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TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

The Board of Directors (the “Board”) of Tai Ping Carpets International Limited (the “Company”) hereby presents the interim results announcement and the condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2024 (the “period”), together with the comparative figures for the previous corresponding period. The consolidated interim financial statements of the Group are unaudited while the results announcement comprising these financial statements has been reviewed by the Audit Committee of the Company.

FINANCIAL HIGHLIGHTS

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Revenue	308,356	306,417
Operating profit	28,060	22,036
Profit attributable to owners of the Company	21,697	22,274
Profit per share (HK cents)	10.23	10.50

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group’s consolidated turnover for the period was HK\$308 million, up by 1% compared to HK\$306 million for the same period in 2023. The gross margin for the period was 62%, consistent with the previous period.

Total distribution and administrative expenses increased by 1% compared to last year, following stringent cost control which largely mitigated the impact of inflation.

Profit before income tax for the period was HK\$30 million, up by 30% compared to HK\$23 million for the same period last year (which had included a one-time loss on derecognition of right-of-use asset of HK\$6 million related to the strategic decision to sublet one of its showrooms in New York).

The income tax expense for the period increased compared to the same period last year, as the Group has now exhausted its accumulated historical tax losses in certain jurisdictions.

After accounting for the income tax expense, the Group's profit attributable to the equity holders of the Company was HK\$22 million, in line with the level achieved in the same period last year.

CARPET OPERATIONS

Sales revenue in carpet operations for the period was HK\$302 million, an increase of 1% compared to HK\$299 million in the previous year. Revenue for the Asia region increased by 10%, following steady improvement in all sectors. Sales in the US region also recorded a 10% increase, mainly due to an expansion in the private aviation segment. The sales growth in Asia and the US was offset by a 13% revenue decline in EMEA, partly because the prior year benefitted from large non-recurring projects and partly linked to a difficult trading environment. Total revenue growth benefitted from an improvement in the global logistics situation, which supported faster cash conversion.

MANUFACTURING OPERATIONS

The workforce at our Artisan workshop in Xiamen has remained stable, supporting continued staff upskilling and a focus on lean best practices to drive efficiency and material utilisation. Long-term plans are also underway to further strengthen the Group's sustainability position.

Expansion at the carpet manufacturing operations in the US, located at the Premier Yarn Dyers ("PYD") facility in Georgia, is on-going. The near-term focus is on worker recruitment and training to increase output in line with projected local demand. Additional investment is planned to further refine manufacturing processes and workflows to achieve ISO accreditation, and to ensure best-practice health and safety standards.

NON-CARPET OPERATIONS

Other operations mainly represent the Company's US-based yarn-dyeing subsidiary, PYD, contributing approximately 2% of total sales. While the operating results of PYD remain stable, further investment plan is in place to modernize the facilities and equipment to support the expanded carpet manufacturing operation.

OUTLOOK

The global economic landscape remains challenging, characterised by prolonged high interest rates and inflation, the ongoing conflict in Ukraine, and sanctions on Russia and Iran which have driven uncertainty in global markets, adversely impacting consumer confidence and spending. Fears around a global “tariff war” present a further challenge to economic stability. The continuing tensions between the US and China are of particular concern for Tai Ping, as the US is a key market and Tai Ping’s primary manufacturing base is in China.

Despite these uncertainties, the Group expects to maintain its long-term strategic course including the expansion of its US manufacturing base and building a stronger brand presence in both trade and consumer markets. In the near term stringent cost control will continue, and investment priorities will be implemented gradually, and with caution, to ensure the right balance between growth and profitability.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2023: Nil).

CAPITAL EXPENDITURE

Capital expenditure in the form of property, plant and equipment and construction in progress incurred by the Group totaled HK\$9 million during the period (2023: HK\$9 million). As of 31 December 2024, the aggregate net book value of the Group’s property, plant and equipment, investment property, land use right, construction in progress and intangible assets amounted to HK\$309 million (30 June 2024: HK\$315 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 of 31 December 2024, the Group had total cash and cash equivalents and short-term fixed deposits (with maturity over three months but within one year) amounting to HK\$233 million (30 June 2024: HK\$263 million) and had no bank borrowings (30 June 2024: 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 the end of December 2024 was 746, consistent with the 740 at the end of June 2024.

Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated to encourage and recognise individual performance.

The primary focus for Human Resources during the period was maintaining stability and retaining talent through a period of economic and political uncertainty, as well as continuing organisational change.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group's total contingent liabilities amounted to HK\$2 million (30 June 2024: HK\$3 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December

		Unaudited	
		2024	2023
	Note	HK\$'000	HK\$'000
Revenue	3	308,356	306,417
Cost of sales		<u>(116,732)</u>	<u>(117,014)</u>
Gross profit		191,624	189,403
Distribution costs	4	(90,156)	(84,688)
Administrative expenses	4	(74,131)	(77,455)
Other gains/(losses) – net	5	<u>723</u>	<u>(5,224)</u>
Operating profit		28,060	22,036
Finance income – net	6	<u>1,562</u>	<u>714</u>
Profit before income tax		29,622	22,750
Income tax expense	7	<u>(7,925)</u>	<u>(476)</u>
Profit for the period attributable to the owners of the Company		<u>21,697</u>	<u>22,274</u>
Profit per share attributable to the owners of the Company during the period (expressed in HK cents per share)			
Basic/diluted	9	<u>10.23</u>	<u>10.50</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December

	Unaudited	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	21,697	22,274
Other comprehensive income – net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	<u>(5,785)</u>	<u>7,866</u>
Total comprehensive income for the period attributable to the owners of the Company	<u>15,912</u>	<u>30,140</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 Dec 2024	Audited 30 Jun 2024
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Non-current assets			
Land use right		22,190	22,809
Property, plant & equipment		204,833	211,380
Investment property		68,157	70,077
Construction in progress		4,124	270
Intangible assets		9,445	10,239
Right-of-use assets		114,648	90,336
Lease receivable		4,918	6,182
Prepayments	10	8,857	8,094
		<u>437,172</u>	<u>419,387</u>
Current assets			
Inventories		52,457	49,515
Trade & other receivables	10	93,750	97,437
Lease receivable		2,404	2,263
Pledged bank deposits		1,150	641
Fixed deposits		107,998	129,551
Cash & cash equivalents		125,423	133,772
		<u>383,182</u>	<u>413,179</u>
Total assets		<u><u>820,354</u></u>	<u><u>832,566</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 Dec 2024 <i>HK\$'000</i>	Audited 30 Jun 2024 <i>HK\$'000</i>
	<i>Note</i>		
Equity			
Equity attributable to owners of the Company			
Share capital		21,219	21,219
Reserves		234,776	240,561
Retained earnings:			
Proposed final dividend		–	25,462
Others		189,395	167,698
Total equity		<u>445,390</u>	<u>454,940</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		1,242	1,242
Retirement benefit obligations		4,984	5,014
Lease liabilities		114,304	88,320
Other long-term liabilities		234	262
		<u>120,764</u>	<u>94,838</u>
Current liabilities			
Trade & other payables	11	127,397	169,626
Contract liabilities – Deposits received in advance		95,818	78,989
Current income tax liabilities		8,095	8,236
Lease liabilities		22,890	25,937
		<u>254,200</u>	<u>282,788</u>
Total liabilities		<u>374,964</u>	<u>377,626</u>
Total equity & liabilities		<u>820,354</u>	<u>832,566</u>
Net current assets		<u>128,982</u>	<u>130,391</u>
Total assets less current liabilities		<u>566,154</u>	<u>549,778</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2024 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 30 June 2024, 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.

2. CHANGES IN ACCOUNTING STANDARDS

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the financial period beginning 1 July 2024 and none of them have impact to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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 the effects of gain/loss and income/expenditure which are considered relevant in assessing the segment’s performance.

For the six months ended 31 December 2024

Unaudited	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	91,633	101,836	114,887	–	308,356
Cost of production ¹	<u>(27,131)</u>	<u>(41,136)</u>	<u>(46,421)</u>	<u>–</u>	<u>(114,688)</u>
Segment gross margin	<u>64,502</u>	<u>60,700</u>	<u>68,466</u>	<u>–</u>	<u>193,668</u>
Segment results	38,905	8,848	5,472	–	53,225
Unallocated expenses ²					<u>(25,165)</u>
Operating profit					28,060
Finance income – net					<u>1,562</u>
Profit before income tax					29,622
Income tax expense					<u>(7,925)</u>
Profit for the period					<u>21,697</u>
Capital expenditure	(2,112)	(2,749)	(4,100)	(11)	(8,972)
Depreciation of right-of-use assets	(4,313)	(3,768)	(3,971)	–	(12,052)
Depreciation of property, plant & equipment	(4,824)	(1,650)	(1,980)	(126)	(8,580)
Amortisation of land use right	(295)	–	–	–	(295)
Amortisation of intangible assets	(11)	(37)	(4)	(939)	(991)
Recovery of/(allowance for) impairment of trade receivables – net	<u>–</u>	<u>1,537</u>	<u>(799)</u>	<u>–</u>	<u>738</u>

For the six months ended 31 December 2023

Unaudited	Asia HK\$'000	EMEA HK\$'000	America HK\$'000	Unallocated HK\$'000	Group HK\$'000
Revenue from external customers	83,211	117,493	105,713	–	306,417
Cost of production ¹	<u>(29,067)</u>	<u>(45,311)</u>	<u>(41,487)</u>	<u>–</u>	<u>(115,865)</u>
Segment gross margin	<u>54,144</u>	<u>72,182</u>	<u>64,226</u>	<u>–</u>	<u>190,552</u>
Segment results	31,216	23,236	2,704	–	57,156
Unallocated expenses ²					<u>(35,120)</u>
Operating profit					22,036
Finance income – net					<u>714</u>
Profit before income tax					22,750
Income tax expense					<u>(476)</u>
Profit for the period					<u>22,274</u>
Capital expenditure	(2,405)	(4,800)	(1,407)	(21)	(8,633)
Depreciation of right-of-use assets	(5,151)	(3,765)	(5,808)	–	(14,724)
Depreciation of property, plant & equipment	(4,077)	(1,447)	(1,937)	(282)	(7,743)
Amortisation of land use right	(294)	–	–	–	(294)
Amortisation of intangible assets	(81)	(37)	(5)	(1,223)	(1,346)
(Allowance for)/recovery of impairment of trade receivables – net	<u>(20)</u>	<u>1,066</u>	<u>248</u>	<u>–</u>	<u>1,294</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 condensed consolidated income statement.

² Unallocated expenses include loss on derecognition of right-of-use assets (for the six months ended 31 December 2023), corporate expenses and income of the Group.

4. EXPENSES BY NATURE

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Depreciation of right-of-use assets	12,052	14,724
Depreciation of property, plant & equipment	8,580	7,743
Depreciation of investment property	921	919
Amortisation of land use right	295	294
Amortisation of intangible assets	991	1,346
Recovery of impairment of trade receivables – net	(738)	(1,294)
Allowance for impairment of inventories – net	3,567	7,908
Bad debts written off	177	5
	<u>177</u>	<u>5</u>

5. OTHER GAINS/(LOSSES) – NET

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Rental income	1,698	1,729
Loss on disposal of property, plant & equipment	(293)	(2)
Net foreign exchange loss	(941)	(1,068)
Loss on derecognition of right-of-use assets	–	(6,436)
Others	259	553
	<u>723</u>	<u>(5,224)</u>

6. FINANCE INCOME – NET

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Finance income – interest income from banks	4,485	2,768
Finance cost – interest expense for leases – net	(2,923)	(2,054)
	<u>1,562</u>	<u>714</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 jurisdictions in which the Group operates.

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Current income tax		
Hong Kong	3,777	335
PRC & overseas	4,148	141
Income tax expense	7,925	476

8. DIVIDEND

At the Board meeting held on 19 February 2025, the Board resolved not to declare any dividend for the six months ended 31 December 2024 (2023: Nil).

Distributable reserves of the Company as at 31 December 2024, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK\$488,453,000 (2023: HK\$522,359,000).

9. PROFIT PER SHARE

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

	Six months ended 31 December	
	2024	2023
Profit attributable to owners of the Company (HK\$'000)	21,697	22,274
Weighted average number of ordinary shares in issue (thousands)	212,187	212,187
Basic profit per share (HK cents)	10.23	10.50

The Group had no dilutive potential shares outstanding during the six months ended 31 December 2024 and 2023.

10. TRADE & OTHER RECEIVABLES

	Unaudited 31 Dec 2024 HK\$'000	Audited 30 Jun 2024 HK\$'000
Trade receivables	68,846	79,779
Less: Allowance for impairment of trade receivables	<u>(6,928)</u>	<u>(7,749)</u>
Trade receivables – net	61,918	72,030
Prepayments	12,646	10,235
Value added tax receivables	977	623
Rental deposits	3,286	3,870
Other receivables	<u>23,780</u>	<u>18,773</u>
	<u>102,607</u>	<u>105,531</u>
Less: Non-current portion prepayments	<u>(8,857)</u>	<u>(8,094)</u>
	<u><u>93,750</u></u>	<u><u>97,437</u></u>

The carrying amounts of trade receivables approximate their fair values as at 31 December 2024 and 30 June 2024. 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:

	Unaudited 31 Dec 2024 HK\$'000	Audited 30 Jun 2024 HK\$'000
0 to 30 days	27,884	41,627
31 to 60 days	21,119	12,447
61 to 90 days	4,607	10,735
91 to 365 days	9,317	9,708
More than 365 days	<u>5,919</u>	<u>5,262</u>
	<u><u>68,846</u></u>	<u><u>79,779</u></u>

11. TRADE & OTHER PAYABLES

	Unaudited 31 Dec 2024 HK\$'000	Audited 30 Jun 2024 HK\$'000
Trade payables	29,674	33,503
Accrued expenses	65,948	97,651
Other payables	31,775	38,472
	<u>127,397</u>	<u>169,626</u>

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

	Unaudited 31 Dec 2024 HK\$'000	Audited 30 Jun 2024 HK\$'000
0 to 30 days	24,472	24,335
31 days to 60 days	4,290	6,805
61 days to 90 days	575	822
More than 90 days	337	1,541
	<u>29,674</u>	<u>33,503</u>

CORPORATE GOVERNANCE

The Board of Directors and Management of the Company are committed to promoting good corporate governance to safeguard the interests of shareholders of the Company (the “Shareholders”). The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix C1 (the “CG Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 31 December 2024, except the Company’s Non-Executive Directors are not appointed for specific terms. 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 code provision B.2.2 of 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 during the six months ended 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

The Company has not redeemed any of its shares during the six months ended 31 December 2024. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

AUDIT COMMITTEE

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

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 the interim financial information for the six months ended 31 December 2024.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2024.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

The interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.taipingcarpets.com). The Interim Report 2024/25 of the Company containing all 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, 19 February 2025

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. Frederick Edward Elkin Mocatta; Independent Non-executive Directors – Ms. Yung Ka Sing Kathryn, Mr. Daniel George Green, Mr. Nicholas James Debnam, Mr. Yuan Ren.