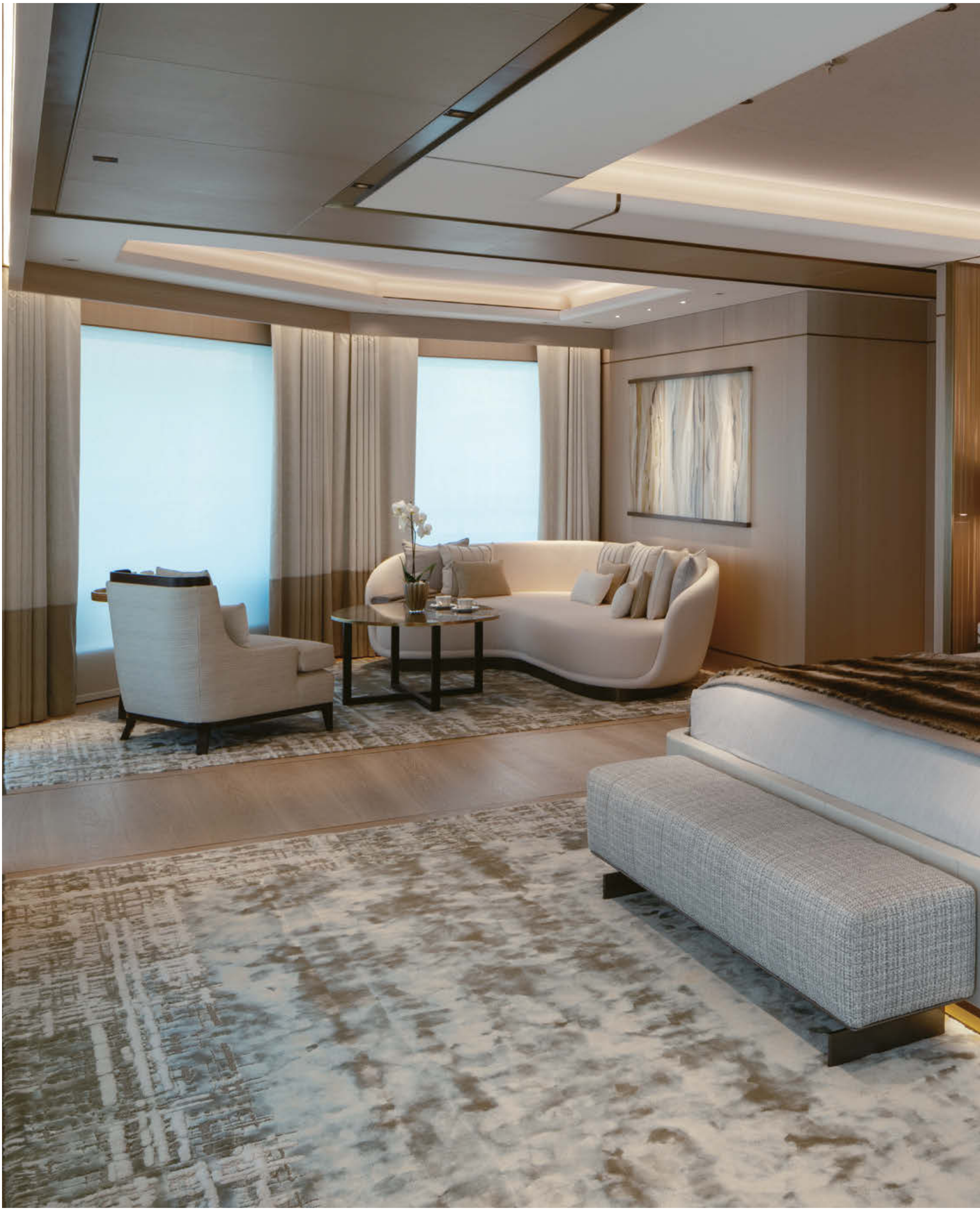
Mandatory Disclosure	Requirements	Section	Remarks
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage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

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection; GHG Reduction and Energy Conservation	
KPI A1.1	The types of emissions and respective emission data.	Appendix I: Key Performance Data	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Appendix I: Key Performance Data	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Appendix I: Key Performance Data	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Appendix I: Key Performance Data	
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection; GHG Reduction and Energy Conservation	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection; Waste Management; Sustainable Manufacturing	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Appendix I: Key Performance Data	
KPI A2.2	Water consumption in total and intensity.	Appendix I: Key Performance Data	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection; GHG Reduction and Energy Conservation	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection; Water Resource Management and Wastewater Treatment	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix I: Key Performance Data	
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Environmental Protection	
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Resilience and Adaptation	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Resilience and Adaptation	

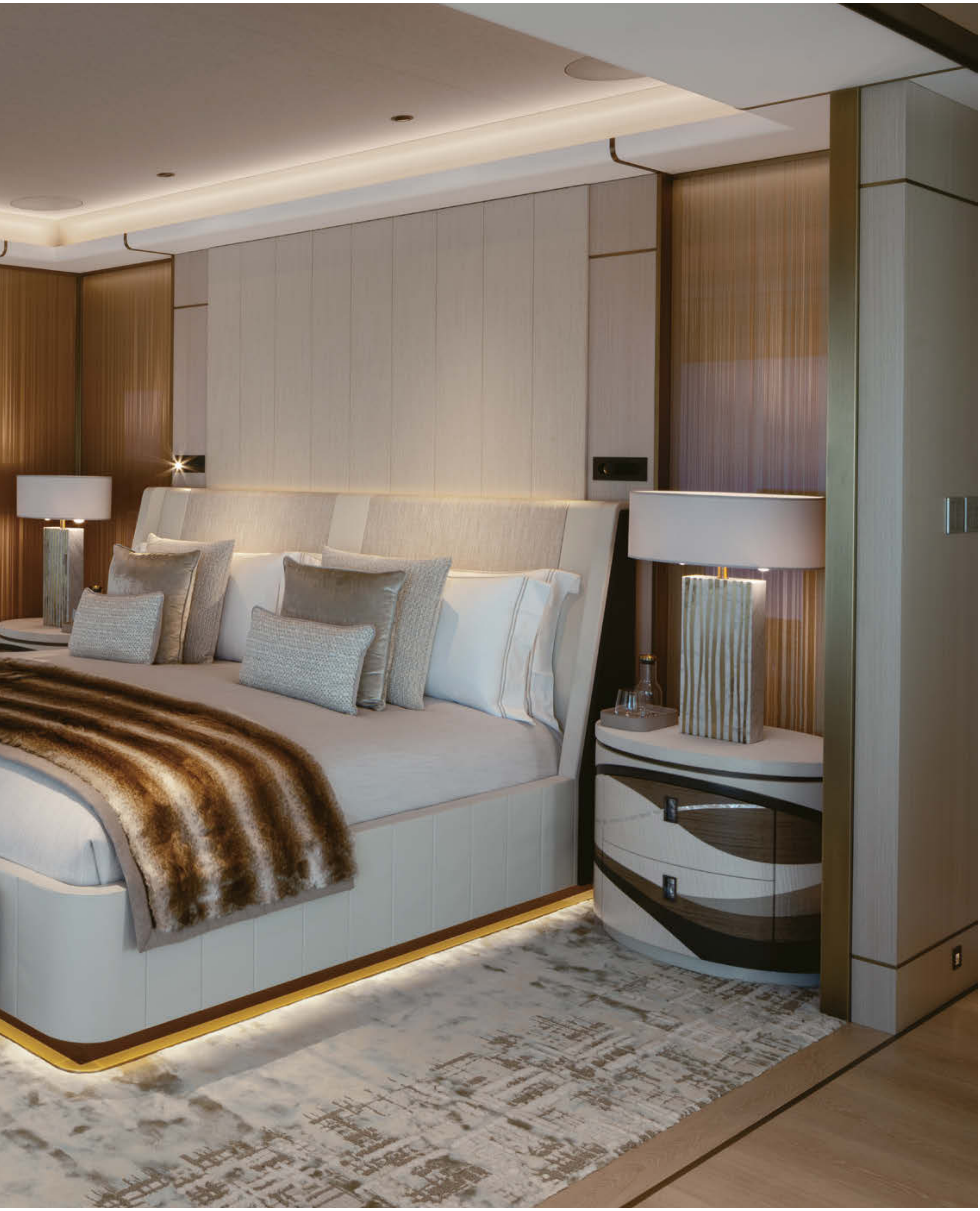
Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment; Employee welfare	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Key Performance Data	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Key Performance Data	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		There were no occupational fatalities in the past three years.
KPI B2.2	Lost days due to work injury.	Appendix I: Key Performance Data	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
KPI B3.1	The percentage of employees trained by gender and employee category.	Appendix I: Key Performance Data	
KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Key Performance Data	
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	

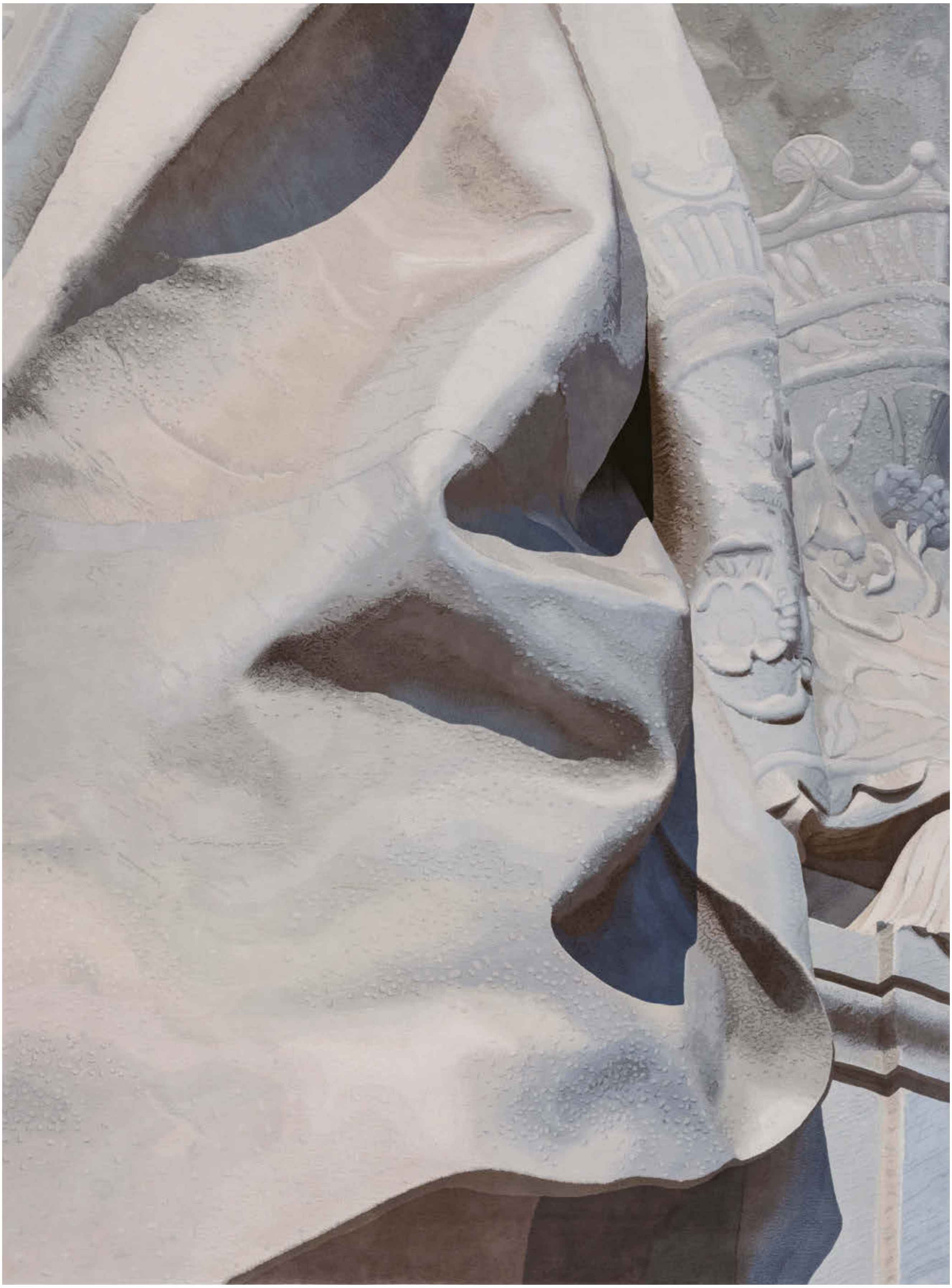
Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI B5.1	Number of suppliers by geographical region.	Appendix I: Key Performance Data	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix I: Key Performance Data	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility; Appendix I: Key Performance Data	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility	
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	



M/Y Renaissance by Bannenberg & Rowell
Custom Tai Ping carpet





Photorealism Tapestry at London Craft Week
Hand tufted in wool

Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements for the year ended 30 June 2024.

PRINCIPAL ACTIVITIES & GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company and its subsidiaries (the "Group") consist of design, manufacture, import, export and sale of carpets and manufacture and sale of yarns. An analysis of the Group's performance for the year by segment is set out in Note 5 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are set out in Note 17 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the section head "Chairman's Statement" and "Management Discussion & Analysis" on pages 10 to 17 of this annual report. Details of the Group's Financial Risk Management are set out in Note 3 to the consolidated financial statements. Those information forms part of this Directors' report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

RESULTS & APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 86.

No interim dividend was paid during the year. The Directors recommend a final dividend of HK12 cents (2023: HK9 cents) per share, totaling HK$25,462,000 (2023: HK$19,097,000) for the year. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 6 December 2024, the final dividend will be paid to the shareholders of the Company on or about 30 December 2024 whose names appear on the register of members of the Company at the close of business on 16 December 2024.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$52,000 (2023: HK$331,000).

SHARE CAPITAL

No shares were issued during the year. Details of the share capital as at 30 June 2024 are set out in Note 24 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2024, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK$517,996,000 (2023: HK$546,267,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

No shareholder pre-emptive rights exist in the jurisdiction in which the Company was incorporated.

SHARE OPTIONS

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

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Group or existed during the year.

DIRECTORS

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

Chairman & Non-Executive Director
Nicholas Timothy James Colfer

Chief Executive Officer & Executive Director
Mark Stuart Worgan

Non-Executive Directors
Tong Chi Leung David
John Jeffrey Ying
Leong Kwok Fai Nelson
Andrew Clifford Winawer Brandler (resigned on 15 December 2024)
Frederick Edward Elkin Mocatta (appointed on 15 December 2024)

Independent Non-Executive Directors
Fung Yeh Yi Hao Yvette
Daniel George Green
Nicholas James Debnam
Yung Lincoln Chu Kuen (retired on 7 December 2023)
Yung Ka Sing Kathryn (appointed on 7 December 2023)

All Directors (including the Non-Executive Directors and Independent Non-Executive Directors) are not appointed for specific terms. However, the relevant Bye-laws require that every Director will retire by rotation at the AGM at least once every three years, which is in line with code provision B.2.2 of the CG Code.

In accordance with the bye-law 109 of the Bye-laws, Mr. Mark Stuart Worgan, Mr. Daniel George Green and Mrs. Fung Yeh Yi Hao Yvette will retire by rotation at the forthcoming AGM on 6 December 2024. Mr. Frederick Edward Elkin Mocatta, who was newly appointed as a Non-Executive Director by the Board on 15 December 2023, will retire at the forthcoming AGM on 6 December 2024 in accordance with bye-law 112(B) of the Bye-laws. Mr. Mark Stuart Worgan, Mr. Daniel George Green and Mr. Frederick Edward Elkin Mocatta, being eligible, will offer themselves for re-election while Mrs. Fung Yeh Yi Hao Yvette, being eligible, does not offer herself for re-election and will retire as an Independent Non-Executive Director at the conclusion of the forthcoming AGM on 6 December 2024. Mrs. Fung has served as an Independent Non-Executive Director for over 20 years and has decided to retire to devote more time to pursue her personal interests.

DIRECTORS' SERVICE CONTRACTS

Mr. Mark Stuart Worgan, Executive Director, has entered into an employment agreement with a subsidiary of the Group. The agreement has no fixed term and may be terminated by either party by three months' written notice.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

During the year, Ms. Yung Ka Sing Kathryn had been appointed as an Independent Non-Executive Director at the conclusion of the AGM 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 on 7 December 2023. 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 is 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. 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 for Ms. Yung Ka Sing Kathryn, the Company has received from each of the Independent Non-Executive Directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Board considers that each Independent Non-Executive Director is independent.

BIOGRAPHICAL DETAILS OF DIRECTORS & SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 20 to 21 and 147, respectively.

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

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company have any interest in any business which may compete with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

The Bye-laws provides that the Directors shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty except they shall incur or sustain through their own wilful neglect or default, fraud and dishonesty respectively. In addition, during the year ended 30 June 2024, the Company arranged appropriate liability insurance coverage in respect of any legal action against the Directors. The insurance coverage shall be reviewed on an annual basis.

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

As at 30 June 2024, the interests of the Directors in the shares of the Company and its associated corporations (within the meaning of the Part XV of Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK$0.10 each in the Company as at 30 June 2024

No. of ordinary shares held (long position)

Name	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	% of the issued share capital of the Company
John Jeffrey Ying	32,605,583	–	15.366%
Leong Kwok Fai Nelson	1,366,666	182,000[1]	0.730%
Tong Chi Leung David	431,910	–	0.204%

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 year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company (including their spouse and children under 18 years of age) to hold any interests in the shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, 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.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

BANK LOANS AND OTHER BORROWINGS

The Group does not have any outstanding bank loans or other borrowing as at 30 June 2024.

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years are set out on page 7 of this annual report.

PROPERTIES

Particulars of the major properties and property interest of the Group are shown on page 125 to 126 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the service to its customers. During the year, there was no material and significant dispute between the Group and its suppliers and/or customers.

EMPLOYEE RETIREMENT BENEFITS

Details of the Group's employee retirement benefits are set out in Note 27 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS & SUPPLIERS

During the year, the Group sold less than 20% (2023: 26%) of its goods and services to its five largest customers. Purchase of goods (primarily raw materials and consumables) and services from its largest supplier and the top five suppliers in aggregate were around 10% and less than 44% (2023: 13% and less than 48%), respectively.

None of the Directors and their close associates and the shareholders (who own more than 5% interest in the Company) have any interest in the five largest customers and suppliers.

CONNECTED TRANSACTIONS

1. Significant related party transactions entered into by the Group during the year, which did not constitute connected transactions and were not required to be disclosed under the Listing Rules, are disclosed in Note 34 to the consolidated financial statements.

2. Other related party transactions entered into by the Group for the year and up to the date of this Directors' Report, which fall under the definition of "connected transactions" or "continuing connected transactions" and not exempted under Rule 14A.31 and Rule 14A.33 of the Listing Rules, are as follows:

   The Company's subsidiaries have been from time to time supplying products and providing related ancillary services to The Hong Kong and Shanghai Hotels, Limited ("HSH") and its subsidiaries. These transactions fall under the definition of continuing connected transactions under the Listing Rules by virtue of the fact that The Mikado Private Trust Company Limited, a substantial shareholder of the Company, is also interested in more than 30% voting power of HSH. In accordance with the requirements of the Listing Rules, the Company entered into the New Products and Services Supply Agreement with HSH on 16 December 2022 (the "Agreement") for the supply of carpets, rugs and all forms of floorcoverings and related installation and transportation services to HSH and its subsidiaries on normal commercial terms for a period of three years from 1 January 2023 to 31 December 2025 subject to an annual cap of HK$9,000,000. An announcement in this respect was made on 16 December 2022. For the financial year ended 30 June 2024, the total invoiced value of these transactions ("HSH Transactions") amounted to approximately HK$8,993,000.

The Directors, including all the Independent Non-Executive Directors, have reviewed the HSH Transactions and confirmed that they have been entered into:

i. in the ordinary and usual course of business of the Group;
ii. on normal commercial terms or terms better to the Group than terms available to independent third parties; and
iii. the terms of the agreements governing them are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has reported to the Directors in their letter that based on their work performed:

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

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions.

ENVIRONMENTAL PROTECTION AND LEGAL COMPLIANCE

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

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

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

ANNUAL GENERAL MEETING

It is proposed that the forthcoming AGM will be held on Friday, 6 December 2024. Notice of the AGM will be published and dispatched to the shareholders of the Company together with this annual report.

CLOSURE OF REGISTER OF MEMBERS

To determining shareholders' entitlements to attend and vote at the forthcoming AGM on Friday, 6 December 2024, the transfer books and the register of members of the Company will be closed from Tuesday, 3 December 2024 to Friday, 6 December 2024 (both days inclusive). During such period no transfer of shares will be effected. To establish the right to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 2 December 2024.

For determining the entitlements to the proposed final dividend for the year, the transfer books and the register of members of the Company will be closed from Thursday, 12 December 2024 to Monday, 16 December 2024 (both days inclusive). During such period, no transfer of shares will be effected. To ensure that shareholders are entitled to receive the distribution of final dividend to be approved at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Wednesday, 11 December 2024.

CORPORATE GOVERNANCE PRACTICES

Details of the Company's corporate governance practices are set out in the Corporate Governance Report of this annual report.

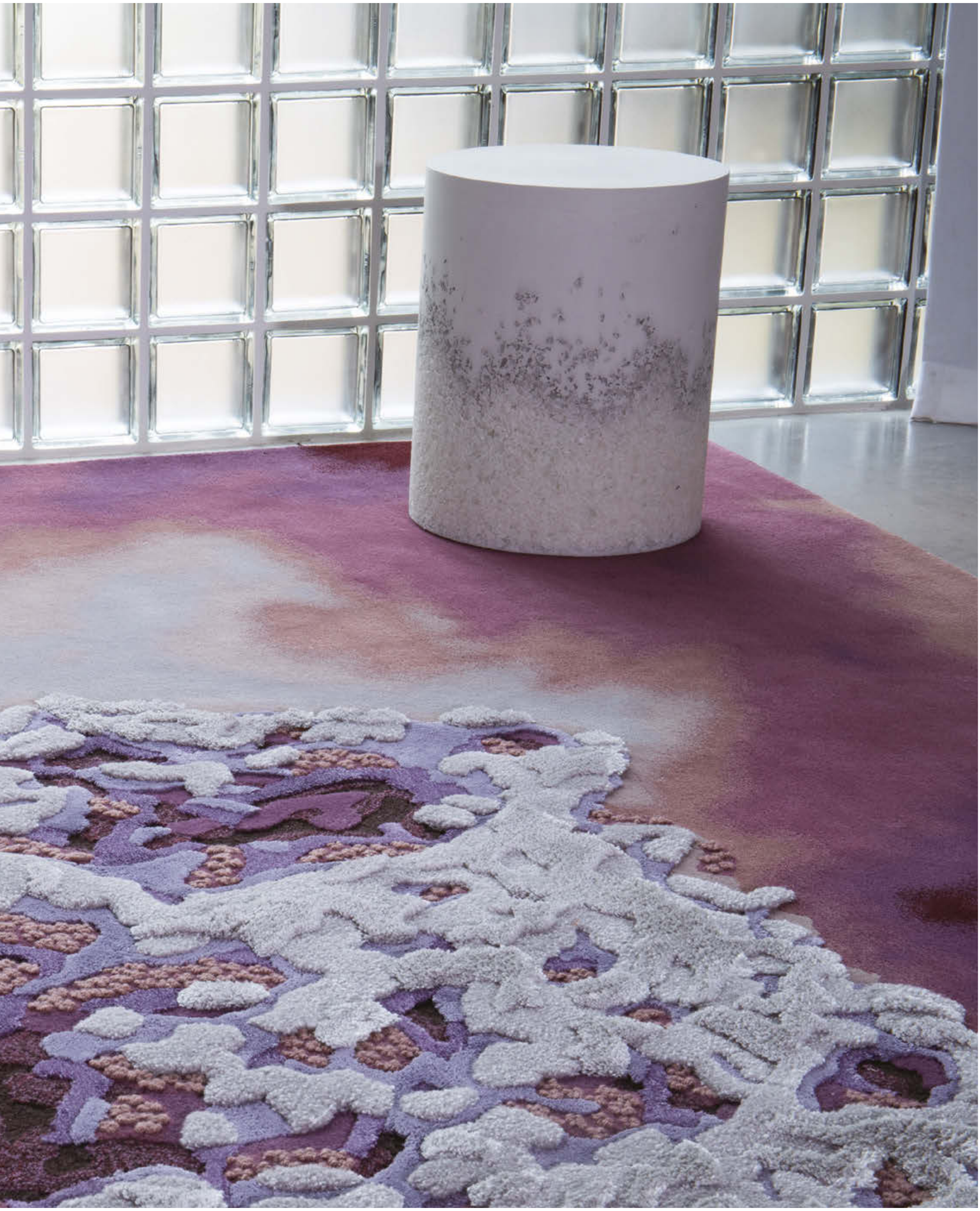
AUDITOR

The consolidated financial statements of the Company for the year ended 30 June 2024 have been audited by KPMG, who will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming AGM on 6 December 2024.

By order of the Board
Mark Stuart Worgan
Chief Executive Officer

Hong Kong, 20 September 2024

Possibility Of An Island I from the Reverence Addition by Fernando Mastrangelo for Edward Fields
Hand tufted in wool, silk and flax



Financial Section

Notes to the Consolidated Financial Statements

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Tai Ping Carpets International Limited ("the Company") and its subsidiaries ("the Group") set out on pages 86 to 146, which comprise the consolidated statement of financial position as at 30 June 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition	
Refer to note 5 to the consolidated financial statements and the accounting policy note 2.26.	
The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises sales of carpets. The terms of sales contracts relating to goods acceptance by customers are similar and revenue is generally recognised when the carpets are delivered to the location designated by the customers. We identified the recognition of revenue as a key audit matter because of its significance to the Group and errors in the recognition of revenue could have a material impact on the Group's results.	Our audit procedures to assess the appropriateness of revenue recognition included the following: • evaluating the design, implementation and operating effectiveness of key internal controls over the existence, accuracy and timing of revenue recognition; • challenging the revenue recognition policies adopted by the Group by making inquiries of management and inspecting a sample of sales contracts to understand the terms of the transactions to assess the Group's revenue recognition with reference to the requirements of the prevailing accounting standards; • on a sample basis inspecting manual adjustments made to revenue during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation; • assessing whether revenue had been recognised in the appropriate accounting period and in accordance with the terms of the sales contracts by comparing a sample of sales transactions recorded around the period end with relevant underlying documents, which included delivery notes or documentation indicating the customers' acknowledgement of delivery of the goods sold; and • identifying significant sales returns from the sales ledger after the period end and inspecting the underlying documentation to assess if the related adjustments to revenue had been accounted for in the appropriate reporting period.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yau Ngai Lun, Alan.

KPMG
Certified Public Accountants

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

20 September 2024

Consolidated Income Statement

For the year ended 30 June

	Note	2024 HK$'000	2023 HK$'000
Revenues	5	**640,215**	600,596
Cost of sales	6	**(245,202)**	(240,682)
Gross profit		**395,013**	359,914
Distribution costs	6	**(189,040)**	(167,285)
Administrative expenses	6	**(157,966)**	(159,228)
Other (losses)/gains – net	8	**(2,450)**	6,526
Operating profit		**45,557**	39,927
Finance income – net	9	**2,231**	85
Profit before income tax		**47,788**	40,012
Income tax expenses	10	**(5,675)**	(1,588)
Profit for the year attributable to the owners of the Company		**42,113**	38,424
Earnings per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic/diluted	11	**19.85**	18.11

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	2024 HK$'000	2023 HK$'000
Profit for the year	42,113	38,424
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations	(502)	37
Item that has been or may be reclassified subsequently to profit or loss		
Currency translation differences	3,588	(26,267)
Other comprehensive income/(loss) for the year, net of tax	3,086	(26,230)
Total comprehensive income for the year attributable to the owners of the Company	45,199	12,194

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June

	Note	2024 HK$'000	2023 HK$'000
Assets			
Non-current assets			
Land use right	13	22,809	23,162
Property, plant & equipment	14	211,380	209,883
Investment property	14	70,077	71,192
Construction in progress	14	270	270
Intangible assets	15	10,239	12,539
Right-of-use assets	16	90,336	114,797
Lease receivable	20	6,182	–
Prepayments	19	8,094	4,187
		419,387	436,030
Current assets			
Inventories	18	49,515	46,418
Trade & other receivables	19	97,437	91,618
Current income tax recoverables		–	529
Lease receivable	20	2,263	–
Pledged bank deposit	21	641	615
Fixed deposits	22	129,551	–
Cash & cash equivalents	23	133,772	217,657
		413,179	356,837
Total assets		832,566	792,867
Equity			
Equity attributable to owners of the Company			
Share capital	24	21,219	21,219
Reserves	25	240,561	236,973
Retained earnings:			
Proposed final dividend	12	25,462	19,097
Others		167,698	151,305
Total equity		454,940	428,594

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

As at 30 June

	Note	2024 HK$'000	2023 HK$'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	26	1,242	1,380
Retirement benefit obligations	27	5,014	4,161
Lease liabilities	30	88,320	97,775
Other long-term liabilities		262	–
		94,838	103,316
Current liabilities			
Trade & other payables	28	169,626	153,931
Contract liabilities – Deposits received in advance	29	78,989	76,591
Current income tax liabilities		8,236	4,092
Lease liabilities	30	25,937	26,343
		282,788	260,957
Total liabilities		377,626	364,273
Total equity & liabilities		832,566	792,867
Net current assets		130,391	95,880
Total assets less current liabilities		549,778	531,910

The financial statements on pages 86 to 146 were authorised for issue by the Board of Directors on 20 September 2024 and were signed on its behalf.

Nicholas Timothy James Colfer
Chairman

Mark Stuart Worgan
Executive Director

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June

	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 year	–	–	–	38,424	38,424
Other comprehensive income for the year					
Remeasurement of retirement benefit obligations	–	–	–	37	37
Currency translation differences	–	–	(26,267)	–	(26,267)
Total other comprehensive (loss)/income for the year, net of tax	–	–	(26,267)	37	(26,230)
Total comprehensive (loss)/income for the year	–	–	(26,267)	38,461	12,194
Total contributions by and distributions to the owners of the Company, recognised directly in equity					
Dividend for FY2021/22	–	–	–	(12,731)	(12,731)
Balance at 30 June 2023	21,219	189,699	47,274	170,402	428,594
Balance at 1 July 2023	21,219	189,699	47,274	170,402	428,594
Comprehensive income					
Profit for the year	–	–	–	42,113	42,113
Other comprehensive income for the year					
Remeasurement of retirement benefit obligations	–	–	–	(502)	(502)
Currency translation differences	–	–	3,588	–	3,588
Total other comprehensive income/(loss) for the year, net of tax	–	–	3,588	(502)	3,086
Total comprehensive income for the year	–	–	3,588	41,611	45,199
Total contributions by and distributions to the owners of the Company, recognised directly in equity					
Dividend for FY2022/23 (Note 12)	–	–	–	(19,097)	(19,097)
Dividend forfeited	–	–	–	244	244
Balance at 30 June 2024	21,219	189,699	50,862	193,160	454,940

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	110,244	67,042
Income tax (paid)/refunded		(1,081)	1,720
Net cash generated from operating activities		109,163	68,762
Cash flows from investing activities			
Purchases of property, plant & equipment and construction in progress		(15,685)	(11,523)
Acquisition of intangible assets		(2,844)	(1,930)
Proceeds from disposal of property, plant & equipment		34	2,125
Decrease in financial derivative instruments		–	1,405
Increase in fixed deposits		(129,551)	–
Interest received		6,492	3,491
Redemption of financial assets		–	32,729
Net cash (used in)/generated from investing activities		(141,554)	26,297
Cash flows from financing activities			
Increase in pledged bank deposit		–	(196)
Dividend paid to the Company's shareholders		(19,132)	(12,731)
Capital element of lease rentals paid	31(b)	(26,025)	(25,638)
Interest element of lease rentals paid	31(b)	(4,660)	(3,466)
Net cash used in financing activities		(49,817)	(42,031)
Net (decrease)/increase in cash & cash equivalents		(82,208)	53,028
Cash & cash equivalents at beginning of year		217,657	163,018
Exchange (losses)/gains on cash & cash equivalents		(1,677)	1,611
Cash & cash equivalents at end of year	23	133,772	217,657

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 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 consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") on 20 September 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years ended 30 June 2024 and 2023 presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Changes in accounting standards

(a) New and amended standard mandatory for the first time for the financial year beginning on 1 July 2023

The HKICPA has issued a number of amendments to HKFRS that are first effective for the financial year beginning 1 July 2023 and none of them have material impact to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year ended 30 June 2024 and have not been early adopted

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

HKAS 1	Presentation of Financial Statements (amendments)[1]
HKAS 7	Cash Flow Statements (amendments)[1]
HKFRS 7	Financial Instruments: Disclosures (amendments)[1]
HKFRS 16	Lease (amendments)[1]
HKAS 21	The Effects of Changes in Foreign Exchanges Rates (amendments)[2]

Notes:

1 Effective for the Group from 1 July 2024

2 Effective for the Group from 1 July 2025

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

2.3 Subsidiaries

(a) Consolidation

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

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Transactions between group companies, balances and related unrealised gains and losses are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group accounting policies.

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

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

(iii) Disposal of subsidiaries

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

(b) Separate financial statements

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board which makes strategic decisions.

2.5 Foreign currency translation

(a) Functional & presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$'000, which is the Company's functional and the Group's presentation currency.

(b) Transactions & balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "Other (losses)/gains – net".

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

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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

(d) Disposal of foreign operation and partial disposal

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

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

2.6 Property, plant & equipment and investment property

Buildings comprise mainly factories, retail outlets and offices. They are stated at cost or valuation less accumulated depreciation and impairment losses. Certain buildings were stated at valuation which was carried out prior to 30 September 1995. Under transitional provision in paragraph 80AA of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment properties are land and/or building which is owned or held under a leasehold interest (Note 2.10) to earn rental income and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation. Rental income from investment properties is accounted for as described in Note 2.26(d).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings & investment property	2%-18%
Machinery	8%-20%
Leasehold improvements	Shorter of lease term or useful life
Furniture, fixtures & equipment	6%-33%
Motor vehicles	18%-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.7 Construction in progress

Construction in progress represents machinery and furniture, fixtures and equipment to be installed, and buildings of which construction work has not been completed. Construction in progress is stated at cost, which includes construction expenditures incurred and other costs directly attributable to the construction capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction in progress until the construction work is completed. Upon completion, the construction in progress will be transferred to appropriate categories of property, plant and equipment and depreciated in accordance with the policy stated in Note 2.6.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

(a) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;
– management intends to complete the software product and use or sell it;
– there is an ability to use or sell the software product;
– it can be demonstrated how the software product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
– the costs attributable to the software product during its development can be reliably measured.

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives of 3 to 10 years.

(b) Brands

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

(c) Design library and other intangible assets

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Leased assets and land use rights

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

(a) As a lessee

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets as financial assets measured at amortised cost as the amount is held for the collection of contractual cash flows which represent solely payments of principal. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(b) As a lessor

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2.26(d).

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

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

The Group has adopted the practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 related concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in the income statement in the period in which the event or condition that triggers the rent concessions occurred (see Note 16). The practical expedient is applicable for lease payments due on or before 30 June 2022.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: fair value through profit or loss ("FVPL") and loans and receivables at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets at fair value through profit or loss

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

(ii) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(b) Recognition & measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.12 Offsetting financial instruments

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

2.13 Credit losses and impairment of financial assets

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

– financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposit, fixed deposits, lease receivables and trade and other receivables); and
– contract assets as defined in HKFRS 15.

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

Measurement of ECLs

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

ECLs are measured on either of the following bases:

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

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

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

Significant increases in credit risk

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Write-off policy

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

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

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade & other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction cost. All receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2.13).

2.16 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Subsequent changes in the fair value of these derivatives are recognised immediately in the consolidated income statement.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17 Cash & cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in Note 2.13.

2.18 Share capital

Ordinary shares are classified as equity.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Contract liabilities

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

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

2.21 Borrowing costs

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Current & deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

Pension obligations

A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administrated pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

2.24 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when i) the Group has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow of economic resources occurs so that outflow is probable, the contingent liability will then be recognised as a provision.

2.26 Revenue recognition

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

(b) Revenue from installation of carpets

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

(c) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to the gross carrying amount of the financial asset.

(d) Rental income from operating leases

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

(e) Dividend income

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Government grants

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

2.27 Research and development costs

Research costs are expensed as incurred.

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

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

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

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.29 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or the Group's parent.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) An entity is related to the Group if any of the following conditions applies:

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US$"), Chinese Renminbi ("RMB"), Euro and British pounds. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 30 June 2024, if US$ had strengthened/weakened by 5% (2023: 5%) against Euro with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately HK$336,000 (2023: HK$216,000), mainly as a result of foreign exchange losses/gains on translation of US$ denominated assets and liabilities in entities whose functional currency is Euro.

At 30 June 2024, if US$ had strengthened/weakened by 5% (2023: 5%) against RMB with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately HK$311,000 (2023: HK$255,000), mainly as a result of foreign exchange losses/gains on translation of US$ denominated assets and liabilities in entities whose functional currency is RMB.

At 30 June 2024, if RMB had strengthened/weakened by 5% (2023: 5%) against HK$ with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately HK$3,868,000 (2023: HK$2,631,000), mainly as a result of foreign exchange losses/gains on translation of RMB denominated assets and liabilities in entities whose functional currency is HK$.

At 30 June 2024, if Euro had strengthened/weakened by 5% (2023: 5%) against HK$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by approximately HK$596,000 (2023: HK$1,673,000), mainly as a result of foreign exchange gains/losses on translation of Euro denominated assets and liabilities in entities whose functional currency is HK$.

At 30 June 2024, if Euro had strengthened/weakened by 5% (2023: 5%) against British pounds with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately HK$107,000 (2023: HK$491,000), mainly as a result of foreign exchange losses/gains on translation of Euro denominated assets and liabilities in entities whose functional currency is British pounds.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk of the Group mainly arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including trade receivables, amounts due from related companies and other receivables. The carrying amounts of these balances in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's bank deposits are placed in major international banks and financial institutions. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has no significant concentrations of credit risk as the Group has a large number of customers, internationally dispersed. Sales to retail customers are made in cash or via major credit card companies. For project sales, the Group will request the customers for initial deposits and will accept orders only from those customers with an appropriate credit standing or history. The Group also performs periodic assessment of the trade receivables and believes that adequate provision for credit losses has been made. Due to the short duration of trade receivables and the business model adopted by the Group, the ECL allowance is not considered significant.

(c) Liquidity risk

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

As at 30 June 2024, the Group had total banking facilities of approximately HK$307,951,000 (2023: HK$305,302,000), of which approximately HK$4,563,000 (2023: HK$6,648,000) was utilised for trade facilities and no bank borrowing was drawn (2023: Nil). The Group's banking facilities are granted by several banks and they are subject to annual review.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the end of the financial year, the Group held cash and cash equivalents of approximately HK$133,772,000 (2023: HK$217,657,000) (Note 23) ready to meet liquidity needs.

3. 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 consolidated statement of financial position date to the contractual maturity date.

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

30 June 2024	Within 1 year HK$'000	After 1 year but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade & other payables	63,976	–	–	63,976
Lease liabilities	30,350	74,189	22,478	127,017
	94,326	74,189	22,478	190,993

30 June 2023	Within 1 year HK$'000	After 1 year but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'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

(d) Cash flow & fair value interest rate risk

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

The Group does not hold any bank borrowings as at 30 June 2024 and 2023.

The Group also holds cash at banks, bank deposits and fixed deposits which carry interest at market rates, the Group has no other significant interest-bearing assets. As the interest income and expenses derived therefrom are relatively insignificant to the Group's operations, its income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Management of the Group monitors the utilisation of borrowings and ensures full compliance with loan covenants during the year and at the end of each reporting period. In the event any loan covenants were breached, the management will take immediate actions to rectify the defaults.

3.3 Fair value estimation

The Group analyses the financial instruments carried at fair value as at 30 June 2024 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The Group does not have any assets and liabilities that are measured at fair value at 30 June 2024 and 2023.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2023: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

4. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONTINUED)

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

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

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

4.2 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

5. REVENUES & SEGMENT INFORMATION

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

	2024 HK$'000	2023 HK$'000
Sale of carpets & underlays	551,809	516,875
Installation of carpets & furnishing business	73,524	65,046
Sale of yarns & others	14,882	18,675
	640,215	600,596

No single external customer accounted for more than 10% of the Group's revenues for the years ended 30 June 2024 and 2023.

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the Board which are used to assess performance and allocate resources. The Board assesses the performance in respect of the following geographical areas: Asia, EMEA and America.

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

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

The segment information provided to management for the reportable segments for the years ended 30 June 2024 and 2023 are as follows:

For the year ended 30 June 2024

	Asia HK$'000	EMEA HK$'000	America HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	136,072	264,374	239,769	–	640,215
Cost of production[1]	(42,787)	(101,550)	(98,346)	–	(242,683)
Segment gross margin	93,285	162,824	141,423	–	397,532
Segment results	41,527	44,241	19,802	–	105,570
Unallocated expenses[2]					(60,013)
Operating profit					45,557
Finance income – net					2,231
Profit before income tax					47,788
Income tax expenses					(5,675)
Profit for the year					42,113
Non-current assets	303,272	67,896	47,280	939	419,387
Current assets	195,244	141,090	70,542	6,303	413,179
Total assets					832,566
Segment liabilities	120,004	137,768	98,004	21,850	377,626
Capital expenditure	(6,505)	(6,957)	(2,249)	(47)	(15,758)
Amortisation of intangible assets (Note 15)	(27)	(74)	(8)	(2,424)	(2,533)
Depreciation of property, plant & equipment (Note 14)	(8,386)	(2,759)	(3,868)	(415)	(15,428)
Depreciation of investment property (Note 14)	(1,846)	–	–	–	(1,846)
Depreciation of other right-of-use assets (Note 16)	(9,365)	(7,534)	(9,070)	–	(25,969)
Amortisation of land use right (Note 13)	(590)	–	–	–	(590)
Allowance for provision for inventories – net	(1,798)	(840)	(4,776)	–	(7,414)
Inventories written off	(548)	(11)	(24)	–	(583)
(Allowance for)/recovery of impairment of trade receivables – net	(98)	(1,604)	512	–	(1,190)

5. REVENUES & SEGMENT INFORMATION (CONTINUED)

For the year ended 30 June 2023

	Asia HK$'000	EMEA HK$'000	America HK$'000	Unallocated HK$'000	Group HK$'000
Revenue from external customers	127,992	236,708	235,896	–	600,596
Cost of production[1]	(48,496)	(100,791)	(91,986)	–	(241,273)
Segment gross margin	79,496	135,917	143,910	–	359,323
Segment results	35,813	32,121	21,882	–	89,816
Unallocated expenses[2]					(49,889)
Operating profit					39,927
Finance income – net					85
Profit before income tax					40,012
Income tax expenses					(1,588)
Profit for the year					38,424
Non-current assets	301,806	73,412	59,028	1,784	436,030
Current assets	171,031	114,132	63,821	7,853	356,837
Total assets					792,867
Segment liabilities	106,966	134,209	101,878	21,220	364,273
Capital expenditure	(310)	(1,396)	(9,236)	(413)	(11,355)
Impairment loss on property, plant & equipment (Note 14)	–	–	(1,347)	–	(1,347)
Amortisation of intangible assets (Note 15)	(155)	(72)	(74)	(2,874)	(3,175)
Depreciation of property, plant & equipment (Note 14)	(10,325)	(3,022)	(3,280)	(536)	(17,163)
Depreciation of investment property (Note 14)	(1,900)	–	–	–	(1,900)
Depreciation of other right-of-use assets (Note 16)	(9,066)	(6,886)	(10,487)	–	(26,439)
Amortisation of land use right (Note 13)	(608)	–	–	–	(608)
Allowance for provision for inventories – net	(4,724)	(221)	(2,578)	–	(7,523)
Inventories written off	(118)	(627)	(1)	–	(746)
Recovery of/(allowance for) impairment of trade receivables – net	9	(1,166)	(178)	–	(1,335)

Notes:

1 Cost of production comprises cost of sales, transportation and administrative expenses of the factories, which are classified as distribution costs and administrative expenses in the consolidated income statement.

2 Unallocated expenses include corporate expenses of the Group.

6. EXPENSES BY NATURE

	2024 HK$'000	2023 HK$'000
Raw materials & consumables used	49,823	51,088
Amortisation of intangible assets (Note 15)	2,533	3,175
Depreciation of property, plant & equipment (Note 14)	15,428	17,163
Depreciation of investment property (Note 14)	1,846	1,900
Depreciation/amortisation of right-of-use assets by class of underlying assets		
– Buildings and properties (Note 16)	25,693	26,179
– Other assets (Note 16)	276	260
– Land use right (Note 13)	590	608
Employee benefit expenses[1] (Note 7)	214,251	203,638
Expenses relating to short-term leases	2,254	1,674
Allowance for provision for inventories – net	7,414	7,523
Inventories written off	583	746
Allowance for impairment of trade receivables – net	1,190	1,335
Bad debts directly written off	9	59
Auditor's remuneration		
– Audit services	2,803	2,641
– Non-audit services	360	1,506
Legal and professional fees	8,135	8,960

Note:

1 During the year ended 30 June 2023, the Group recognised a Hong Kong government subsidy in relation to the COVID-19 pandemic and the amount was off-set with the employee benefit expenses.

7. EMPLOYEE BENEFIT EXPENSES

	2024 HK'000	2023 HK$'000
Wages & salaries (including Directors' emoluments)	210,105	199,637
Pension expense – defined benefit plans	462	406
Retirement benefit costs – defined contribution schemes	3,684	3,595
	214,251	203,638

(a) Retirement benefit costs – defined contribution schemes

Unvested benefits of approximately HK$271,000 (2023: HK$310,000) were refunded to the Group during the year. As at 30 June 2024 and 2023, no unvested benefits were available for use by the Group to reduce future contributions.

7. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2024 included one (2023: one) director whose emoluments are reflected in the analysis presented in Note 36. The emoluments payable to the remaining four (2023: four) individuals during the year are as follows:

	2024 HK$'000	2023 HK$'000
Basic salaries, housing and other allowances	12,421	11,476
Discretionary bonuses	4,985	4,546
Retirement benefit costs	1,248	950
	18,654	16,972

The emoluments fell within the following bands:

	No. of individuals	
	2024	2023
Emolument bands		
HK$3,500,001 – HK$4,000,000	1	1
HK$4,000,001 – HK$4,500,000	–	2
HK$4,500,001 – HK$5,000,000	1	–
HK$5,000,001 – HK$5,500,000	2	1

8. OTHER (LOSSES)/GAINS – NET

	2024 HK$'000	2023 HK$'000
Rental income	3,245	3,326
(Loss)/gain on disposal of property, plant & equipment	(3)	86
Net foreign exchange (loss)/gain	(681)	3,301
Loss on change in fair value of derivative financial instruments	–	(378)
Loss on revaluation of financial assets	–	(201)
Impairment loss on property, plant & equipment	–	(1,347)
Loss on derecognition of right-of-use assets	(6,420)	–
Others	1,409	1,739
	(2,450)	6,526

9. FINANCE INCOME – NET

	2024 HK$'000	2023 HK$'000
Finance income – interest income from banks	6,492	3,491
Finance costs – interest expenses for leases, net	(4,261)	(3,406)
Finance income – net	2,231	85

10. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 30 June 2024 (2023: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profits for the years ended 30 June 2024 and 2023 at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2024 HK$'000	2023 HK$'000
Current income tax		
Hong Kong	117	3,156
Overseas	4,549	535
Under/(over)-provision in prior years	1,147	(1,944)
Deferred income tax credit	(138)	(159)
Income tax expenses	5,675	1,588

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subjected to Hong Kong profits tax at a rate of 16.5% during the year (2023: 16.5%).

(b) PRC enterprise income tax

The enterprise income tax rate in the PRC of both domestic enterprise and foreign investment enterprise is 25% for the year ended 30 June 2024 (2023: 25%).

(c) United States corporate tax

Subsidiaries established in the United States are subjected to United States corporate tax at a rate of 28% for the year ended 30 June 2024 (2023: 28%).

(d) France corporate tax

Subsidiary established in France is subjected to France corporate tax at a rate of 25% for the year ended 30 June 2024 (2023: 25%).

10. INCOME TAX EXPENSES (CONTINUED)

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

	2024 HK$'000	2023 HK$'000
Profit before income tax	47,788	40,012
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	13,053	8,945
Income not subject to tax	(7,242)	(5,246)
Expenses not deductible for tax purposes	5,756	9,881
Utilisation of previously unrecognised tax losses	(9,550)	(10,508)
Tax losses for which no deferred income tax asset was recognised	2,092	139
Under/(over)-provision in prior years	1,147	(1,944)
Others	419	321
Income tax expenses	5,675	1,588

The weighted average applicable tax rate for the year ended 30 June 2024 was 26.1% (2023: 23.1%).

11. EARNINGS PER SHARE

Basic earnings 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 year.

	2024	2023
Profit attributable to owners of the Company (HK$'000)	42,113	38,424
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic earnings per share (HK cents)	19.85	18.11

The Group had no dilutive potential shares outstanding during the years ended 30 June 2024 and 2023.

12. DIVIDEND

No interim dividend was paid during the year ended 30 June 2024 (2023: Nil).

At the Board meeting held on 20 September 2024, the Directors proposed a final dividend of HK12 cents per share (2023: HK9 cents per share) amounting to a total dividend of approximately HK$25,462,000 (2023: HK$19,097,000), which is subject to the approval by the shareholders of the Company at AGM on 6 December 2024. This proposed final dividend is not reflected as a dividend payable in the consolidated financial statements, but is reflected as an appropriation of retained earnings for the year ended 30 June 2024.

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:

	2024 HK$'000	2023 HK$'000
At 1 July	23,162	25,600
Amortisation of land use right (Note 6)	(590)	(608)
Exchange differences	237	(1,830)
At 30 June	22,809	23,162

The lease typically runs for an initial period of 50 years.

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

	Property, plant & equipment							
	Buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures & equipment HK$'000	Motor vehicles HK$'000	Property, plant & equipment total HK$'000	Investment property HK$'000	Construction in progress HK$'000
At 30 June 2022								
Cost or valuation	211,096	51,996	132,493	41,518	3,070	440,173	82,656	545
Accumulated depreciation	(27,164)	(35,847)	(107,711)	(35,888)	(1,934)	(208,544)	(3,936)	–
Net book amount	183,932	16,149	24,782	5,630	1,136	231,629	78,720	545
At 1 July 2022	183,932	16,149	24,782	5,630	1,136	231,629	78,720	545
Additions	164	4,345	465	1,263	725	6,962	–	4,393
Transfer from construction in progress	–	3,218	1,441	–	–	4,659	–	(4,659)
Disposals	–	–	(2,015)	(25)	–	(2,040)	–	–
Depreciation (Note 6)	(5,567)	(3,997)	(4,764)	(2,330)	(505)	(17,163)	(1,900)	–
Impairment (Note 8)	(1,347)	–	–	–	–	(1,347)	–	–
Exchange differences	(11,653)	151	(1,099)	(171)	(45)	(12,817)	(5,628)	(9)
At 30 June 2023	165,529	19,866	18,810	4,367	1,311	209,883	71,192	270
At 30 June 2023								
Cost or valuation	196,673	59,662	112,156	41,593	3,510	413,594	76,668	270
Accumulated depreciation	(31,144)	(39,796)	(93,346)	(37,226)	(2,199)	(203,711)	(5,476)	–
Net book amount	165,529	19,866	18,810	4,367	1,311	209,883	71,192	270
At 1 July 2023	165,529	19,866	18,810	4,367	1,311	209,883	71,192	270
Additions	–	6,756	1,664	3,125	155	11,700	–	4,058
Transfer from construction in progress	–	4,060	–	–	–	4,060	–	(4,060)
Disposals	–	–	(27)	(1)	–	(28)	–	–
Depreciation (Note 6)	(5,063)	(4,662)	(3,140)	(2,058)	(505)	(15,428)	(1,846)	–
Exchange differences	1,438	(249)	88	(76)	(8)	1,193	731	2
At 30 June 2024	161,904	25,771	17,395	5,357	953	211,380	70,077	270
At 30 June 2024								
Cost or valuation	198,161	64,392	113,875	35,115	3,653	415,196	77,453	270
Accumulated depreciation	(36,257)	(38,621)	(96,480)	(29,758)	(2,700)	(203,816)	(7,376)	–
Net book amount	161,904	25,771	17,395	5,357	953	211,380	70,077	270

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

Depreciation expenses of approximately HK$8,316,000 (2023: HK$9,123,000) and approximately HK$8,958,000 (2023: HK$9,940,000) have been charged to cost of sales and administrative expenses, respectively.

Certain of the Group's buildings were revalued on an open market basis at 31 December 1989 by independent professional valuers, Jones Lang Wootton (now Jones Lang LaSalle) and W. Lamar Pinson, Inc. Since the revaluation was carried out prior to 30 September 1995 and under the transitional provisions in paragraph 80AA of HKAS 16, the Group is not required to make regular revaluations in accordance with paragraphs 31 and 36 of HKAS 16. The Group did not revalue the buildings at 30 June 2024, and the buildings were stated at cost less accumulated depreciation.

(a) Investment property

The Group leases a portion of its self-owned property to several third parties starting from 1 May 2021. As such, the Group has reclassified the carrying value of the relevant portion of the building to investment property with effect from 1 May 2021. The fair value of the investment property as at 30 June 2024 was HK$78,948,000 (2023: HK$109,721,000).

The Group recognises the leases as operating leases and the lease period ranges from 3 to 5 years. The undiscounted income in respect of the non-cancellable operating leases at 30 June 2024 and 2023 are as follows:

	2024 HK$'000	2023 HK$'000
Within 1 year	3,413	3,465
After 1 year but within 2 years	2,844	3,378
After 2 years but within 3 years	–	2,815
	6,257	9,658

(b) Impairment loss

During the year ended 30 June 2023, impairment charges over machinery amounting to HK$1,347,000 was recorded resulting from the decline in the market values of one set of manufacturing machines. At 30 June 2023, the recoverable amounts of the relevant machines were determined based on fair value less costs of disposal. There is no impairment charges for the year ended 30 June 2024.

15. INTANGIBLE ASSETS

	Computer software HK$'000	Brands HK$'000	Design library HK$'000	Other intangible assets HK$'000	Total HK$'000
At 30 June 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
At 1 July 2022	11,112	1,971	65	2,424	15,572
Additions	489	–	–	–	489
Amortisation (Note 6)	(2,499)	–	(65)	(611)	(3,175)
Exchange differences	(471)	82	–	42	(347)
At 30 June 2023	8,631	2,053	–	1,855	12,539
At 30 June 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
At 1 July 2023	**8,631**	**2,053**	**–**	**1,855**	**12,539**
Additions	**245**	**–**	**–**	**–**	**245**
Amortisation (Note 6)	**(1,920)**	**–**	**–**	**(613)**	**(2,533)**
Exchange differences	**58**	**(47)**	**–**	**(23)**	**(12)**
At 30 June 2024	**7,014**	**2,006**	**–**	**1,219**	**10,239**
At 30 June 2024					
Cost	**83,350**	**2,006**	**1,952**	**11,960**	**99,268**
Accumulated amortisation	**(76,336)**	**–**	**(1,952)**	**(10,741)**	**(89,029)**
Net book amount	**7,014**	**2,006**	**–**	**1,219**	**10,239**

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

Amortisation expenses of approximately HK$20,000 (2023: Nil) and HK$2,513,000 (2023: HK$3,175,000) have been charged to cost of sales and administrative expenses, respectively.

16. RIGHT-OF-USE ASSETS

The following table shows the movement of the Group's right-of-use assets by class of underlying asset during the years ended 30 June 2024 and 2023:

	Buildings and Properties HK$'000	Other assets HK$'000	Total HK$'000
At 30 June 2022			
Cost or valuation	152,572	688	153,260
Accumulated depreciation	(53,861)	(584)	(54,445)
Net book amount	98,711	104	98,815
At 1 July 2022	98,711	104	98,815
Additions	28,269	385	28,654
Modification	11,765	331	12,096
Depreciation (Note 6)	(26,179)	(260)	(26,439)
Exchange differences	1,648	23	1,671
At 30 June 2023	114,214	583	114,797
At 30 June 2023			
Cost or valuation	188,369	1,243	189,612
Accumulated depreciation	(74,155)	(660)	(74,815)
Net book amount	114,214	583	114,797
At 1 July 2023	114,214	583	114,797
Additions	6,936	43	6,979
Modification	11,320	–	11,320
Disposals	(15,792)	–	(15,792)
Depreciation (Note 6)	(25,693)	(276)	(25,969)
Exchange differences	(989)	(10)	(999)
At 30 June 2024	89,996	340	90,336
At 30 June 2024			
Cost or valuation	161,646	1,261	162,907
Accumulated depreciation	(71,650)	(921)	(72,571)
Net book amount	89,996	340	90,336

Depreciation expense of approximately HK$1,530,000 (2023: HK$1,569,000) and approximately HK$24,439,000 (2023: HK$24,870,000) have been charged to cost of sales and administrative expenses, respectively.

16. RIGHT-OF-USE ASSETS (CONTINUED)

(a) Buildings and properties

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

The Group leases a showroom in Hong Kong which contains variable lease payment that is based on sales generated from the showroom and a fixed minimum annual lease payment. The Group has received rent concessions in the form of a refund of fixed payments as a result of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19 for the year ended 30 June 2023. The amount of lease payments for the years are summarised below:

30 June 2024	Fixed Payments HK$'000	Variable payments HK$'000	COVID-19 related concession HK$'000	Total payments HK$'000
Showroom – Hong Kong	2,138	–	–	2,138

30 June 2023	Fixed payments HK$'000	Variable payments HK$'000	COVID-19 related concession HK$'000	Total payments HK$'000
Showroom – Hong Kong	2,396	–	(299)	2,097

(b) Other assets

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

17. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 30 June 2024:

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of interest held
Shares held indirectly:				
Tai Ping Carpets (Xiamen) Company Limited	PRC, limited liability company	Carpet manufacturing in PRC	US$45,000,000	100%
Premier Yarn Dyers, Inc.	United States of America, limited liability company	Yarn dyeing in United States of America	1,100 shares of US$100 each	100%
Tai Ping Carpets Americas, Inc.	United States of America, limited liability company	Carpet trading and manufacturing in United States of America	220,900 shares of US$1 each	100%
Tai Ping Carpets Europe	France, limited liability company	Carpet trading in France	EUR4,500,000	100%
Tai Ping Carpets Interieur GmbH	Germany, limited liability company	Carpet trading in Germany	EUR511,292	100%
Tai Ping Carpets UK Limited	United Kingdom, limited liability company	Carpet trading in United Kingdom	GBP5,400,464	100%
Tai Ping Carpets Limited	Hong Kong, limited liability company	Carpet trading in Hong Kong	HK$20,000,000	100%
Tai Ping Carpets International Trading (Shanghai) Company Limited	PRC, limited liability company	Carpet trading in PRC	US$200,000	100%
Manufacture des Tapis de Cogolin SAS	France, limited liability company	Carpet trading in France	EUR2,200,000	100%

Note:

[1] None of the subsidiaries had issued any debt securities during the year ended 30 June 2024.

18. INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials	**26,972**	27,667
Work in progress	**5,715**	5,194
Finished goods	**48,659**	38,745
Consumable stores	**68**	86
	81,414	71,692
Less: Provision for inventories	**(31,899)**	(25,274)
	49,515	46,418

The cost of inventories recognised as expense and included in cost of sales amounted to HK$49,823,000 (2023: HK$51,088,000).

18. INVENTORIES (CONTINUED)

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

	2024 HK$'000	2023 HK$'000
At 1 July	25,274	18,000
Allowance for provision for inventories	9,939	9,486
Reversal of provision previously recognised	(2,525)	(1,963)
Inventories written off against provision	(677)	(169)
Exchange differences	(112)	(80)
At 30 June	31,899	25,274

19. TRADE & OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables	79,779	70,100
Less: Allowance for impairment of trade receivables	(7,749)	(6,657)
Trade receivables – net	72,030	63,443
Prepayments	10,235	11,613
Value added tax receivables	623	651
Rental deposits	3,870	4,984
Other receivables	18,773	15,114
	105,531	95,805
Less: Non-current portion prepayments	(8,094)	(4,187)
Current portion	97,437	91,618

The carrying amounts of trade receivables approximate their fair values as at 30 June 2024 and 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 year, the ageing analysis of the trade receivables based on invoice date is as follows:

	2024 HK$'000	2023 HK$'000
0 to 30 days	41,627	43,630
31 to 60 days	12,447	6,018
61 to 90 days	10,735	2,680
91 to 365 days	9,708	9,668
More than 365 days	5,262	8,104
	79,779	70,100

19. TRADE & OTHER RECEIVABLES (CONTINUED)

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

	2024 HK$'000	2023 HK$'000
At 1 July	6,657	5,215
Allowance for impairment of trade receivables – net	1,190	1,335
Receivables written off as uncollectible	–	–
Exchange difference	(98)	107
At 30 June	7,749	6,657

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

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

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

	2024 HK$'000	2023 HK$'000
US$	35,814	35,918
Chinese Renminbi	22,660	17,587
Euro	25,605	23,772
HK$	13,425	7,553
British pounds	3,786	6,472
Others	4,241	4,503
	105,531	95,805

20. LEASE RECEIVABLE

The Group sub-leases out property under finance lease. The lease runs for an initial period of 4 years. Lease payment is increased every year to reflect market rentals.

The following table shows the Group's undiscounted lease payment receivable under finance lease in place at 30 June 2024 and 2023:

	2024 HK$'000	2023 HK$'000
Within 1 year	2,783	–
After 1 year but within 2 years	2,912	–
After 2 years but within 3 years	3,028	–
After 3 years but within 4 years	767	–
	9,490	–

21. PLEDGED BANK DEPOSIT

Pledged bank deposit of approximately HK$641,000 (2023: HK$615,000) represented a security deposit for the supply of utilities for the factory in the US.

As of 30 June 2024, the effective interest rate on the Group's pledged bank deposit was 4.89% p.a. (2023: 4.41% p.a.) and the deposit will mature in 306 days (2023: 277 days).

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

22. FIXED DEPOSITS

	2024 HK$'000	2023 HK$'000
Fixed deposits with maturities over three months and less than one year	129,551	–

The carrying amounts approximate to their respective fair values as at 30 June 2024.

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

	2024 HK$'000	2023 HK$'000
US$	88,935	–
Euro	37,616	–
HK$	3,000	–
	129,551	–

As at 30 June 2024, the effective interest rate on the Group's fixed deposits is 4.74% p.a. (2023: Nil) and these deposits had an average maturity of 138 days (2023: Nil).

23. CASH & CASH EQUIVALENTS

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

	2024 HK$'000	2023 HK$'000
Chinese Renminbi	28,403	20,751
US$	40,527	94,194
Euro	53,225	78,436
HK$	6,613	10,846
British pounds	4,751	13,176
Others	253	254
	133,772	217,657

23. CASH & CASH EQUIVALENTS (CONTINUED)

As at 30 June 2024, the Group's cash and bank balances included approximately HK$28,180,000 (2023: HK$20,672,000) placed with certain banks in the PRC by the local subsidiaries. These balances are subject to exchange controls.

24. SHARE CAPITAL

	No. of shares	HK$'000
Authorised – Ordinary shares of HK$0.10 each:		
At 30 June 2023 & 2024	400,000,000	40,000
Issued and fully paid – Ordinary shares of HK$0.10 each:		
At 30 June 2023 & 2024	212,187,488	21,219

25. SHARE PREMIUM & OTHER RESERVES

	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Currency translation reserve HK$'000	Total HK$'000
Balance at 1 July 2022	189,699	49,714	8,000	15,827	263,240
Currency translation differences	–	–	–	(26,267)	(26,267)
Balance at 30 June 2023	189,699	49,714	8,000	(10,440)	236,973
Balance at 1 July 2023	189,699	49,714	8,000	(10,440)	236,973
Currency translation differences	–	–	–	3,588	3,588
Balance at 30 June 2024	189,699	49,714	8,000	(6,852)	240,561

26. DEFERRED INCOME TAX

The analysis of deferred tax liabilities is as follows:

	2024 HK$'000	2023 HK$'000
Deferred tax liabilities to be recovered after 12 months	1,242	1,380

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

	2024 HK$'000	2023 HK$'000
At 1 July	1,380	1,539
Credited to the consolidated income statement	(138)	(159)
At 30 June	1,242	1,380

26. DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same taxation jurisdiction, are as follows:

Deferred tax assets

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$86,624,000 (2023: HK$107,602,000) in respect of tax losses of approximately HK$349,886,000 (2023: HK$430,618,000) that can be carried forward against future taxable income, of which tax losses of approximately HK$162,242,000 (2023: HK$191,423,000) are not subject to expiry. The expiry dates of the remaining tax losses of approximately HK$187,643,000 (2023: HK$239,194,000) range from fiscal year 2024 to 2042 (2023: 2023 to 2042).

Deferred tax liabilities

	Accelerated tax depreciation allowance		Unremitted service fees		Depreciation of right-of-use assets		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July	235	420	1,197	1,197	(52)	(78)	1,380	1,539
Credited to the consolidated income statement	(56)	(185)	–	–	(82)	26	(138)	(159)
At 30 June	179	235	1,197	1,197	(134)	(52)	1,242	1,380

27. RETIREMENT BENEFIT OBLIGATIONS

	2024	2023
	HK$'000	HK$'000
Pension benefits plans – France	5,014	4,161

As at 30 June 2024, the defined benefit plans are final salary defined plans in France, which are valued by qualified actuaries using the projected unit credit method. The defined benefit plans were valued at 30 June 2024 by SPAC Actuaries in France.

Pension benefits

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

	2024	2023
	HK$'000	HK$'000
Present value of unfunded obligations	5,014	4,161

27. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The movements in defined benefit obligations are as follows:

	2024 HK$'000	2023 HK$'000
As 1 July	4,161	3,623
Actuarial loss/(gain) on remeasurement	502	(37)
Current service costs	375	333
Interest costs	134	98
Benefit forfeited	(47)	(25)
Exchange differences	(111)	169
At 30 June	5,014	4,161

	2024 HK'000	2023 HK'000
The amounts recognised in the consolidated income statement are as follows:		
Current service costs included in employee benefit expenses	375	333
Interest costs	134	98
Benefit forfeited	(47)	(25)
	462	406

The principal actuarial assumptions were as follows:

	2024	2023
Discount rate	1.50% – 3.60%	1.50% – 3.60%
Expected return on plan assets	N/A	N/A
Salary growth	2.0% – 2.5%	2.0% – 2.5%
Turnover rate	0% – 30%	0% – 30%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in France. Mortality assumptions for France is based on post-retirement mortality tables and INSEE TD/TV 2017-2019.

28. TRADE & OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	33,503	29,158
Accrual for expenses	97,651	88,943
Other payables	38,472	35,830
	169,626	153,931

28. TRADE & OTHER PAYABLES (CONTINUED)

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

	2024 HK$'000	2023 HK$'000
0 to 30 days	24,335	22,575
31 days to 60 days	6,805	6,073
61 days to 90 days	822	204
More than 90 days	1,541	306
	33,503	29,158

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

	2024 HK$'000	2023 HK$'000
Chinese Renminbi	26,729	25,666
US$	43,533	38,892
HK$	61,552	54,561
Euro	32,596	31,498
British pounds	4,794	2,868
Others	422	446
	169,626	153,931

29. CONTRACT LIABILITIES – DEPOSITS RECEIVED IN ADVANCE

	2024 HK$'000	2023 HK$'000
Customer deposits		
– Deposits received in advance	78,989	76,591

During the year, movement in contract liabilities included increase in deposits received in advance amounting to approximately HK$350,600,000 (2023: HK$371,269,000), net off by a decrease of approximately HK$348,202,000 (2023: HK$399,514,000) as a result of recognising revenues.

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

29. CONTRACT LIABILITIES – DEPOSITS RECEIVED IN ADVANCE (CONTINUED)

The carrying amounts of the Group's contract liabilities are denominated in the following currencies:

	2024 HK$'000	2023 HK$'000
Chinese Renminbi	5,428	3,397
US$	29,994	31,433
HK$	8,079	15,158
Euro	31,822	23,425
British pounds	3,623	3,135
Others	43	43
	78,989	76,591

30. LEASE LIABILITIES

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

	2024		2023	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	25,937	30,350	26,343	30,499
After 1 year but within 5 years	67,261	74,189	72,431	80,813
More than 5 years	21,059	22,478	25,344	26,924
Non-current portion	88,320	96,667	97,775	107,737
Total	114,257	127,017	124,118	138,236
Less: Total future interest expenses	–	(12,760)	–	(14,118)
Present value of lease liabilities	114,257	114,257	124,118	124,118

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2024 HK$'000	2023 HK$'000
Profit before income tax	47,788	40,012
Adjustments for:		
Amortisation of intangible assets	2,533	3,175
Allowance for impairment of trade receivables – net	1,190	1,335
Bad debts written off	9	59
Inventory written off	583	746
Retirement benefit obligations	462	406
Depreciation of property, plant & equipment	15,428	17,163
Loss/(gain) on disposal of property, plant & equipment	3	(86)
Impairment loss on property, plant & equipment	–	1,347
Depreciation of investment property	1,846	1,900
Depreciation of other right-of-use assets	25,969	26,439
Amortisation of land use right	590	608
Allowance for provision for inventories – net	7,414	7,523
Loss on revaluation of financial assets	–	201
Loss on change in fair value of derivative financial instruments	–	378
Loss on disposal of financial assets	–	11
Loss on derecognition of right-of-use assets	6,420	–
Finance costs	4,261	3,406
Finance income	(6,492)	(3,491)
Operating gain before changes in working capital	108,004	101,132
Inventories	(11,063)	5,162
Trade & other receivables	(5,494)	(23,302)
Trade & other payables	19,220	(15,746)
Interest element of lease rental received	222	–
Prepayments – non-current	(645)	(204)
Cash generated from operations	110,244	67,042

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

(b) Changes in liabilities arising from financing activities

This section sets out an analysis of changes in liabilities arising from financing activities for the years ended 30 June 2024 and 2023:

	Lease liabilities HK$'000
As at 1 July 2022	(107,215)
Change from financing cash flows:	
Capital element of lease rentals paid	25,638
Interest element of lease rentals paid	3,466
Total changes from financing cash flows	29,104
Exchange adjustments	(1,851)
Other changes:	
Capitalisation of new leases	(28,654)
Modification of leases	(12,096)
Financing charges	(3,406)
Total other changes	(44,156)
As at 30 June 2023	(124,118)
As at 1 July 2023	(124,118)
Changes from financing cash flows:	
Capital element of lease rentals paid	26,025
Interest element of lease rentals paid	4,660
Total changes from financing cash flows	30,685
Exchange adjustments	1,030
Other changes:	
Capitalisation of new leases	(6,979)
Modification of leases	(11,320)
Early termination of leases	1,049
Financing charges	(4,604)
Total other changes	(21,854)
As at 30 June 2024	(114,257)

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

(c) Total cash outflow for leases

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

	2024 HK$'000	2023 HK$'000
Within operating cash flows	(2,032)	(1,674)
Within financing cash flows	(30,685)	(29,104)
	(32,717)	(30,778)

32. CAPITAL COMMITMENTS

	2024 HK$'000	2023 HK$'000
Authorised but not contracted for in respect of property, plant & equipment	4,082	–
Contracted but not provided for in respect of property, plant & equipment	853	1,757
	4,935	1,757

33. CONTINGENCIES

	2024 HK$'000	2023 HK$'000
Performance bonds issued by banks	2,719	5,096

34. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in Note 17.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other related parties

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

Sale of goods and services

	2024 HK$'000	2023 HK$'000
Sale of carpets and services:		
The Hongkong and Shanghai Hotels, Limited ("HSH")[1]	8,993	7,010

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.

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

	2024 HK$'000	2023 HK$'000
Trade receivables from related party:		
HSH	–	1,539

(d) Key management compensation

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

	2024 HK$'000	2023 HK$'000
Salaries & other short-term employee benefits	31,782	27,618

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

As at 30 June

	Note	2024 HK$'000	2023 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries	17	367,787	367,787
Current assets			
Other receivables		107	97
Amounts due from subsidiaries		252,984	277,791
Cash & cash equivalents		501	1,930
		253,592	279,818
Total assets		621,379	647,605
Equity			
Equity attributable to owners of the Company			
Share capital	24	21,219	21,219
Reserves		277,467	277,467
Retained earnings:			
Proposed final dividend		25,462	19,097
Others		215,067	249,703
Total equity		539,215	567,486
Liabilities			
Current liabilities			
Amounts due to subsidiaries		80,332	78,366
Other payables		1,832	1,753
Total liabilities		82,164	80,119
Total equity & liabilities		621,379	647,605
Net current assets		171,428	199,699
Total assets less current liabilities		539,215	567,486

The statement of financial position was approved by the Board of Directors on 20 September 2024 and was signed on its behalf:

Nicholas Timothy James Colfer
Chairman

Mark Stuart Worgan
Executive Director

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

	Share premium HK$'000	Contributed Surplus HK$'000	Retained earnings HK$'000
At 1 July 2022	189,699	87,768	290,882
Loss for the year	–	–	(9,351)
Dividend for FY2021/22	–	–	(12,731)
At 30 June 2023	189,699	87,768	268,800
At 1 July 2023	189,699	87,768	268,800
Loss for the year	–	–	(9,418)
Dividend for FY2022/23	–	–	(19,097)
Dividend forfeited	–	–	244
At 30 June 2024	189,699	87,768	240,529

36. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

	Emoluments paid or receivable in respect of a person's services as a director of the Company:						
	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Others HK$'000	Total HK$'000
Year ended 30 June 2024							
Nicholas Timothy James Colfer	170	–	–	–	–	–	170
Andrew Clifford Winawer Brandler[1]	46	–	–	–	–	–	46
Tong Chi Leung David	220	–	–	–	–	–	220
Leong Kwok Fai Nelson	160	–	–	–	–	–	160
John Jeffrey Ying	160	–	–	–	–	–	160
Frederick Edward Elkin Mocatta[2]	87	–	–	–	–	–	87
Fung Yeh Yi Hao Yvette	220	–	–	–	–	–	220
Yung Lincoln Chu Kuen[3]	96	–	–	–	–	–	96
Daniel George Green	210	–	–	–	–	–	210
Nicholas James Debnam	210	–	–	–	–	–	210
Yung Ka Sing Kathryn[4]	125	–	–	–	–	–	125
Mark Stuart Worgan	–	3,525	4,200	1,300	423	409	9,857
	1,704	3,525	4,200	1,300	423	409	11,561

36. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

Notes:

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

2 Mr. Frederick Edward Elkin Mocatta had been appointed as a Non-Executive Director and a member of the Executive Committee with effect from 15 December 2023 and 23 February 2024, respectively.

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

4 Ms. Yung Ka Sing Kathryn had been appointed as an Independent Non-Executive Director and a member of the Audit Committee and the Nomination Committee with effect from the conclusion of the annual general meeting of the Company on 7 December 2023.

	Emoluments paid or receivable in respect of a person's services as a director of the Company:						
	Fees	Salaries	Discretionary bonuses	Housing allowance	Employer's contribution to a retirement benefit scheme	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 30 June 2023							
Nicholas Timothy James Colfer	120	–	–	–	–	–	120
Andrew Clifford Winawer Brandler	100	–	–	–	–	–	100
Tong Chi Leung David	150	–	–	–	–	–	150
Leong Kwok Fai Nelson	110	–	–	–	–	–	110
John Jeffrey Ying	170	–	–	–	–	–	170
Fung Yeh Yi Hao Yvette	150	–	–	–	–	–	150
Roderic Noel Anthony Sage[1]	88	–	–	–	–	–	88
Yung Lincoln Chu Kuen	170	–	–	–	–	–	170
Daniel George Green[2]	127	–	–	–	–	–	127
Nicholas James Debnam[3]	89	–	–	–	–	–	89
Mark Stuart Worgan	–	3,393	3,500	1,400	407	181	8,881
	1,274	3,393	3,500	1,400	407	181	10,155

Notes:

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

2 Mr. Daniel George Green had resigned as a member of the Executive Committee and had been appointed as a member of the Remuneration Committee on 6 December 2022.

3 Mr. Nicholas James Debnam had been appointed as an Independent Non-Executive Director and the chairman of the Audit Committee with effect from the conclusion of the annual general meeting of the Company on 9 December 2022.

36. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits and termination benefits

The directors did not receive any retirement or termination benefits for the years ended 30 June 2024 and 2023.

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

The Company did not pay any consideration to any third party for making available director's services for the years ended 30 June 2024 and 2023.

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

No loans, quasi-loans and other dealings were made available in favour of the directors, controlled bodies corporate by and connected entities with such director subsisted at the end of the year or at any time during the years ended 30 June 2024 and 2023.

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 30 June 2024 and 2023.

Senior Management

Name	Position held	Age	Joined Group	Business experience
Mr. Lung Chi Sing Alex	Chief Financial Officer and Company Secretary	53	2016	Financial management
Mr. Joel Frommann	Chief Strategy Officer	43	2022	Business strategy
Ms. Yeung Yuk Sim Celia	Managing Director – Asia	54	2008	Sales & business development
Mr. Michael Allen Reagan	Senior Vice President – Americas	54	2013	Sales & business development
Mr. Shawn David Hiltz	Managing Director – EMEA	57	2018	Sales & business development

Remuneration to senior management

The remuneration to senior management fell within the following bands:

	No. of Individuals	
	2024	2023
Remuneration bands		
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	–	1
HK$3,500,001 – HK$4,000,000	2	–
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	–	–
HK$5,000,001 – HK$5,500,000	2	1

Corporate Information

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Public Interest Entity Auditor
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Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

Company Secretary
Lung Chi Sing Alex

Principal Share Registrar and Transfer Agent
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