

# Tai Ping Carpets International Limited

Interim Report  
2019

Incorporated in Bermuda with Limited Liability  
Stock Code: 146



# Table of Contents

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

# Management Discussion & Analysis

The Board of Directors (the "Board") of Tai Ping Carpets International Limited (the "Company") hereby presents the Interim Report and condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 (the "period"). The condensed consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 30 June 2019, and the condensed consolidated statement of financial position as at 30 June 2019, along with selected explanatory notes, all of which are unaudited and reviewed by the Audit Committee of the Company, can be found on pages 9 to 39 of this report.

## BUSINESS REVIEW

The Group's consolidated turnover for the six months ended 30 June 2019 was HK\$242 million, down 1% over the HK\$245 million reported in the first half of 2018.

Operating loss for the six months ended 30 June 2019 was HK\$19 million, an improvement of HK\$4 million compared to the HK\$23 million incurred for the same period in 2018. This was driven by business recovery in most of our operating locations combined with lower overheads following business streamlining. Non-recurring and one-off costs for first half of 2019 were HK\$3 million, compared to HK\$4 million in 2018.

The Group's loss attributable to the equity holders of the Company was HK\$20 million, compared to HK\$22 million for the same period last year.

## CARPET OPERATIONS

Sales revenue in carpet operations for the first half of 2019 was HK\$234 million, a 2% increase compared to the HK\$230 million reported for the same period last year. The increase was greatest in Asia which delivered growth of 20% but this was substantially offset by the drop in sales in the US where some customers have deferred purchasing decisions following the uncertainty around import tariffs and trade tensions between the US and China. Sales revenue for Europe, the Middle East and Africa ("EMEA") increased by 3% from the same period last year.

Gross profit margins across almost all business segments and regions showed encouraging progress in the first half of 2019.

### Manufacturing Operations

Output from the new Artisan workshop in Xiamen continues to improve as employee skill levels develop. With output close to plan, management's focus is on delivering continuous improvement in efficiency, productivity and material utilisation.

## NON-CARPET OPERATIONS

Other operations comprise mainly Tai Ping's US based yarn-dyeing subsidiary, Premier Yarn Dyers, contributing approximately 3% of total sales. The operation was unprofitable for the first half of the year due to the substantial reduction in sales to a key customer who has discontinued its outsourcing arrangement and taken this business back in-house.

## OUTLOOK

We enter the second half of 2019 with an order book that is slightly better than that for the first half of the year, and normal seasonality means that the second six months is typically stronger. It is expected that trading and performance will start to catch up, and we also expect non-recurring and one-off costs to continue to reduce.

The trade climate remains a significant concern as America is Tai Ping's biggest market while its manufacturing is located in China. The higher tariffs will continue to affect business but mitigating measures are being taken, and the Group also continues to explore new markets.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2018: Nil).

## CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment, land use rights and construction in progress incurred by the Group totalled HK\$6 million during the six months ended 30 June 2019 (2018: HK\$33 million). As at 30 June 2019, the aggregate net book value of the Group's property, plant and equipment, land use rights, construction in progress and intangible assets amounted to HK\$407 million (31 December 2018: HK\$417 million).

## LIQUIDITY & FINANCIAL RESOURCES

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

As at 30 June 2019, the Group had total cash and cash equivalents including short-term fixed deposits (with maturity within 12 months) amounting to HK\$60 million (31 December 2018: HK\$93 million) and had no unsecured bank borrowings (31 December 2018: Nil).

## EXPOSURE TO FOREIGN EXCHANGE RISKS

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

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

## HUMAN RESOURCES & REMUNERATION POLICIES

The total number of employees at end of June 2019 was 798 compared to 829 at the end of 2018.

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

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

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group's total contingent liabilities amounted to HK\$0.3 million (31 December 2018: HK\$0.3 million).

## ASSET HELD FOR SALE

Asset held for sale represents our minority shareholding in Philippine Carpet Manufacturing Corporation ("PCMC"). In February 2019, PCMC entered into a sale and purchase agreement to dispose of its principal property asset in Manila and the transaction was completed in May 2019. Following this sale, PCMC will be closed and the proceeds distributed to shareholders, which is expected to happen within the next 12 months.

Mark S. Worgan  
*Chief Executive Officer*

Hong Kong, 16 August 2019

# Corporate Governance & Other Information

## CORPORATE GOVERNANCE

The Board of Directors and Management are committed to promoting good corporate governance to safeguard the interests of shareholders. The Company has complied with the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2019 except the following:

The Company's Non-Executive Directors are not appointed for specific terms as required by code provision A.4.1 of the CG Code. However, the relevant Bye-laws of the Company require that every Director would retire by rotation at least once every three years, which is in line with the CG Code.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors, as equal Board members, should attend the general meetings and develop a balanced understanding of the views of the shareholders.

Due to other business engagement, Mr. Roderic N. A. Sage and Mr. Aubrey K. S. Li, Independent Non-Executive Directors of the Company, did not attend the annual general meeting of the Company (the "AGM") held on 17 May 2019.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company (the "Tai Ping Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made of all the Directors of the Company and they have confirmed their compliance with the required standard set out in the Model Code and the Tai Ping Code during the six months ended 30 June 2019.

## AUDIT COMMITTEE

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

The Audit Committee, together with the management of the Company, has reviewed the accounting principles and practices adopted by the Company as well as the internal control procedures of the Company, and discussed financial reporting matters, including the review of interim financial information for the six months ended 30 June 2019.

## **CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS**

Change in director's biographical details since the 2018 annual report of the Company is set out below:

Mr. Roderic N. A. Sage resigned as a director of Alpha Real Trust Limited in 2018 and the appointment of Mr. Daniel G. Green on the Executive Committee of the Hong Kong Chapter of Young Presidents' Organization ended in May 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **CONSTITUTIONAL DOCUMENTS**

In order to bring the Bye-laws of the Company in alignment with Rule 4(2) of Part A of Appendix 13 of the Listing Rules and the Companies Act 1981 of Bermuda (as amended), the amendment of Bye-law 67 of the Company was approved by shareholders of the Company at the AGM on 17 May 2019. An up-to-date consolidated version of the Memorandum of Association and Bye-laws of the Company was published on the websites of the Company ([www.taipingcarpets.com](http://www.taipingcarpets.com)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) on 17 May 2019.

## **CHANGE OF ADDRESS OF REGISTERED OFFICE AND PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT**

With effect from 15 July 2019, address of the registered office of the Company and the address of principal share registrar and transfer agent of the Company, Estera Management (Bermuda) Limited, were changed to Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

## **PURCHASE, SALES OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the six months ended 30 June 2019. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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

As at 30 June 2019, 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 2019

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
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,182,000 <sup>1</sup>	1.358%
John J. Ying	–	32,605,583 <sup>2</sup>	15.366%
Aubrey K. S. Li	100,000 <sup>3</sup>	–	0.047%

Notes:

- <sup>1</sup> 2,000,000 shares are held by Gainsborough Associates Limited and 182,000 shares are held by Fontana Enterprises Limited, companies in which Mr. Nelson K. F. Leong holds 33.33% and 40% equity interests respectively and have controlling interest.
- <sup>2</sup> The shares are held by Peak Capital Partners I, L.P. of which Mr. John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).
- <sup>3</sup> The shares are jointly held by Mr. Aubrey K. S. Li and his spouse.

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

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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 interests, being 5% or more in the issued ordinary share capital of the Company.

Name	No. of ordinary shares held in the Company of HK\$0.10 each (long position)	% of the issued share capital of the Company
Acorn Holdings Corporation <sup>1</sup>	40,014,178	18.858%
Bermuda Trust Company Limited <sup>1</sup>	40,014,178	18.858%
Harneys Trustees Limited <sup>1</sup>	77,674,581	36.607%
Lawrencium Holdings Limited <sup>1</sup>	77,674,581	36.607%
The Mikado Private Trust Company Limited <sup>1</sup>	77,674,581	36.607%
The Hon. Sir Michael Kadoorie <sup>1</sup>	77,674,581	36.607%
Peak Capital Partners I, L.P. <sup>2</sup>	32,605,583	15.366%

Notes:

- <sup>1</sup> Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 shares in which Lawrencium Holdings Limited is interested. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 77,674,581 shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those shares.
- <sup>2</sup> Mr. John J. Ying (a Non-Executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the period.

# Condensed Consolidated Income Statement

For the six months ended 30 June

	Note	Unaudited	
		2019 HK\$'000	2018* HK\$'000
Revenue	6	242,485	245,380
Cost of sales		(108,644)	(109,532)
Gross profit		133,841	135,848
Distribution costs	7	(86,846)	(88,496)
Administrative expenses	7	(66,543)	(84,470)
Other gains – net	8	1,043	13,785
<b>Operating loss</b>		<b>(18,505)</b>	<b>(23,333)</b>
Finance income		20	423
Finance costs		(2,071)	(6)
Finance (costs)/income – net	9	(2,051)	417
<b>Loss before income tax</b>		<b>(20,556)</b>	<b>(22,916)</b>
Income tax expense	10	(14)	(2,418)
<b>Loss for the period</b>		<b>(20,570)</b>	<b>(25,334)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(19,834)	(22,366)
Non-controlling interests		(736)	(2,968)
		(20,570)	(25,334)
Loss per share attributable to the owners of the Company during the period (expressed in HK cents per share)			
Basic/diluted	12	(9.35)	(10.54)

Note:

- \* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	Unaudited	
	2019	2018*
	HK\$'000	HK\$'000
<b>Loss for the period</b>	(20,570)	(25,334)
<b>Other comprehensive income:</b>		
Item that may be reclassified to profit or loss		
Currency translation differences	(2,124)	(1,562)
<b>Other comprehensive loss for the period, net of tax</b>	(2,124)	(1,562)
<b>Total comprehensive loss for the period</b>	(22,694)	(26,896)
<b>Attributable to:</b>		
Owners of the Company	(21,875)	(23,747)
Non-controlling interests	(819)	(3,149)
	(22,694)	(26,896)

Note:

- \* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 Jun 2019 HK\$'000	Audited 31 Dec 2018* HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	13	26,725	27,138
Property, plant & equipment	14	259,733	267,574
Construction in progress	14	108,139	107,893
Intangible assets	15	12,855	15,064
Prepayments	16	5,351	5,816
Right-of-use assets	3	83,846	–
Lease receivables		3,285	–
		499,934	423,485
<b>Current assets</b>			
Inventories		91,277	83,646
Trade & other receivables	16	95,481	111,936
Lease receivables		4,102	–
Current income tax assets		3,776	3,787
Pledged bank deposits	17	393	393
Cash & cash equivalents		60,094	93,008
		255,123	292,770
Non-current asset held for sale	18	17,192	17,192
		272,315	309,962
<b>Total assets</b>		<b>772,249</b>	<b>733,447</b>

The notes on pages 15 to 39 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 Jun 2019 HK\$'000	Audited 31 Dec 2018* HK\$'000
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	21,219	21,219
Reserves	20	273,658	275,699
Retained earnings		121,851	141,669
		416,728	438,587
<b>Non-controlling interests</b>		19,449	20,268
<b>Total equity</b>		436,177	458,855
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		2,225	2,225
Retirement benefit obligations		3,412	3,460
Lease liabilities	3	62,977	–
		68,614	5,685
<b>Current liabilities</b>			
Trade & other payables	21	135,005	183,687
Contract liabilities – Deposits received in advance		97,428	83,164
Derivative financial instruments		4	251
Current income tax liabilities		1,460	1,805
Lease liabilities	3	33,561	–
		267,458	268,907
<b>Total liabilities</b>		336,072	274,592
<b>Total equity &amp; liabilities</b>		772,249	733,447
<b>Net current assets</b>		4,857	41,055
<b>Total assets less current liabilities</b>		504,791	464,540

Note:

\* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2018	21,219	189,699	97,264	176,075	484,257	31,013	515,270
<b>Comprehensive income</b>							
Loss for the period	-	-	-	(22,366)	(22,366)	(2,968)	(25,334)
<b>Other comprehensive loss for the period</b>							
Currency translation differences	-	-	(1,381)	-	(1,381)	(181)	(1,562)
Total other comprehensive loss for the period, net of tax	-	-	(1,381)	-	(1,381)	(181)	(1,562)
Total comprehensive loss for the period	-	-	(1,381)	(22,366)	(23,747)	(3,149)	(26,896)
<b>Total contributions by and distributions to owners of the Company, recognised directly in equity</b>							
Dividend forfeited	-	-	-	60	60	-	60
Total transactions with owners	-	-	-	60	60	-	60
Balance at 30 June 2018*	21,219	189,699	95,883	153,769	460,570	27,864	488,434
Balance at 1 January 2019	21,219	189,699	86,000	141,669	438,587	20,268	458,855
<b>Comprehensive income</b>							
Loss for the period	-	-	-	(19,834)	(19,834)	(736)	(20,570)
<b>Other comprehensive loss for the period</b>							
Currency translation differences	-	-	(2,041)	-	(2,041)	(83)	(2,124)
Total other comprehensive loss for the period, net of tax	-	-	(2,041)	-	(2,041)	(83)	(2,124)
Total comprehensive loss for the period	-	-	(2,041)	(19,834)	(21,875)	(819)	(22,694)
<b>Total contributions by and distributions to owners of the Company, recognised directly in equity</b>							
Dividend forfeited	-	-	-	16	16	-	16
Total transactions with owners	-	-	-	16	16	-	16
Balance at 30 June 2019	21,219	189,699	83,959	121,851	416,728	19,449	436,177

Note:

\* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 39 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Note	Unaudited	
		2019 HK\$'000	2018* HK\$'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(7,917)	(36,006)
Income tax paid		(367)	(4,463)
Interest paid		–	(6)
<b>Net cash used in operating activities</b>		<b>(8,284)</b>	<b>(40,475)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant & equipment and construction in progress		(4,943)	(33,420)
Proceeds from disposal of property, plant & equipment		–	187
Increase in derivative financial instruments		(202)	–
Interest received		20	423
Net cash used in investing activities from discontinued operation	26	–	(45,579)
<b>Net cash used in investing activities</b>		<b>(5,125)</b>	<b>(78,389)</b>
<b>Cash flows from financing activities</b>			
Capital element of lease rentals paid		(16,867)	–
Interest element of lease rentals paid		(2,216)	–
Capital element of lease rentals received		1,981	–
Interest element of lease rentals received		163	–
Proceeds from borrowings		–	31,120
Repayments of borrowings		–	(85,460)
Dividend paid		–	(596)
<b>Net cash used in financing activities</b>		<b>(16,939)</b>	<b>(54,936)</b>
<b>Net decrease in cash &amp; cash equivalents</b>		<b>(30,348)</b>	<b>(173,800)</b>
<b>Cash &amp; cash equivalents at beginning of period</b>		<b>93,008</b>	<b>264,338</b>
<b>Exchange loss on cash &amp; cash equivalents</b>		<b>(2,566)</b>	<b>(2,173)</b>
<b>Cash &amp; cash equivalents at end of period</b>		<b>60,094</b>	<b>88,365</b>

Note:

- \* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

The notes on pages 15 to 39 are an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

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

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

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

These condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 16 August 2019.

These condensed consolidated interim financial statements have not been audited.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

### 3. CHANGES IN ACCOUNTING STANDARDS

Except as described below, accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, as described in those annual consolidated financial statements.

The HKICPA has issued a new HKFRS, HKFRS 16 “Leases” and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16 “Leases”, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this consolidated interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### HKFRS 16 “Leases”

HKFRS 16 replaces HKAS 17 “Leases” and the related interpretations, HK(IFRIC) 4 “Determining whether an arrangement contains a lease”, HK(SIC) 15 “Operating leases – incentives”, and HK(SIC) 27 “Evaluating the substance of transactions involving the legal form of a lease”. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach to measure the right-of-use assets at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Therefore, the adoption of HKFRS 16 does not result in an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### HKFRS 16 "Leases" (Continued)

##### (a) Changes in the accounting policies

###### (i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

###### (ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets.

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.

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. For the Group, low-value assets are typically miscellaneous office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### HKFRS 16 "Leases" (Continued)

##### (a) Changes in the accounting policies (Continued)

##### (ii) Lessee accounting (Continued)

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 profit or loss in the accounting period in which they are incurred.

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, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### HKFRS 16 "Leases" (Continued)

##### (a) Changes in the accounting policies

###### (iii) Lessor accounting

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

##### (b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.09%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 24 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### HKFRS 16 "Leases" (Continued)

#### (b) Transitional impact (Continued)

	1 January 2019 HK\$'000
Operating lease commitments at 31 December 2018	129,008
Less: effective rent for rent free period under operating lease	(485)
Less: commitments relating to leases exempt from capitalisation	
Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(595)
Less: total future interest expenses	(14,378)
<b>Total lease liabilities recognised at 1 January 2019</b>	<b>113,550</b>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Condensed Consolidated Statement of Financial Position (extracted)	Carrying amount as at 31 December 2018 HK\$'000	Capitalisation of operating lease contracts HK\$'000	Carrying amount as at 1 January 2019 HK\$'000
Right-of-use assets	–	99,694	99,694
Lease receivables (non-current)	–	5,379	5,379
<b>Total non-current assets</b>	<b>423,485</b>	<b>105,073</b>	<b>528,558</b>
Lease receivables (current)	–	4,051	4,051
<b>Total current assets</b>	<b>309,962</b>	<b>4,051</b>	<b>314,013</b>
<b>Total equity</b>	<b>(458,855)</b>	<b>(1,263)</b>	<b>(460,118)</b>
Trade and other payables	(183,687)	5,689	(177,998)
Lease liabilities (current)	–	(33,955)	(33,955)
<b>Current liabilities</b>	<b>(268,907)</b>	<b>(28,266)</b>	<b>(297,173)</b>
<b>Net current assets</b>	<b>41,055</b>	<b>(24,215)</b>	<b>16,840</b>
<b>Total assets less current liabilities</b>	<b>464,540</b>	<b>80,858</b>	<b>545,398</b>
Lease liabilities (non-current)	–	(79,595)	(79,595)
<b>Total non-current liabilities</b>	<b>(5,685)</b>	<b>(79,595)</b>	<b>(85,280)</b>
<b>Net assets</b>	<b>458,855</b>	<b>–</b>	<b>458,855</b>

As at 1 January 2019 and 30 June 2019, the Group was the lessee in respect of a number of lease agreements mainly for the use of offices and showrooms.

### 3. CHANGES IN ACCOUNTING STANDARDS (CONTINUED)

#### HKFRS 16 "Leases" (Continued)

##### (c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	33,561	37,149	33,955	38,103
Later than one year and not later than five years	44,244	51,155	58,261	66,300
Later than five years	18,733	20,401	21,334	23,525
	96,538	108,705	113,550	127,928
Less: total future interest expenses	–	(12,167)	–	(14,378)
<b>Present value of lease liabilities</b>	<b>96,538</b>	<b>96,538</b>	<b>113,550</b>	<b>113,550</b>

### 4. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

## 5. FINANCIAL RISK MANAGEMENT

### Financial risk factors

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018.

There have been no changes in the risk management team and/or in any risk management policies since year end.

#### (a) Liquidity risk

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

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the end of the financial period, the Group held cash and cash equivalents of HK\$60,094,000 (as at 31 December 2018: HK\$93,008,000) that are expected to readily generate cash inflows for managing liquidity risk.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors (Continued)

#### (a) Liquidity risk (Continued)

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

As at 30 June 2019	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Total HK\$'000
Trade & other payables	–	57,997	57,997
As at 31 December 2018	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Total HK\$'000
Trade & other payables	–	83,075	83,075

All of the Group's non-trading gross settled derivative financial instruments (Note 5(b)) are in hedge relationships and are due to settle within 12 months of the consolidated statement of financial position date. These contracts require undiscounted contractual cash inflows of HK\$4,690,000 (2018: HK\$3,672,000) and undiscounted contractual cash outflow of HK\$4,668,000 (2018: HK\$3,890,000).

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk factors (Continued)

#### (b) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2019, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into these levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2019.

	Level 2 HK\$'000
<b>Liabilities</b>	
<b>Derivative financial instruments:</b>	
Foreign currency forward contracts	(4)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018.

	Level 2 HK\$'000
<b>Liabilities</b>	
<b>Derivative financial instruments:</b>	
Foreign currency forward contracts	(251)

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

## 6. REVENUE & SEGMENT INFORMATION

### (a) Revenue

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Sale of carpets	205,133	209,480
Sale of underlays	1,792	1,417
Installation of carpets	5,849	5,050
Interior furnishings	21,663	16,113
Sale of yarns	7,075	13,320
Others	973	–
	242,485	245,380

### (b) Segment information

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

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

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

## (b) Segment information (Continued)

The segment information provided to the management for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows:

## For the six months ended 30 June 2019

	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	46,890	102,430	93,165	–	242,485
Cost of production <sup>1</sup>	(17,090)	(48,136)	(42,689)	–	(107,915)
Segment gross margin	29,800	54,294	50,476	–	134,570
Segment results	9,966	368	(10,830)	–	(496)
Unallocated expenses <sup>2</sup>					(18,009)
Operating loss					(18,505)
Finance income					20
Finance costs					(2,071)
Loss before income tax					(20,556)
Income tax expense					(14)
Loss for the period					(20,570)
Capital expenditure	(4,273)	(997)	(677)	–	(5,947)
Depreciation of property, plant & equipment (Note 14)	(6,376)	(1,356)	(2,076)	(2,331)	(12,139)
Amortisation of land use rights (Note 13)	(312)	–	–	–	(312)
Amortisation of intangible assets (Note 15)	(2,102)	–	(65)	–	(2,167)
Recovery of impairment of trade receivables	–	1,696	99	–	1,795

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

## (b) Segment information (Continued)

For the six months ended 30 June 2018

	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	39,083	99,532	106,765	–	245,380
Cost of production <sup>1</sup>	(17,186)	(45,654)	(49,126)	–	(111,966)
Segment gross margin	21,897	53,878	57,639	–	133,414
Segment results	(10,036)	2,687	(3,267)	–	(10,616)
Unallocated expenses <sup>2</sup>					(12,717)
Operating loss					(23,333)
Finance income					423
Finance costs					(6)
Loss before income tax					(22,916)
Income tax expense					(2,418)
Loss for the period					(25,334)
Capital expenditure	(31,692)	(428)	(1,300)	–	(33,420)
Depreciation of property, plant & equipment	(7,102)	(1,328)	(2,413)	(35)	(10,878)
Amortisation of land use rights	(331)	–	–	–	(331)
Amortisation of intangible assets	(2,101)	–	(65)	–	(2,166)
Recovery of/(allowance for) impairment of trade receivables, net	–	305	(315)	–	(10)

## Notes:

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

## 7. EXPENSES BY NATURE

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Depreciation of right-of-use assets	15,792	–
Depreciation of property, plant & equipment (Note 14)	12,139	10,878
Amortisation of land use rights (Note 13)	312	331
Amortisation of intangible assets (Note 15)	2,167	2,166
(Recovery of)/allowance for impairment of trade receivables, net	(1,795)	10
Allowance for impairment of inventories	718	476
Bad debts written off	593	114

## 8. OTHER GAINS – NET

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Gain from derecognition of right-of-use assets	1,263	–
Net foreign exchange gain/(loss)	400	(2,163)
Gain on change in fair value of derivative financial instruments	45	1,092
Property, plant and equipment written off	–	(686)
Loss on disposal of property, plant & equipment	–	(31)
Government subsidy	–	1,269
IT service income	–	3,306
Income received in relation to disposal of Commercial business	–	5,959
Others	(665)	5,039
	1,043	13,785

## 9. FINANCE (COSTS)/INCOME – NET

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Finance income – interest income from banks	20	423
Finance costs – interest expenses for leases, net	(2,071)	–
Finance costs – interests on bank loans & overdrafts wholly repayable within five years	–	(6)
Finance (costs)/income – net	(2,051)	417

## 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current income tax		
PRC & overseas	14	2,115
Under-provision in prior years	–	303
Income tax expense	14	2,418

## 11. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period. At the Board meeting held on 22 March 2019, the Board resolved not to declare any dividend for the year end 31 December 2018.

## 12. LOSS PER SHARE

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

	Six months ended 30 June	
	2019	2018
Loss attributable to owners of the Company (HK\$'000)	(19,834)	(22,366)
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic loss per share (HK cents)	(9.35)	(10.54)

The Group had no dilutive potential shares outstanding during the period ended 30 June 2019 and 2018.

## 13. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	30 Jun 2019	31 Dec 2018
	HK\$'000	HK\$'000
At beginning of the period/year	27,138	29,090
Amortisation of land use rights (Note 7)	(312)	(640)
Exchange differences	(101)	(1,312)
At end of the period/year	26,725	27,138

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

For the six months ended 30 June 2019

	Property, plant & equipment			Construction in progress HK\$'000
	Buildings HK\$'000	Other assets HK\$'000	Property, plant & equipment total HK\$'000	
<b>At 1 January 2019</b>				
Cost or valuation	218,471	312,817	531,288	107,893
Accumulated depreciation	(38,583)	(225,131)	(263,714)	–
Net book amount	179,888	87,686	267,574	107,893
<b>Period ended 30 June 2019</b>				
Opening net book amount	179,888	87,686	267,574	107,893
Additions	288	2,174	2,462	3,485
Transfer from construction in progress	–	2,790	2,790	(2,790)
Disposals	–	(5)	(5)	–
Depreciation (Note 7)	(2,993)	(9,146)	(12,139)	–
Exchange differences	(658)	(291)	(949)	(449)
Closing net book amount	176,525	83,208	259,733	108,139
<b>At 30 June 2019</b>				
Cost or valuation	217,851	310,173	528,024	108,139
Accumulated depreciation	(41,326)	(226,965)	(268,291)	–
Net book amount	176,525	83,208	259,733	108,139

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

For the six months ended 30 June 2018

	Property, plant & equipment		Property, plant & equipment total HK\$'000	Construction in progress HK\$'000
	Buildings HK\$'000	Other assets HK\$'000		
<b>At 1 January 2018</b>				
Cost or valuation	227,803	287,091	514,894	96,728
Accumulated depreciation	(35,237)	(223,360)	(258,597)	–
Net book amount	192,566	63,731	256,297	96,728
<b>Period ended 30 June 2018</b>				
Opening net book amount	192,566	63,731	256,297	96,728
Additions	93	8,613	8,706	24,714
Transfer from construction in progress	–	18,362	18,362	(18,362)
Disposals	–	(187)	(187)	–
Assets written off	–	(686)	(686)	–
Depreciation	(2,628)	(8,250)	(10,878)	–
Exchange differences	(1,608)	(1,257)	(2,865)	(929)
Closing net book amount	188,423	80,326	268,749	102,151
<b>At 30 June 2018</b>				
Cost or valuation	225,923	303,853	529,776	102,151
Accumulated depreciation	(37,500)	(223,527)	(261,027)	–
Net book amount	188,423	80,326	268,749	102,151

## 15. INTANGIBLE ASSETS

For the six months ended 30 June 2019

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>At 1 January 2019</b>						
Cost	7,197	69,543	2,152	1,945	2,880	83,717
Accumulated amortisation & impairment	(7,197)	(58,060)	-	(1,426)	(1,970)	(68,653)
Net book amount	-	11,483	2,152	519	910	15,064
<b>Period ended 30 June 2019</b>						
Opening net book amount	-	11,483	2,152	519	910	15,064
Amortisation (Note 7)	-	(2,102)	-	(65)	-	(2,167)
Exchange differences	-	-	(29)	-	(13)	(42)
Closing net book amount	-	9,381	2,123	454	897	12,855
<b>At 30 June 2019</b>						
Cost	7,197	69,543	2,123	1,945	2,854	83,662
Accumulated amortisation & impairment	(7,197)	(60,162)	-	(1,491)	(1,957)	(70,807)
Net book amount	-	9,381	2,123	454	897	12,855

## 15. INTANGIBLE ASSETS (CONTINUED)

For the six months ended 30 June 2018

	Vendor relationships HK\$'000	Computer software HK\$'000	Brands HK\$'000	Design library HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
<b>At 1 January 2018</b>						
Cost	7,169	69,946	2,250	1,937	3,013	84,315
Accumulated amortisation & impairment	(7,169)	(54,230)	–	(1,292)	(2,064)	(64,755)
Net book amount	–	15,716	2,250	645	949	19,560
<b>Period ended 30 June 2018</b>						
Opening net book amount	–	15,716	2,250	645	949	19,560
Amortisation	–	(2,101)	–	(65)	–	(2,166)
Exchange differences	–	13	(49)	3	(21)	(54)
Closing net book amount	–	13,628	2,201	583	928	17,340
<b>At 30 June 2018</b>						
Cost	7,197	69,955	2,201	1,945	2,971	84,269
Accumulated amortisation & impairment	(7,197)	(56,327)	–	(1,362)	(2,043)	(66,929)
Net book amount	–	13,628	2,201	583	928	17,340

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

## 16. TRADE &amp; OTHER RECEIVABLES

	30 Jun 2019	31 Dec 2018
	HK\$'000	HK\$'000
Trade receivables	56,724	71,986
Less: allowance for impairment of trade receivables	(5,634)	(9,448)
Trade receivables – net	51,090	62,538
Prepayments	15,487	11,934
Value added tax receivables	17,268	23,630
Rental deposits	5,545	5,645
Other receivables	11,442	14,005
	100,832	117,752
Less: Non-current portion prepayments	(5,351)	(5,816)
	95,481	111,936

Other receivables included non-current portion of prepayments amounted to HK\$5,351,000 (as at 31 December 2018: HK\$5,816,000).

The carrying amounts of trade receivables approximate their fair values as at 30 June 2019 and 31 December 2018. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At the end of the financial period, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 Jun 2019	31 Dec 2018
	HK\$'000	HK\$'000
0 to 30 days	23,732	36,197
31 to 60 days	7,755	7,070
61 to 90 days	3,876	4,305
91 to 365 days	15,798	14,608
More than 365 days	5,563	9,806
	56,724	71,986

## 17. PLEDGED BANK DEPOSITS

Pledged bank deposits of approximated HK\$393,000 (as at 31 December 2018: HK\$393,000) represented deposits made to a bank for the performance guarantees issued by the bank to the Group's customers, and to pledge for utilities of factory in the US.

As at 30 June 2019, the effective interest rate on the Group's pledged bank deposits was 2.37% p.a. (as at 31 December 2018: 0.18% p.a.) and these deposits on average will mature 365 days (2018: 129 days).

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

## 18. NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in Philippine Carpet Manufacturing Corporation ("PCMC"). Accordingly, management reclassified all the Group's investment in PCMC as non-current asset held for sale as at 31 December 2013, as the carrying amount would be recovered principally through sale, the investment is available for immediate sale at their present conditions and such sale is considered highly probable.

In February 2019, PCMC entered into a sale and purchase agreement to dispose of its principal property asset in Manila and the transaction was completed in May 2019. Following this sale, PCMC will be closed and the proceeds distributed to shareholders, which is expected to happen within the next 12 months.

## 19. SHARE CAPITAL

	No. of shares	HK\$'000
Authorised – Ordinary shares of HK\$0.10 each:		
At 1 January 2019 & 30 June 2019	400,000,000	40,000
Issued & fully paid – Ordinary shares of HK\$0.10 each:		
At 1 January 2019 & 30 June 2019	212,187,488	21,219

## 20. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Properties revaluation reserve HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
Balance at 1 January 2018	189,699	55,928	4,161	8,000	29,175	286,963
Currency translation differences	-	-	-	-	(1,381)	(1,381)
Balance at 30 June 2018	189,699	55,928	4,161	8,000	27,794	285,582
Balance at 1 January 2019	189,699	55,928	4,161	8,000	17,911	275,699
Currency translation differences	-	-	-	-	(2,041)	(2,041)
Balance at 30 June 2019	189,699	55,928	4,161	8,000	15,870	273,658

## 21. TRADE &amp; OTHER PAYABLES

	30 Jun 2019 HK\$'000	31 Dec 2018 HK\$'000
Trade payables	20,939	42,301
Accrued expenses	59,380	78,082
Other payables	54,686	63,304
	135,005	183,687

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

	30 Jun 2019 HK\$'000	31 Dec 2018 HK\$'000
0 to 30 days	6,465	12,526
31 days to 60 days	4,211	15,278
61 days to 90 days	1,985	5,021
More than 90 days	8,278	9,476
	20,939	42,301

**22. CAPITAL COMMITMENTS**

	30 Jun 2019	31 Dec 2018
	HK\$'000	HK\$'000
Authorised but not contracted for in respect of property, plant & equipment	2,607	7,176
Contracted but not provided for in respect of property, plant & equipment	1,603	1,963
	<b>4,210</b>	<b>9,139</b>

**23. CONTINGENT LIABILITIES**

	30 Jun 2019	31 Dec 2018
	HK\$'000	HK\$'000
Performance bonds issued by banks	296	300

**24. OPERATING LEASE COMMITMENTS**

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 Dec 2018	
	Property	Other assets
	HK\$'000	HK\$'000
Not later than one year	38,371	624
Later than one year and not later than five years	65,911	568
Later than five years	23,534	–
	<b>127,816</b>	<b>1,192</b>

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 3.

**25. RELATED PARTY TRANSACTIONS**

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

The following transactions were carried out with related parties:

## 25. RELATED PARTY TRANSACTIONS (CONTINUED)

## (a) Sale of goods &amp; services

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Sale of carpets:		
The Hongkong and Shanghai Hotels, Limited ("HSH") <sup>1</sup>	3,744	144

Note:

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

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

	2019 HK\$'000	2018 HK\$'000
Trade receivable from related party:		
HSH	2,521	–

## (c) Key management compensation

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Salaries & other short-term employee benefits	7,067	6,416

## 26. DISCONTINUED OPERATION

The Group completed the disposal of its Commercial Business in the year 2017 ("the Disposal"). The analysis of the cash outflows in regard of the Disposal is set out below:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Net cash used in investing activities	–	(45,579)
Total cash outflows	–	(45,579)

# Corporate Information

## Board of Directors

### Chairman & Non-Executive Director

Mr. Nicholas T. J. Colfer

### Chief Executive Officer & Executive Director

Mr. Mark S. Worgan

### Non-Executive Directors

Mr. David C. L. Tong

Mr. John J. Ying

Mr. Nelson K. F. Leong

Mr. Andrew C. W. Brandler

### Independent Non-Executive Directors

Mr. Roderic N. A. Sage

Mr. Lincoln C. K. Yung

Mr. Aubrey K. S. Li

Mr. Daniel G. Green

Mrs. Yvette Y. H. Fung

## Executive Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)

Mr. Mark S. Worgan

Mr. David C. L. Tong

Mr. Nelson K. F. Leong

## Audit Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)

Mr. Aubrey K. S. Li

Mr. John J. Ying

## Remuneration Committee

Mr. Roderic N. A. Sage (*Committee Chairman*)

Mr. David C. L. Tong

Mrs. Yvette Y. H. Fung

## Nomination Committee

Mr. Nicholas T. J. Colfer (*Committee Chairman*)

Mr. Lincoln C. K. Yung

Mrs. Yvette Y. H. Fung

## Company Secretary

Mr. Chi Sing Alex Lung

## Auditor

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road, Central

Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking

Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

## Principal Share Registrar and Transfer Agent

Estera Management (Bermuda) Limited

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

## Branch Share Registrar

Computershare Hong Kong Investor

Services Limited

1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## Registered Office

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

## Principal Office in Hong Kong

Units 1801-1804, 18th Floor

909 Cheung Sha Wan Road

Cheung Sha Wan

Kowloon

Hong Kong

Tel: (852) 2848 7668

Fax: (852) 2845 9363

Website: [www.taipingcarpets.com](http://www.taipingcarpets.com)

**Stock Code: 146**