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TAI PING

TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 146

DISCLOSEABLE TRANSACTION

The Board wishes to announce that on 29 March 2005 (New York time), the Buyer, a wholly-owned subsidiary of the Company, entered into the Asset Purchase Agreement with the Seller Parties. Pursuant to the Asset Purchase Agreement, among other things, the Buyer has agreed to purchase from Edward Fields, all rights, title and interest in, to and under the Acquired Assets for an aggregate consideration of US\$2,000,000 (approximately HK\$15,600,000). It is agreed that the Buyer will not assume any debts, obligations, claims or liabilities of the Business, the Seller Parties, the Acquired Assets or otherwise except for the Assumed Liabilities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Edward Fields and all of its existing shareholders, including Fields and Lazar, are Independent Third Parties.

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Acquisition will be despatched to shareholders of the Company within 21 days after the publication of this announcement.

A ASSET PURCHASE AGREEMENT

1 Date

29 March 2005 (New York time)

2 Parties

- (i) the Buyer;
- (ii) Edward Fields;
- (iii) Fields; and
- (iv) Lazar

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Edward Fields and all of its existing shareholders, including Fields and Lazar, are Independent Third Parties.

3 The Acquisition

Pursuant to the Asset Purchase Agreement, among other things, the Buyer has agreed to purchase and accept from Edward Fields all of its (and any other Seller Party's) rights, title, and interest in, to and under the Acquired Assets. It is agreed that the Buyer will not assume any debts, obligations, claims or liabilities of the Business, the Seller Parties, the Acquired Assets or otherwise except for the Assumed Liabilities.

4 Consideration

The aggregate consideration for the Acquisition is US\$2,000,000 (approximately HK\$15,600,000), which will be financed by internal resources of the Group.

The Consideration was arrived at after arm's length negotiations among the parties to the Asset Purchase Agreement on normal commercial terms and with reference to factors such as the value of the worldwide recognized brand name of Edward Fields in the US, the opportunity cost to the Buyer of purchasing/establishing a distribution network of seven showrooms in the US and the beneficial supply implications of adding Edward Fields' sales volume/client base to the Buyer's Asian manufacturing operations.

5 Payment terms of the Consideration

The Buyer (and/or TPCHL) shall pay the Consideration (being US\$2,000,000, approximately HK\$15,600,000) to Edward Fields at Closing. The Buyer shall be entitled to deduct the following (where applicable) from such payment:

- (a) payments to lien holders and other creditors of Edward Fields to remove and eliminate all existing liens on the Acquired Assets (which are to be made at the direction of Edward Fields); and
- (b) all payments to which the Buyer is entitled under the Asset Purchase Agreement with respect to certain monies received after the signing of the Asset Purchase Agreement in relation to orders received prior to Closing.

US\$100,000 (approximately HK\$780,000) will be withheld by the Buyer at Closing as security for the indemnification obligations of the Seller Parties set forth in the Asset Purchase Agreement (the "Holdback Amount"). The Buyer shall deliver the balance of the Holdback Amount to EF (or its assignee) on the second anniversary of the date of Closing provided that certain restrictive covenants in the Asset Purchase Agreement and the Fields Employment Agreement have not been breached by Fields or Lazar.

6 Buyer "Good Faith" Escrow

The Buyer shall deposit the sum of US\$200,000 (approximately HK\$1,560,000) with an escrow agent upon execution of the Asset Purchase Agreement (the "Buyer Good Faith Escrow"), which sum shall be returned to the Buyer upon Closing or termination of the Asset Purchase Agreement. However, the Buyer Good Faith Escrow shall be delivered to Edward Fields in the event that the Asset Purchase Agreement is terminated by the Seller Parties without any default or breach on the part of any of the Seller Parties.

Edward Fields shall pay the sum of US\$200,000 (approximately HK\$1,560,000) to the Buyer if the Asset Purchase Agreement is terminated by the Buyer in accordance with the provisions of the Asset Purchase Agreement and the Business or the assets thereof are thereafter sold to a third party by way of merger, asset purchase, stock sale, licensing arrangement or similar transaction within four months of the date of such termination (or thereafter pursuant to an agreement executed during such four-month period).

7 Cooperation with respect to showroom leases

The Seller Parties' shall, prior to Closing, obtain all necessary consents to ensure that certain Acquired Contracts and other Acquired Assets (including all the existing leases for Edward Fields' seven showrooms) are assignable or transferable to the Buyer. In relation to the leases that relate to Edward Fields' showrooms, the Buyer shall, and shall cause TPCHL, to execute any reasonably satisfactory form of assignment and assumption agreement and guarantee and to cooperate in such other manner as may reasonably be requested by the Seller Parties. In connection with the Seller Parties' efforts to obtain the necessary consents, the Buyer shall have the right to communicate and negotiate directly with each landlord and may provide reasonable additional security deposits upon request (provided that Closing takes place in accordance with the terms of the Asset Purchase Agreement).

8 Employment agreement

The non-competition and non-solicitation obligations of Edward Fields and the other Seller Parties contained in the Asset Purchase Agreement and of Fields contained in the Fields Employment Agreement are integral components of the consideration being provided to the Buyer for its agreement to enter into the Asset Purchase Agreement, consummate the transactions contemplated thereby and pay the Consideration.

9 Conditions to Closing

Closing shall be conditional upon the fulfilment of, among other things, all of the following conditions and shall take place within two business days of the satisfaction or waiver of all such conditions or such earlier or later date as the parties may agree:

- (i) there shall have been no material adverse change in the Acquired Assets or the Business (provided, however, that no change to the results of operations of Edward Fields from and after 31 August 2004 shall be deemed an adverse change);
- (ii) the respective representations and warranties of the Seller Parties and the Buyer contained in the Asset Purchase Agreement shall be true and correct in all material respects as of Closing;
- (iii) the covenants and agreements contained in the Asset Purchase Agreement to be complied with by the Seller Parties and the Buyer, respectively, on or before Closing shall have been complied with in all material respects; and
- (iv) there shall not be in effect any order, decree or injunction of a US federal or state court of competent jurisdiction, and no regulation shall have been enacted or promulgated by any governmental authority or agency, that prohibits consummation of the Acquisition.

The Asset Purchase Agreement may be terminated at the election of any party if Closing has not occurred on or before 20 April 2005 provided that the party seeking termination has performed its obligations under the Asset Purchase Agreement and diligently cooperated to fulfil all applicable conditions to Closing.

B INFORMATION ON EDWARD FIELDS AND THE ACQUIRED ASSETS

Edward Fields is a corporation established in New York, the US. It is principally engaged in the design, manufacturing, marketing and sale of traditional and contemporary rugs and floor coverings to the residential, corporate, hospitality and private aircraft and boating markets.

The book value of the total assets of Edward Fields as contained in Edward Fields' financial statements as at 31 May 2004 was US\$8,681,000 (approximately HK\$67,711,000). The Company will acquire less than one third of these assets, namely the Acquired Assets, being those which the Company requires for its business. Although the Company has identified the Acquired Assets, such assets are not itemised in Edward Fields' financial statements and the Company is acquiring assets as of the date of Closing some of which assets might not be reflected in Edward Fields' financial statements as at 31 May 2004. Accordingly, it is not possible to attribute a specific book value to the Acquired Assets.

C REASONS FOR THE ACQUISITION

The Group is principally engaged in the design, manufacture and sale of a full range of floor covering products, including hand tufted, machine woven and tufted carpets.

Through the Acquisition, the Group will be able to leverage and extend its sales network in the US. It will give the Group immediate access to the US retail market through an established brand name and sales showroom network. In addition, the manufacturing base of Edward Fields currently in New York, the US will be transferred to the Group's Asian manufacturing base thereby enabling the Group to control the entire supply chain from manufacturing to retailing.

The Board considers that the terms of the Acquisition, including the Consideration, and the other transactions contemplated by the Asset Purchase Agreement are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

D GENERAL

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Acquisition will be despatched to shareholders of the Company within 21 days after the publication of this announcement.

E DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

- “Acquisition” the acquisition by the Buyer of all of Edward Fields’ (and any other Seller Party’s) rights, title, and interest in, to and under the Acquired Assets
- “Acquired Assets” include: (i) the Inventory; (ii) all samples relating to the Inventory and/or product lines of the Business; (iii) the name “Edward Fields” and all derivatives and variances thereof and all other names and trade names used in the Business; (iv) the Intellectual Property; (v) all rights of Edward Fields under existing leases that relate to any and all of its seven showrooms and all of Edward Fields’ interest in security deposits relating to such leases; (vi) all leasehold improvements; (vii) all rights of Edward Fields under the Acquired Contracts; (viii) all equipment and other personal property utilized in the Business; (ix) all customer lists; (x) all designer lists; and (xi) all other tangible and intangible assets of Edward Fields other than the Excluded Assets
- “Acquired Contracts” any contract, agreement and other instrument or understanding of any kind relating to the Business listed in the schedule to the Asset Purchase Agreement to form part of the Acquired Assets
- “Asset Purchase Agreement” the asset purchase agreement dated 29 March 2005 (New York time) entered into between the Buyer, Edward Fields, Fields and Lazar in respect of the Acquisition
- “Assumed Liabilities” the obligations of Edward Fields under the Acquired Contracts included in the Acquired Assets that arise or are due to be performed subsequent to Closing and only to the extent related to the post-Closing period, and the obligations to produce and deliver the Buyer-Serviced Orders following Closing
- “Board” the board of Directors
- “Business” the design, manufacturing, marketing and sale of traditional and contemporary rugs and floor coverings to the residential, corporate, hospitality and private aircraft and boating markets in which Edward Fields is engaged
- “Buyer” EF Acquisition Corp., a wholly-owned subsidiary of the Company and a corporation established in Georgia, the US

“Buyer-Serviced Orders”	include: (i) Customer Orders with respect to which the Buyer has commenced manufacturing or production activities at the direction of Edward Fields; (ii) Customer Orders with respect to which no manufacturing or production has commenced; and (iii) Customer Orders received by Edward Fields on and after the date of the Asset Purchase Agreement through the date of Closing
“Closing”	consummation of the transactions contemplated in the Asset Purchase Agreement, which shall take place within two business days of the satisfaction or waiver of all of the conditions to Closing, or such earlier or later date as the parties may agree
“Company”	Tai Ping Carpets International Limited, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Consideration”	US\$2,000,000 (approximately HK\$15,600,000), being the aggregate consideration to be paid by the Buyer (and/or TPCHL) for the Acquisition pursuant to the Asset Purchase Agreement
“Customer Orders”	any order for products and services which have not yet been completely filled as at the date of the Asset Purchase Agreement
“Directors”	directors of the Company
“Edward Fields”	Edward Fields, Incorporated, a corporation established in New York, the US
“Excluded Assets”	(i) all of Edward Fields’ cash and accounts receivable; (ii) real estate; (iii) any inventory, equipment and personal property used in the Business which are specified by the parties to be excluded from the Acquisition and (iv) any and all dyes, chemicals and dye-house related equipment
“Fields”	Jack Fields, a shareholder of Edward Fields
“Fields Employment Agreement”	the employment agreement to be entered into between the Buyer and Fields on the date of Closing
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	third party(ies) who is/are independent of the Group and the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries and their respective associates
“Intellectual Property”	all designs, patterns, gouaches, sales and inventory databases, copyrights, trademarks, service marks, websites and URLs, and patents of Edward Fields and all other intellectual property rights held by any of the Seller Parties relating to the Acquired Assets, the Business or any of Edward Fields’ product lines
“Inventory”	all inventory relating to or used in the Business, as the same exists on the Closing Date, including all finished products, raw materials, packaging and supplies wherever located and whether held by Edward Fields, any other Seller Party or any third party
“Lazar”	Joel Lazar, a shareholder of Edward Fields
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Seller Parties”	Edward Fields, Fields and Lazar
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TPCHL”	Tai Ping Carpet Holdings Limited, a wholly-owned subsidiary of the Company and a company incorporated in Delaware, the US
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent.

Unless otherwise specified, the conversion of US\$ into HK\$ in this announcement is based on the approximate exchange rate of US\$1.00 to HK\$7.80.

On behalf of the Board
Tai Ping Carpets International Limited
Ernest P.L. Law
Company Secretary

Hong Kong, 30 March 2005

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 Officer: 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).