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TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2021

The board of directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) announced on 19 August 2019 that its financial year end would change from 31 December to 30 June.

As a result, the Board of the Company is pleased to announce the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the 12 months period from 1 July 2020 to 30 June 2021, together with the comparative figures for 18 months ended 30 June 2020.

CONSOLIDATED INCOME STATEMENT

		For the year ended 30 June 2021	For the eighteen months ended 30 June 2020
	<i>Note</i>	HK\$’000	HK\$’000
Revenues		481,379	738,407
Cost of sales	5	<u>(201,277)</u>	<u>340,104</u>
Gross profit		280,102	398,303
Distribution costs	5	(135,063)	(242,726)
Administrative expenses	5	(127,049)	(207,630)
Gain on disposal of non-current asset held for sale	6	–	11,089
Other gains – net	7	<u>1,127</u>	<u>5,875</u>
Operating profit/(loss)		19,117	(35,089)
Finance costs – net		<u>(2,569)</u>	<u>(5,170)</u>

		For the year ended 30 June 2021	For the eighteen months ended 30 June 2020
	<i>Note</i>	HK\$'000	HK\$'000
Profit/(loss) before income tax		16,548	(40,259)
Income tax credit	8	<u>86</u>	<u>1,085</u>
Profit/(loss) for the year/period		<u>16,634</u>	<u>(39,174)</u>
Profit/(loss) attributable to:			
Owners of the Company		16,634	(37,105)
Non-controlling interests		<u>—</u>	<u>(2,069)</u>
		<u>16,634</u>	<u>(39,174)</u>
Earnings/(losses) per share attributable to the owners of the Company during the year/period (expressed in HK cents per share)			
Basic/diluted	9	<u>7.84</u>	<u>(17.49)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June 2021 <i>HK\$'000</i>	For the eighteen months ended 30 June 2020 <i>HK\$'000</i>
Profit/(loss) for the year/period	16,634	(39,174)
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurement of retirement benefit obligations	(26)	(612)
Items that have been or may be reclassified subsequently to profit or loss		
Release of reserves attributable to the disposal of non-current asset held for sales	-	(14,743)
Currency translation differences	<u>34,343</u>	<u>(17,465)</u>
Other comprehensive income/(loss) for the year/period, net of tax	<u>34,317</u>	<u>(32,820)</u>
Total comprehensive income/(loss) for the year/period	<u>50,951</u>	<u>(71,994)</u>
Attributable to:		
Owners of the Company	50,951	(69,141)
Non-controlling interests	<u>-</u>	<u>(2,853)</u>
	<u>50,951</u>	<u>(71,994)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Assets			
Non-current assets			
Land use rights		26,959	25,148
Property, plant & equipment		249,240	332,747
Investment property		82,976	–
Construction in progress		89	640
Intangible assets		17,748	19,798
Right-of-use assets		105,695	107,195
Prepayments	<i>10</i>	2,698	1,369
Other receivable	<i>6</i>	5,049	4,887
Lease receivables		–	1,083
Pledged bank deposit		407	–
		490,861	492,867
Current assets			
Inventories		51,306	68,557
Trade & other receivables	<i>10</i>	59,505	70,931
Derivative financial instruments		550	–
Lease receivables		1,083	2,186
Current income tax recoverables		3,399	6,228
Pledged bank deposit		–	402
Cash & cash equivalents		178,173	136,036
		294,016	284,340
Total assets		784,877	777,207

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Equity			
Equity attributable to owners of the Company			
Share capital		21,219	21,219
Reserves		277,835	244,275
Retained earnings:			
Proposed final dividend		6,366	–
Others		119,363	104,011
		<u>424,783</u>	<u>369,505</u>
Non-controlling interests		<u>–</u>	<u>17,415</u>
Total equity		<u>424,783</u>	<u>386,920</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,570	2,065
Retirement benefit obligations		3,738	3,719
Lease liabilities		87,989	91,708
		<u>93,297</u>	<u>97,492</u>
Current liabilities			
Trade & other payables	<i>11</i>	130,697	136,982
Contract liabilities – Deposits received in advance	<i>12</i>	91,830	97,047
Derivative financial instruments		–	93
Current income tax liabilities		2,893	2,284
Bank borrowings – unsecured		15,520	31,040
Lease liabilities		25,857	25,349
		<u>266,797</u>	<u>292,795</u>
Total liabilities		<u>360,094</u>	<u>390,287</u>
Total equity & liabilities		<u>784,877</u>	<u>777,207</u>
Net current assets/(liabilities)		<u>27,219</u>	<u>(8,455)</u>
Total assets less current liabilities		<u>518,080</u>	<u>484,412</u>

1. GENERAL INFORMATION

On 19 August 2019, the board of directors (the “Board”) of the Company resolved to change the financial year end date of the Company from 31 December to 30 June. The change is to align the Company’s financial year end date with that of certain major subsidiaries of the Company, in order to facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the current financial period covers a twelve months period from 1 July 2020 to 30 June 2021 with the comparative financial period covering an eighteen months period from 1 January 2019 to 30 June 2020. Consequently, the comparable amount of the consolidated income statement, the consolidated statement of comprehensive income and related notes are not comparable in so far as they relate to a longer period than the current year.

2. 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 judgement in the process of applying the Group’s accounting policies.

3. CHANGES IN ACCOUNTING STANDARDS

(a) New and amended standards mandatory for the first time for the financial year beginning 1 July 2020

The HKICPA has issued a number of amendments to HKFRS that are first effective for the financial year beginning on 1 July 2020 and none of them have material impact to the Group. Apart from the early adoption of the Amendment to HKFRS 16, Covid-19-related Rent Concessions beyond 30 June 2021, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) New and amended standards and interpretations which have been issued but are not effective for the financial year ended 30 June 2021 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 not yet effective:

HKFRS 3	Business Combinations (amendments) ¹
HKAS 16	Property, Plant and Equipment (amendments) ¹
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments) ¹

Note:

¹ Effective for the Group from 1 July 2022

4. REVENUES AND SEGMENT INFORMATION

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

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

The segment information provided to management for the reportable segments for the year ended 30 June 2021 and eighteen months ended 30 June 2020 are as follows:

For the year ended 30 June 2021

	Asia <i>HK\$'000</i>	EMEA <i>HK\$'000</i>	America <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue from external customers	98,498	198,588	184,293	–	481,379
Cost of production ¹	<u>(42,383)</u>	<u>(82,891)</u>	<u>(80,186)</u>	<u>–</u>	<u>(205,460)</u>
Segment gross margin	<u>56,115</u>	<u>115,697</u>	<u>104,107</u>	<u>–</u>	<u>275,919</u>
Segment results	22,446	19,782	11,031	–	53,259
Unallocated expenses ²					<u>(34,142)</u>
Operating profit					19,117
Finance costs – net					<u>(2,569)</u>
Profit before income tax					16,548
Income tax credit					<u>86</u>
Profit for the year					<u>16,634</u>
Non-current assets	360,295	76,961	48,103	5,502	490,861
Current assets	<u>176,594</u>	<u>70,691</u>	<u>42,265</u>	<u>4,466</u>	<u>294,016</u>
Total assets					<u>784,877</u>
Segment liabilities	<u>102,217</u>	<u>125,570</u>	<u>95,121</u>	<u>37,186</u>	<u>360,094</u>
Capital expenditure	(4,239)	(9,597)	(671)	–	(14,507)
Impairment loss on property, plant & equipment	(6,566)	–	(2,561)	–	(9,127)
Amortisation of intangible assets	–	–	(129)	(4,092)	(4,221)
Depreciation of property, plant & equipment	(18,036)	(3,168)	(3,591)	(478)	(25,273)
Depreciation of investment property	(327)	–	–	–	(327)
Depreciation of other right-of-use assets	(7,879)	(9,744)	(10,387)	–	(28,010)
Amortisation of land use rights	(628)	–	–	–	(628)
Allowance for provision of inventories – net	(3,283)	(727)	(218)	–	(4,228)
Inventories written off	(127)	(90)	(58)	–	(275)
Recovery of impairment of trade receivables – net	113	30	828	–	971
Property, plant & equipment written off	<u>–</u>	<u>(1,143)</u>	<u>(124)</u>	<u>–</u>	<u>(1,267)</u>

For the eighteen months ended 30 June 2020

	Asia <i>HK\$'000</i>	EMEA <i>HK\$'000</i>	America <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue from external customers	147,562	296,344	294,501	–	738,407
Cost of production ¹	<u>(68,479)</u>	<u>(136,434)</u>	<u>(130,123)</u>	<u>–</u>	<u>(335,036)</u>
Segment gross margin	<u>79,083</u>	<u>159,910</u>	<u>164,378</u>	<u>–</u>	<u>403,371</u>
Segment results	17,468	2,101	(8,185)	–	11,384
Gain on disposal of non-current asset held for sale					11,089
Unallocated expenses ²					<u>(57,562)</u>
Operating loss					(35,089)
Finance costs – net					<u>(5,170)</u>
Loss before income tax					(40,259)
Income tax credit					<u>1,085</u>
Loss for the period					<u>(39,174)</u>
Non-current assets	347,769	76,964	62,606	5,528	492,867
Current assets	<u>127,467</u>	<u>82,800</u>	<u>67,701</u>	<u>6,372</u>	<u>284,340</u>
Total assets					<u>777,207</u>
Segment liabilities	<u>99,571</u>	<u>148,227</u>	<u>102,802</u>	<u>39,687</u>	<u>390,287</u>
Capital expenditure	(7,490)	(3,196)	(6,344)	–	(17,030)
Amortisation of intangible assets	(147)	–	(194)	(6,641)	(6,982)
Depreciation of property, plant & equipment	(23,747)	(4,013)	(6,304)	(929)	(34,993)
Depreciation of other right-of-use assets	(11,746)	(18,612)	(16,554)	–	(46,912)
Amortisation of land use rights	(911)	–	–	–	(911)
Allowance for provision of inventories – net	(3,390)	(977)	(430)	–	(4,797)
Inventories written off	(4,556)	(1,916)	(106)	–	(6,578)
(Allowance for)/recovery of impairment of trade receivables – net	(223)	1,006	(371)	–	412
Property, plant & equipment written off	<u>(1,055)</u>	<u>–</u>	<u>(43)</u>	<u>–</u>	<u>(1,098)</u>

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.

5. EXPENSES BY NATURE

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Raw materials & consumables used	42,654	72,719
Amortisation of intangible assets	4,221	6,982
Depreciation of property, plant & equipment	25,273	34,993
Depreciation of investment property	327	–
Depreciation/amortisation of right-of-use assets by class of underlying assets		
– Buildings and properties	27,566	46,471
– Other assets	444	441
– Land use rights	628	911
Employee benefit expenses ¹	164,603	273,552
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	1,488	1,889
Variable lease payments not include in the measurement of lease liabilities	–	17
Allowance for provision of inventories – net	4,228	4,797
Inventories written off	275	6,578
Recovery of impairment of trade receivables – net	(971)	(412)
Bad debts written off	573	82
Auditor's remuneration		
– Audit services	2,425	2,617
– Non-audit services	1,701	1,029
Legal and professional fees	<u>6,100</u>	<u>15,117</u>

Note:

¹ During the year ended 30 June 2021 and the eighteen months ended 30 June 2020, the Group recognised several government subsidies in related to the COVID-19 pandemic and majority of the amount was off-set with the employee benefit expenses.

6. GAIN ON DISPOSAL OF NON-CURRENT ASSET HELD FOR SALE

On 13 December 2013, the Directors approved the disposal of the Group's investment in 33% equity 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.

In February 2019 PCMC entered into a sale and purchase agreement to dispose of its principal property asset in Manila (the "disposal"), and the transaction was completed in May 2019. In December 2019 PCMC distributed the first installment of the proceeds after the transaction was finalised. The balance of the proceeds should be distributed after PCMC has received all tax clearances for the disposal. As the transaction has been substantially concluded, the Group recorded its share of the gain on disposal of HK\$11,089,000 during the eighteen months ended 30 June 2020. The balance of the outstanding proceeds of HK\$5,049,000 (2020: HK\$4,887,000) was recorded as long-term other receivable as at 30 June 2021.

The gain on disposal of non-current asset held for sale is as follows:

	For the eighteen months ended 30 June 2020 <i>HK\$'000</i>
Consideration of the disposal	34,256
Less: Direct expenses in relation to the disposal	<u>(20,718)</u>
Net consideration	13,538
Less: Carrying value of the non-current asset held for sale	(17,192)
Add: Release of reserves attributable to the disposal of non-current asset held for sale	<u>14,743</u>
Gain on disposal	<u><u>11,089</u></u>

7. OTHER GAINS – NET

	For the year ended 30 June 2021 <i>HK\$'000</i>	For the eighteen months ended 30 June 2020 <i>HK\$'000</i>
Gain on liquidation of a subsidiary ¹	6,816	–
Gain on change in fair value of derivative financial instruments	1,384	428
Rental income	1,179	–
Gain from derecognition of right-of-use assets	6	1,263
Net foreign exchange (loss)/gain	(1,026)	2,255
Property, plant & equipment written off	(1,267)	(1,098)
Loss of disposal of property, plant and equipment	(4)	(681)
Impairment loss on property, plant and equipment	(9,127)	–
Others	<u>3,166</u>	<u>3,708</u>
	<u><u>1,127</u></u>	<u><u>5,875</u></u>

Note:

¹ In May 2021, the Group completed the liquidation of its former manufacturing subsidiary, Foshan Nanhai Tai Ping Carpets Company Limited. Since the minority interest shareholder has agreed to waive all its entitlement to the investment, the Group has recorded a one-off gain of HK\$6,816,000.

8. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 30 June 2021 (for the eighteen months ended 30 June 2020: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profits for the year ended 30 June 2021 and eighteen months ended 30 June 2020 at the rates of taxation prevailing in the countries in which the Group operates.

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Current income tax		
Hong Kong	250	333
Overseas	153	1,312
Under/(over)-provision in prior years	6	(2,570)
Deferred income tax credit	<u>(495)</u>	<u>(160)</u>
Income tax credit	<u><u>(86)</u></u>	<u><u>(1,085)</u></u>

9. EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year/period.

	For the year ended 30 June 2021 HK\$'000	For the eighteen months ended 30 June 2020 HK\$'000
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>16,634</u>	<u>(37,105)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>212,187</u>	<u>212,187</u>
Basic earnings/(losses) per share (HK cents)	<u><u>7.84</u></u>	<u><u>(17.49)</u></u>

The Group had no dilutive potential shares outstanding during the year ended 30 June 2021 and the eighteen months ended 30 June 2020.

10. TRADE & OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	39,682	46,637
Less: allowance for impairment of trade receivables	<u>(3,541)</u>	<u>(5,005)</u>
Trade receivables – net	36,141	41,632
Prepayments	10,962	9,228
Value added tax receivables	3,133	3,001
Rental deposits	4,147	6,724
Other receivables	<u>12,869</u>	<u>16,602</u>
	<u>67,252</u>	<u>77,187</u>
Less: Non-current portion prepayments	(2,698)	(1,369)
Less: Non-current portion other receivable (<i>Note 6</i>)	<u>(5,049)</u>	<u>(4,887)</u>
Current portion	<u><u>59,505</u></u>	<u><u>70,931</u></u>

The carrying amounts of trade receivables approximate their fair values as at 30 June 2021 and 30 June 2020. 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/period, the ageing analysis of the trade receivables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	31,733	23,828
31 to 60 days	2,572	6,231
61 to 90 days	312	1,030
91 to 365 days	1,517	8,937
More than 365 days	<u>3,548</u>	<u>6,611</u>
	<u><u>39,682</u></u>	<u><u>46,637</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 July 2020/1 January 2019	5,005	9,448
Recovery of impairment of trade receivables – net	(971)	(412)
Receivables written off as uncollectible	(578)	(3,969)
Currency translation difference	<u>85</u>	<u>(62)</u>
At 30 June	<u><u>3,541</u></u>	<u><u>5,005</u></u>

11. TRADE & OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	19,667	27,330
Deposits received in advance	91,830	97,047
Accrual for expenses	75,282	59,017
Other payables	35,748	50,635
	<u>222,527</u>	<u>234,029</u>
Less: Contract liabilities – Deposits received in advance	<u>(91,830)</u>	<u>(97,047)</u>
	<u><u>130,697</u></u>	<u><u>136,982</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	13,811	15,615
31 days to 60 days	4,703	6,988
61 days to 90 days	654	1,603
More than 90 days	499	3,124
	<u>19,667</u>	<u>27,330</u>

12. CONTRACT LIABILITIES – DEPOSITS RECEIVED IN ADVANCE

During the year, movement in contract liabilities included increase in deposits received in advance amounting to approximately HK\$332,968,000 (for the eighteen months ended 30 June 2020: HK\$495,495,000), net off by a decrease of approximately HK\$338,185,000 (for the eighteen months ended 30 June 2020: HK\$481,612,000) 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 the customers.

CHAIRMAN'S STATEMENT

The year ending 30 June 2021 presented Tai Ping with huge challenges as management continued to right-size the company and implement strategic change while navigating the unprecedented difficulties presented by the COVID-19 pandemic. Given the context, it is very pleasing to report the company's first profitable year since the divestment of its commercial operations in 2017.

Total turnover for the Group in 2020/21 was HK\$481 million and operating profit was HK\$19 million, a significant improvement over the 18 months ended 30 June 2020 which saw total turnover of HK\$738 million and an operating loss of HK\$35 million.

During the reporting period management further drove down operating costs throughout its sales and distribution businesses, while also delivering productivity gains in the manufacturing operation. New showrooms were established in London in September 2020 and Paris in April 2021, a change that will yield significant on-going real estate cost savings. Additionally, the new showrooms are both in prime street-front locations to support increased foot traffic, greater brand awareness and retail sales growth. This continues the shift in strategy begun in Shanghai and Milan in 2018 and 2019 and means that Tai Ping now operates five dual-channel flagship showrooms, with three more planned over the next eighteen months.

The pandemic hindered Sales and Marketing activity throughout the year and had its biggest impact on Tai Ping's luxury Boutique Store and Private Aviation customers. Promotional events and trade shows were cancelled, and most of the company's selling locations were closed for much of the year. Management responded proactively to support staff welfare while harnessing technology to maintain customer service while working from home. The greatest impact manifested through the summer and autumn of 2020 when some staff were furloughed while others agreed voluntary short term salary reductions. Landlords in several locations also agreed to rent reductions.

Unable to travel and transact business in the traditional way, emphasis was redirected toward Tai Ping's on-line presence with new websites and e-shops soft launched and tested in several locations and now ready for full launch in Autumn 2021. Product development was scaled back somewhat but new design collections, both in-house and in collaboration with external partners, were introduced successfully using social media and virtual events for promotion and launch.

Trading started to pick-up at the end of 2020 and continued to improve with the Global vaccine rollout during the first half of 2021. The prompt and impressive steps taken by staff and management in the first half, and the improving revenue trend in the second half, combined to complete the financial turnaround.

Looking to the year ahead, management will continue to monitor and prioritise employee welfare, health and safety as the pandemic continues, taking whatever steps may be necessary to secure the short and long-term position. Global trade frictions between America and China also remain a concern as the former is Tai Ping's biggest market, whereas the latter its primary source of supply. However, Tai Ping's new US manufacturing footprint creates a natural hedge and its expansion, alongside other options, remains under review.

On behalf of all the members of the Board, I would like to thank Tai Ping management and staff who, through an extraordinarily difficult period, have continued to deploy agreed strategy, delivered profitability and improved business resilience to support future growth. I would also like to thank the Directors for their continued advice and support.

MANAGEMENT DISCUSSION & ANALYSIS

CHANGE OF FINANCIAL YEAR END

The Board of the Company announced on 19 August 2019 that its financial year end would change from 31 December to 30 June.

As a result, this set of consolidated financial statements covers the 12 months period from 1 July 2020 to 30 June 2021, together with comparative figures for the 18 months ending 30 June 2020.

BUSINESS REVIEW

The Group's consolidated turnover for the financial year ended 30 June 2021 was HK\$481 million, compared to HK\$738 million for the 18 months period ending 30 June 2020.

The COVID-19 pandemic impacted business significantly, particularly in the first half of the year. Trading in Europe and the US began to improve in the second half as the vaccine roll-out restored some consumer confidence. Turnover for the six months ended 30 June 2021 was HK\$261 million compared to HK\$220 million in the first half of the financial year, and HK\$190 million in the same period last year.

During the financial year, the Group continued to deploy its strategy with emphasis on further reducing its cost base, driving efficiency, and laying the foundations for future growth. With cost control particularly critical, two of the showrooms in Europe were relocated to reduce rental costs, short term rent reductions were negotiated in other locations, and staff were furloughed or agreed voluntary pay reductions (as permitted under the relevant local regulations). The second-half improvement in revenue, combined with this rigorous control of expenses enabled successful completion of the financial turnaround targeted. The operating profit of HK\$19 million in the year was the first since the divestment of Tai Ping's commercial activities in 2017, and a significant improvement over the operating loss of HK\$35 million recorded in the prior 18 months ended 30 June 2020.

In May 2021 the Group completed the liquidation of its former manufacturing subsidiary in Southern China resulting in a one-off gain of HK\$7 million. This was off-set by a write-down in the value of old and under-utilised manufacturing equipment.

The Group's net profit attributable to the equity holders of the Company for the year ended 30 June 2021 was HK\$17 million, compared to a net loss of HK\$37 million reported in the 18 months period ended 30 June 2020.

Management continues to monitor the Group's performance as the pandemic runs its course and will take further cost saving measures as necessary.

CARPET OPERATIONS

For the year ended 30 June 2021 turnover in the Group's carpet operations was HK\$466 million, compared to HK\$716 million in the 18 months ended 30 June 2020.

Despite the improvement in the second half, operations did not recover to pre-pandemic levels, and the Group was grateful for its vertically integrated business model which helped it avoid the supply-chain challenges faced by many competitors. Notwithstanding freight and logistic difficulties caused by the pandemic, the company's control over its own manufacturing base supported progressive recovery in revenues in all regions.

Overall gross margin for the year was 58%, up from 54% for the prior 18 months period because of an improved sales mix and greater efficiency in manufacturing operations.

Manufacturing Operations

In its third full year of operations, the Xiamen facility began to reach maturity. Its performance continued to improve with management focused on delivering further gains in efficiency, productivity and material utilisation while also exploiting the potential benefits of new technology. Close management of the pandemic, including rigorous social distancing protocols, consistent use of PPE and the rapid take-up of vaccines across the employee group meant that the COVID-19 pandemic had no major impact on manufacturing operations in the year.

The Company's new carpet manufacturing operation in the US, located at its Premier Yarn Dyers ("PYD") facility in Georgia, operated throughout the year, although the pandemic depressed demand. The new manufacturing facility will support long-term growth plans in the local market.

Total headcount for manufacturing operations as of the 30 June 2021 was 527, compared to 580 at the 30 June 2020.

Human Resources

The total number of company employees at the end of June 2021 was 674, down 9% from 740 on 30 June 2020. The reduction resulted from business streamlining and productivity improvement at the manufacturing operations.

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 supporting employee welfare through the pandemic and retaining talent through continued organisational change.

A special taskforce led by the Chief Executive Officer monitored the pandemic and its impacts over the course of the year, deploying policies and protocols in all regions to protect the health and safety of employees.

Information Technology

Enhancements were made to the factory ERP system during the year, while its integration with the core Oracle system used in sales and distribution is in progress. Once completed this will enable improved communication, reporting and business efficiency.

The ERP system in new US manufacturing unit has also been enhanced to improve control and support efficiency improvement.

Design and Marketing

While product development was scaled back, Tai Ping has continued to maintain its position as a creative leader through design and marketing.

In terms of design, the Company has introduced new collections including Transcendent, developed in collaboration with internationally renowned designer Jamy Yang and inspired by the way that forces transform, distort and fracture light or matter into dramatic patterns; Ornamental, a collection with eight designs inspired by the language of intricate lacework; The UK Home Collection, which comprises six design groups, has been coloured specifically for the home and is sold exclusively through selected UK partners; and the 2021 Yacht Collection, inspired by the magnificence of seascapes and the effects of climate change on aquatic environments around the world.

On the marketing side, Tai Ping has continued to champion its primary brand messages of craftsmanship, heritage, and responsibility through extensive use of social media, particularly Instagram and LinkedIn. Priority was also given to the development and piloting of new websites and e-shops for both the Tai Ping and Edward Fields brands. Both feature powerful new search functionality and showcase an archive of over 2,500 iconic designs. The new sites and e-shops will be launched in Autumn 2021.

NON CARPET OPERATIONS

The Company's other operations comprise mainly its US based yarn-dyeing subsidiary PYD, which contributes approximately 3% of total sales. While marginal, the operating results of PYD are gradually improving, helped by the new carpet manufacturing operation. Post-pandemic, it is expected that demand will grow and capacity expansion is planned to support this.

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.

At 30 June 2021, the Group had total cash and bank balances amounting to HK\$178 million (at 30 June 2020: HK\$136 million) and unsecured bank borrowings of HK\$16 million (at 30 June 2020: HK\$31 million).

DIVIDEND

No interim dividend was paid during the year ended 30 June 2021. The Directors recommend a final dividend of HK3 cents (for the eighteen months ended 30 June 2020: Nil) per share, totalling HK\$6,366,000 (for the eighteen months ended 30 June 2020: Nil) for the year ended 30 June 2021. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 15 November 2021, the final dividend will be paid to the shareholders of the Company on or about 17 December 2021 whose names appear on the register of members of the Company at the close of business on 23 November 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to attend and vote at the forthcoming AGM on Monday, 15 November 2021, the transfer books and the register of members of the Company will be closed from Wednesday, 10 November 2021 to Monday, 15 November 2021 (both days inclusive). During such period, no transfer of shares will be effected. In order 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 Tuesday, 9 November 2021.

For determining the entitlements to the proposed final dividend for the year ended 30 June 2021, the transfer books and the register of members of the Company will be closed from Friday, 19 November 2021 to Tuesday, 23 November 2021 (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 Thursday, 18 November 2021.

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.

CORPORATE GOVERNANCE

The Board and Management of the Company 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") throughout the year ended 30 June 2021, 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 the AGM at least once every three years which is in line with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' transactions in the securities of the Company (the "Tai Ping Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made 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 throughout the year ended 30 June 2021.

AUDIT COMMITTEE

The Company has set up an Audit Committee on 23 September 2005 and the terms of reference of 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 Audit Committee are accessible on the Company's website.

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 30 June 2021 as set out in the preliminary announcement have been reviewed by the Audit Committee and have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2021 and the amounts were found to be in agreement. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and they are not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The work performed by KPMG in respect of the preliminary announcement did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.taipingcarpets.com). The Annual Report 2020/21 of the Company containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By order of the Board

Nicholas Timothy James Colfer
Chairman

Mark Stuart Worgan
Chief Executive Officer

Hong Kong, 17 September 2021

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