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TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 146)



TAI PING

**DISCLOSEABLE TRANSACTION IN RELATION TO
SHOWROOM PREMISES SUBLEASE AGREEMENT**

**DISCLOSEABLE TRANSACTION IN RELATION TO SHOWROOM PREMISES
SUBLEASE AGREEMENT**

On 21 November 2023 (U.S. time), TPCA (a wholly-owned subsidiary of the Company) as sublandlord and Pipes & Shaw LLC (DBA Veronica Beard) as subtenant entered into the Sublease Agreement in respect of the sublease of the Showroom Premises for a term of 46 months from 1 December 2023 to 29 September 2027 (both days inclusive) after obtaining the agreement from Winter Equities Company L.P. and Edmal Realty Co. LLC as landlord of the Head Lease.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Sublease triggered the Company to derecognise the right-of-use asset for the Head Lease, and at the same time, recognised the value of lease receivable and a net loss in connection with the sublease of the Showroom Premises under the Sublease Agreement. Accordingly, the transaction under the Sublease Agreement is regarded as disposal of asset by the sublandlord for the purpose of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the disposal 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 Head Lease

Date:	26 April 2017
Parties:	(i) TPCA as tenant of the Head Lease (ii) Winter Equities Company, L.P. and Robert Mallin, as Trustee, d/b/a Edmal Realty Co. as landlord of the Head Lease (the interest of Winter Equities Company, L.P. and Robert Mallin, as Trustee, d/b/a Edmal Realty Co. is succeeded by Winter Equities Company L.P. and Edmal Realty Co. LLC)
Showroom Premises:	2nd Floor, 26 West 17th Street, New York, New York, U.S.A.
Consideration and payment arrangement:	The total consideration payable amounts to approximately USD6.6 million (approximately of HK\$52.2 million, excluding tax and other outgoings) in aggregate for the period of 125 months from 1 May 2017 to 30 September 2027 ; and the rent is payable monthly in advance on the first day of each month during the term of the Head Lease
Arrangement for the Head Lease:	The Head Lease would be continuously effective until the expiry date (i.e. 30 September 2027). The rental deposit will be refunded to TPCA after the expiry of the Head Lease and TPCA would be liable to all the rental payments and outgoing expenses (including but not limited to tax and management charges) of the Head Lease.

Key Terms of the Sublease Agreement

Date:	21 November 2023 (U.S. time)
Parties:	(i) TPCA as sublandlord (ii) Pipes & Shaw LLC (DBA Veronica Beard) as subtenant
Showroom Premises:	2nd Floor, 26 West 17th Street, New York, New York, U.S.A.
Term:	46 months from 1 December 2023 to 29 September 2027 (both days inclusive)

Consideration and payment arrangement	The total consideration receivable amounts to approximately USD1.2 million (approximately of HK\$9.7 million, excluding tax and other outgoings) in aggregate for the term of 46 months from 1 Dec 2023 to 29 September 2027; and the rent is payable monthly in advance on the first day of each month during the term of the Sublease
Conditions	This Sublease is conditioned upon the consent by Winter Equities Company L.P. and Edmal Realty Co. LLC as landlord of the Head Lease to the Sublease.

Regarding the sublease arrangement, the remaining unamortised value of the right-of-use asset derecognised by the Company under the Head Lease amounted to approximately HK\$14.7 million (unaudited) and the value of the lease receivable recognised by the Company for the Sublease amounted to approximately HK\$8.3 million (unaudited), which result a net loss of approximately HK\$6.4 million (unaudited) in accordance with HKFRS 16.

INFORMATION ON THE PARTIES

The Company and TPCA

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.

TPCA is a limited liability company incorporated in the United States and a wholly-owned subsidiary of the Company. TPCA is principally engaged in carpets trading and manufacturing.

Winter Equities Company L.P. and Edmal Realty Co. LLC

Winter Equities Company L.P. and Edmal Realty Co. LLC is a New York limited liability company, as a successor in interest to Winter Equities Company, L.P. and Robert Mallin, as Trustee, d/b/a Edmal Realty Co. and principally engaged in real estate in the United States. The ultimate beneficial owner of Winter Equities Company L.P. and Edmal Realty Co. LLC is Mr. James L. Winter.

Pipes & Shaw LLC (DBA Veronica Beard)

Pipes & Shaw LLC (DBA Veronica Beard) is a New York limited liability company and principally engaged in clothing, clothing accessories, shoe and jewelry retailers and doing business as Veronica Bread. Veronica Beard was co-founded by Veronica Miele Beard and Veronica Swanson Beard in 2010 and has more than thirty stores across North America.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Winter Equities Company L.P. and Edmal Realty Co. LLC, Pipes & Shaw LLC (DBA Veronica Beard), and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

REASONS AND BENEFITS FOR THE SUBLEASE AGREEMENT

The Company's business in New York, the United States has been operating through two showrooms in Mahattan. Following a strategic review, the Company has decided to consolidate the existing two showrooms into a single flagship. The Sublease enables this transition while reducing fixed costs. Whilst the committed rental expenses for the Head Lease will not be fully recovered by the income from the Sublease because of the weakening in the local real estate market caused by COVID-19, the planned consolidation into one location will provide better economy of scale, improved brand awareness, and savings from operating overheads that will be diverted to fund the Company's other business priorities.

The terms of the Sublease, including the consideration and the payment arrangement, were arrived at arm's length negotiation and the rental was determined with reference to the prevailing market rental of similar comparable properties of similar use, property conditions, floor area and location in the nearby areas. The Directors considered that the terms of the Sublease Agreement were entered into on normal commercial terms. The Directors believe that the terms of the Sublease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the disposal 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.

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

“Head Lease”	the tenancy agreement dated 26 April 2017 entered into between TPCA and Winter Equities Company, L.P. and Robert Mallin, as Trustee, d/b/a Edmal Realty Co. (the interest of Winter Equities Company, L.P. and Robert Mallin, as Trustee, d/b/a Edmal Realty Co. is succeeded by Winter Equities Company L.P. and Edmal Realty Co. LLC) in relation to the Showroom Premises for a term of 125 months from 1 May 2017 to 30 September 2027 (both days inclusive).
“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
“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 Premises”	2nd Floor, 26 West 17th Street, New York, New York, U.S.A.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sublease Agreement” or “Sublease”	The sublease agreement dated 21 November 2023 (U.S. time) entered into between TPCA and Pipes & Shaw LLC (DBA Veronica Beard) in respect of the sublease of the Showroom Premises for a term of 46 months from 1 December 2023 to 29 September 2027 (both days inclusive)
“TPCA”	Tai Ping Carpets Americas, Inc.
“USD”	United States Dollar , the lawful currency of the United States
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, conversion of USD into HK\$ is calculated at the approximate exchange rate of USD1.00 to HK\$7.8247. 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, 22 November 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.