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TAI PING

TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)

CONTINUING CONNECTED TRANSACTIONS

BTCL, a substantial shareholder of the Company, is interested in more than 30% of the voting power of HSH. Accordingly, HSH and the other members of the HSH Group are considered connected persons of the Company for the purposes of the Listing Rules.

The Tai Ping Group has, from time to time, entered into transactions on normal commercial terms with the HSH Group pursuant to which it has supplied Products and Services. Whilst the future occurrence of such transactions will depend upon the future requirements for such Products and Services by the HSH Group, it is anticipated that the Tai Ping Group and the HSH Group will continue to enter into such transactions on a regular basis. These transactions constitute continuing connected transactions for the purposes of the Listing Rules.

The Company was granted a waiver by the Stock Exchange on 30th October 2002 from strict compliance with the disclosure requirements under the Listing Rules in relation to such transactions subject to certain conditions. That waiver expired on 31st December 2004. On the 8th February 2005, the Company announced, in accordance with the requirements of Chapter 14A of the Listing Rules, that CITPCL, a subsidiary of the Company, had entered into an agreement to supply Products and Services to SCHCL, a member of the HSH Group, and that as a result of this agreement, the aggregate value of such connected transactions of the Company since 1st January 2005 would exceed the de minimis levels set out in rule 14A.33(3) of the Listing Rules.

The Company entered into the Supply of Products and Services Agreement on 22nd March 2005. The Supply of Products and Services Agreement provides that the Company is not obliged to supply any Products and Services ordered if the fulfilment of such an order would result in the annual consideration for the Products and Services either equalling or exceeding HK\$8.5 million. This limit is below the de minimis levels for the Company referred to in rule 14A.34 of the Listing Rules. Accordingly, the Company is only subject to the reporting and announcement requirements in respect of the Supply of Products and Services Agreement set out in rules 14A.45 to 14A.47 of the Listing Rules. If for any reason these levels are exceeded, the Company will comply with its obligations under the Listing Rules including the requirement to seek independent shareholder approval for such transactions.

BTCL is a substantial shareholder of the Company. BTCL is also interested in more than 30% of the voting power of HSH. Accordingly, HSH and the other members of the HSH Group are considered connected persons of the Company for the purposes of the Listing Rules.

The Tai Ping Group has for many years, from time to time, entered into transactions on normal commercial terms with the HSH Group pursuant to which it has supplied Products and Services. Whilst the future occurrence of such transactions will depend upon the future requirements for such Products and Services by the HSH Group, it is anticipated that the Tai Ping Group and the HSH Group will continue to enter into such transactions on a regular basis. These transactions constitute continuing connected transactions for the purposes of the Listing Rules.

AGREEMENT

Date

22nd March 2005.

Parties

The Company (as supplier) and HSH (as customer).

Nature of the transactions

The provision by the Tai Ping Group, of Products and Services to the HSH Group.

Term

The Supply of Products and Services Agreement will be effective from 22nd March 2005 and will continue until 21st March 2008 (both dates inclusive). The parties may agree in writing to renew the Supply of Products and Services Agreement for a further 3 year term upon its expiry on 21st March 2008.

Prices

The prices payable for the Products and Services will be those set out in the quotation sent by the relevant member of the Tai Ping Group to the relevant member of the HSH Group. Such prices will be determined by reference to the Tai Ping Group's standard prices for Products and Services, subject to such adjustments as may be agreed between the parties following arm's length negotiations.

The Annual Limit

The Company shall not be obliged to supply Products and Services ordered under the Supply of Products and Services Agreement if the fulfilment of such order would result in the annual consideration for Products and Services either equaling or exceeding HK\$8,500,000.

This annual limit of HK\$8,500,000 is above the 2.5% de minimis level of the Company referred to in rule 14A.34(1) of the Listing Rules, but is below the 25% and HK\$10 million de minimis level of the Company referred to in rule 14A.34(2) of the Listing Rules.

CONSIDERATION

The consideration payable for the Products and Services to be supplied pursuant to the Supply of Products and Services Agreement will be determined by reference to the Tai Ping Group's standard prices for such Products and Services. These prices are reviewed annually on the basis of various factors including the supply and demand for such Products and Services and the costs of providing such Products and Services. The amounts payable by HSH may well be adjusted and other terms of supply may be amended to reflect various factors such as the size of the order. All such adjustments and amendments will be agreed between the relevant members of the Tai Ping Group and the HSH Group following arm's length negotiation.

The annual consideration for sales of goods and services from the Tai Ping Group to the HSH Group for the last seven financial years fluctuated significantly over that period ranging from a high of \$14.3 million in the financial year ended 31st December 1998 to a low of \$1.9 million in the financial year ended 31st December 2004 and with an average of \$5.6 million per year. The annual consideration for such sales for the financial years ended 31st December 2002, 2003 and 2004 was approximately HK\$3.4 million, HK\$2.5 million and HK\$1.9 million respectively. The annual consideration for such transactions is dependant upon the extent of HSH Group's renovation or new building projects in any one year and the number and value of transactions awarded to the Company in connection with such projects.

The Company anticipates that the Tai Ping Group may be awarded more of such transactions by the HSH Group over the term of the Supply of Products and Services Agreement, if its bids continue to be successful. This view is based on the generally improved environment for the hospitality industry and, more importantly, the fact that the HSH Group is preparing to open a new hotel in Tokyo in the near future which may bring about substantial business to the Company during that period.

RELATIONSHIP BETWEEN THE COMPANY AND HSH

BTCL is a substantial shareholder of the Company holding approximately 56% of the issue share capital of the Company. BTCL is also interested in approximately 55% of the voting power of HSH. Accordingly, HSH and the other members of the HSH Group are considered connected persons of the Company for the purposes of the Listing Rules. James S Dickson Leach, the chairman of the Company, and Ian D Boyce, a non-executive director of the Company, also sit on the board of HSH.

EXPIRY OF WAIVER AND APPLICATION OF THE LISTING RULES

The Company was granted a waiver by the Stock Exchange on 30th October 2002 from strict compliance with the disclosure requirements under the Listing Rules in relation to connected transactions with the HSH Group subject to certain conditions. That waiver expired on 31st December 2004. On the 8th February 2005, the Company announced, in accordance with the requirements of Chapter 14A of the Listing Rules, that CITPCL, a subsidiary of the Company, had entered into an agreement to supply carpets and ancillary services to SCHCL, a member of the HSH Group, and that as a result of this agreement, the aggregate value of such connected transactions of the Company since 1st January 2005 would amount to approximately HK\$1.3 million and thereby exceed the de minimis levels set out in rule 14A.33(3) of the Listing Rules.

The Company entered into the Supply of Products and Services Agreement on 22nd March 2005. The Supply of Products and Services Agreement provides that the Company is not obliged to supply Products and Services ordered if the fulfilment of such an order would result in the annual consideration for Products and Services either equaling or exceeding HK\$8,500,000.

This limit is below the de minimis levels for the Company referred to in rule 14A.34 of the Listing Rules. Accordingly, the Company is not obliged to supply any Products and Services ordered if the fulfilment of such an order would result in the Company exceeding de minimis levels referred to in rule 14A.34 of the Listing Rules. As a result, the Company is only subject to the reporting and announcement requirements set out in rules 14A.45 to 14A.47 of the Listing Rules in respect of the Supply of Products and Services Agreement. If for any reason these levels are exceeded, the Company will comply with its obligations under the Listing Rules including the requirement to seek independent shareholder approval for such transactions.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions allow the Tai Ping Group to continue to supply Products and Services on normal commercial terms to the HSH Group for use in their prestigious hotels and commercial and residential properties.

The Directors of the Company believe the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

The Tai Ping Group is principally engaged in the sale of furnishing products such as carpets, rugs, furniture, interior furnishings, soft furnishings, antiques, lights, electrical home appliances, ceramics, home accessories and decorative items.

The HSH Group is principally engaged in the ownership and management of prestigious hotels, commercial and residential property in key destinations in Asia and the USA. It is the owner and operator of The Peninsula Hotels.

As at the date of this announcement, the directors of the Company are Chairman: Mr James S Dickson Leach, Honorary Life President: Mr Anthony Y C Yeh, Chief Executive Director: Mr James H Kaplan, Executive Director: Ms Alison S Bailey, Independent Non-executive Directors: Mr Michael T H Lee, Mrs Yvette Y H Fung, Mr Lincoln C K Yung, Non-executive Directors: Mr Ian D Boyce, Mr John J Ying, Mr Kent M C Yeh, Mr Nicholas T J Colfer, Mr Lincoln K K Leong, Alternate Directors: Mr Nelson K F Leong (Alternate to Mr Lincoln K K Leong), Mr David C L Tong (Alternate to Messrs James S Dickson Leach, Nicholas T J Colfer and Ian D Boyce).

DEFINITIONS

“BTCL”	Bermuda Trust Company Limited
“CITPCL”	Carpets International Thailand Public Company Limited, a company incorporated in Thailand, 99% of the shares of which are owned by the Company
“Company”	Tai Ping Carpets International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 146)
“Continuing Connected Transactions”	the continuing connected transactions entered into from time to time between the Tai Ping Group and the HSH Group for the provision of Products and Services
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People’s Republic of China
“HSH”	The Hongkong and Shanghai Hotels, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 45)
“HSH Group”	HSH and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Products”	carpets, rugs and all forms of floor coverings
“SCHCL”	Siam Chaophraya Holdings Company Limited, a company incorporated in Thailand, 75% of the shares of which are owned by HSH
“Services”	installation and transportation of the Products and the provision of related ancillary services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply of Products and Services Agreement”	the agreement entered into between the Company and HSH in relation to the Continuing Connected Transactions
“Tai Ping Group”	the Company and its subsidiaries

By Order of the Board
Tai Ping Carpets International Limited
Ernest P.L. Law
Company Secretary

Hong Kong, 22nd March 2005