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TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 146)



**DISCLOSEABLE TRANSACTION IN RELATION TO
SHOWROOM TENANCY AGREEMENT**

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AGREEMENT**

On 23 May 2023, TPCIT (a wholly-owned subsidiary of the Company) as tenant and Shanghai Haici Real Estate Co., Ltd. as the landlord entered into the Middle Huaihai Road Tenancy Agreement (“Tenancy Agreement”) in respect of the Showroom Premise for a term of 63 months from 1 June 2023 to 31 August 2028 (both days inclusive).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Showroom Premise under the Tenancy Agreement. Accordingly, the lease transaction under the Tenancy Agreement is regarded as acquisitions of assets by the tenant (i.e. lessee) for the purpose of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the Showroom Premise under the Tenancy Agreement exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction and is subject to the announcement requirement under Chapter 14 of the Listing Rules but exempt from Shareholders’ approval requirement under the Listing Rules.

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Key Terms of the Showroom Tenancy Agreement

Date:	23 May 2023
Parties:	(i) TPCIT as tenant (ii) Shanghai Haici Real Estate Co., Ltd. as landlord
Showroom Premise:	Unit 102, No. 158, 188 Middle Huaihai Road, Huangpu District, Shanghai, PRC
Term:	63 months from 1 June 2023 to 31 August 2028
Total Aggregate Value of Consideration Payable and Initial Deposit:	The total consideration payable amounts to approximately RMB14.2 million (approximately of HK\$16.1 million) in aggregate for the term of 63 months pursuant to the terms and conditions of the Tenancy Agreement (exclusive of Value Added Tax, management fee and other outgoings) and the initial deposit amounts to approximately RMB0.8 million (approximately of HK\$0.9 million) (exclusive of Value Added Tax)
Total Aggregate Value of Management Charge:	The total management charge amounts to approximately RMB1.6 million (approximately of HK\$1.8 million) in aggregate for the term of 63 months pursuant to the terms and conditions of the Tenancy Agreement (exclusive of Value Added Tax)

The value of the right-of-use asset recognised by the Company under the Tenancy Agreement amounted to approximately HK\$14.1 million (unaudited), which is the present value of the total consideration payable at the inception of the lease term under the Tenancy Agreement in accordance with HKFRS 16.

INFORMATION ON THE PARTIES

The Company and TPCIT

The Company is a limited liability company incorporated in Bermuda whose Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

TPCIT is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company.

Shanghai Haici Real Estate Co., Ltd.

Shanghai Haici Real Estate Co., Ltd. is a limited liability company incorporated in the PRC and principally engaged in the leasing, operation, property management and related supporting services and consulting services of properties in Shanghai. The ultimate beneficial owner of Shanghai Haici Real Estate Co., Ltd. is The estate of the late Mr. CHEN Din Hwa.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shanghai Haici Real Estate Co., Ltd. and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

REASONS AND BENEFITS FOR THE AGREEMENT

Shanghai is one of the Company's key geographical market with potential for future growth. Consistent with the Company's long-term strategy deployment, the relocation of its local operations to the Showroom Premise will drive greater consumer awareness and build a stronger brand presence in the local market. The terms of the Tenancy Agreement was arrived at arm's length negotiation and the rental was determined with reference to the prevailing market rental of similar comparable properties in the nearby areas. The Directors considered that the terms of the Tenancy Agreement was entered into on normal commercial terms. The Directors believe that the terms of the Tenancy Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of directors
“Company”	Tai Ping Carpets International Limited, a company incorporated in the Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 146)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards

“Hong Kong”	the Hong Kong Special Administrative region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares(s)
“Showroom Premise”	Unit 102, No. 158, 188 Middle Huaihai Road, Huangpu District, Shanghai, PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TPCIT”	Tai Ping Carpets International Trading (Shanghai) Company Limited
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.1337. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

By order of the Board
Tai Ping Carpets International Limited
Nicholas Timothy James Colfer
Chairman

Hong Kong, 23 May 2023

As at the date of this announcement, the Directors of the Company are: Chairman and Non-executive Director – Mr. Nicholas Timothy James Colfer; Chief Executive Officer and Executive Director – Mr. Mark Stuart Worgan; Non-executive Directors – Mr. Tong Chi Leung David, Mr. John Jeffrey Ying, Mr. Leong Kwok Fai Nelson, Mr. Andrew Clifford Winawer Brandler; Independent Non-executive Directors – Mrs. Fung Yeh Yi Hao Yvette, Mr. Yung Lincoln Chu Kuen, Mr. Daniel George Green, Mr. Nicholas James Debnam.