TAI PING

TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00146)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2004

The Directors of Tai Ping Carpets International Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2004, together with the comparative figures for 2003, are as follows:

RESULTS FOR THE YEAR

		For the year ended 31st December	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**563,165**	525,212
Cost of sales		**(347.678)**	(317,095)
Gross profit		**215,487**	208,117
Other revenues		**2,393**	2,161
Other operating income		**9,177**	6,982
Distribution costs		**(94,738)**	(78,945)
Administrative expenses		**(136,310)**	(116,516)
Other operating expenses		**(7,332)**	(6,218)
Operating (loss)/profit	*2, 3*	**(11,323)**	15,581
Finance costs		**(1,203)**	(2,475)
Share of profits of			
– Associated company		**2,677**	890
– Joint ventures		**26,750**	14,875
Profit before taxation		**16,901**	28,871
Taxation	*4*	**(17,829)**	(11,524)
(Loss)/profit after taxation		**(928)**	17,347
Minority interests		**(2,924)**	(1,054)
(Loss)/profit attributable to shareholders		**(3,852)**	16,293
(Loss)/profit attributable to shareholders retained by:			
Company and subsidiaries		**(27,896)**	2,574
Associated company		**1,596**	473
Joint ventures		**22,448**	13,246
		(3,852)	16,293
Dividend			
– Final, proposed		**–**	6,334
		–	6,334
(Loss)/earnings per share	5	**(1.8) cents**	7.7 cents

Notes:

1. **Basis of preparation**
   The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that investment securities, investment properties and certain other properties are stated at their fair values.

   The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. **Turnover and segmental information**
   (a) Principal activities
   The principal activities of the Group consist of manufacture, import, export and sale of carpets, manufacture and sale of yarn, trading and leasing of interior furnishings and property holding.

   An analysis of the Group's revenue and results for the year by business segments is as follows:

	For the year ended 31st December 2004						
	Carpets	**Yarn**	**Interior furnishings**	**Property holding and others**	**Elimination**	**Unallocated**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
– External revenues	451,032	59,992	45,832	6,309	–	–	563,165
– Inter-segment revenues	1,890	18,487	–	90	(20,467)	–	–
	452,922	78,479	45,832	6,399	(20,467)	–	563,165
Segment results	(21,646)	11,238	9,413	6,631	(1,527)	(15,432)	(11,323)
Finance costs							(1,203)
Share of profits of							
– Associated company	2,677	–	–	–	–	–	2,677
– Joint ventures	26,750	–	–	–	–	–	26,750
Profit before taxation							16,901
Taxation							(17,829)
Loss after taxation							(928)
Minority interests							(2,924)
Loss attributable to shareholders							(3,852)

	For the year ended 31st December 2003						
	Carpets	Yarn	Interior furnishings	Property holding and others	Elimination	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
– External revenues	409,569	57,243	51,532	6,868	–	–	525,212
– Inter-segment revenues	1,752	17,046	–	76	(18,874)	–	–
	411,321	74,289	51,532	6,944	(18,874)	–	525,212
Segment results	18,598	10,539	5,106	5,820	(382)	(24,100)	15,581
Finance costs							(2,475)
Share of profits of							
– Associated company	890	–	–	–	–	–	890
– Joint ventures	14,875	–	–	–	–	–	14,875
Profit before taxation							28,871
Taxation							(11,524)
Profit after taxation							17,347
Minority interests							(1,054)
Profit attributable to shareholders							16,293

(b) *Principal markets*

An analysis of the Group's turnover and contribution to operating (loss)/profit for the year by geographical segments is as follows:

	Turnover		**Segment results**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**85,082**	79,123	**10,793**	5,348
Mainland China	**11,151**	16,175	**(1,804)**	205
South East Asia	**209,338**	183,058	**20,705**	21,698
Middle East	**18,953**	21,346	**393**	1,852
Other Asian countries	**20,411**	15,763	**3,896**	187
Europe	**43,522**	43,535	**(12,338)**	1,645
North America	**166,364**	162,275	**(17,972)**	8,198
Others	**8,344**	3,937	**436**	548
	563,165	525,212	**4,109**	39,681
Unallocated costs			**(15,432)**	(24,100)
Operating (loss)/profit			**(11,323)**	15,581

3. Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	2004	2003
	HK$'000	*HK$'000*
Crediting:–		
Gains on disposal of investment securities	**37**	41
Release of unvested benefit of the previous retirement scheme	**–**	302
Gains on disposal of fixed assets	**–**	60
Gains on disposal of an investment property	**313**	–
Revaluation surplus on investment properties	**595**	303
Negative goodwill recognized as income	**317**	1,155
Reversal of impairment in investments in joint ventures	**4,803**	–
Compensation on resumption of land	**–**	3,109
Charging:–		
Depreciation of fixed assets	**34,511**	33,794
Amortisation of goodwill	**1,680**	2,227
Impairment in fixed assets	**175**	940
Loss on disposal of fixed assets	**369**	–

4. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the companies within the Group either have no assessable profits in Hong Kong or have available tax losses brought forward to set off against their assessable profits for both years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2004	2003
	HK$'000	*HK$'000*
Overseas tax of subsidiaries	**14,056**	11,502
Over-provision in prior years	**(2,908)**	(3,780)
Deferred taxation relating to the origination and reversal of temporary differences	**1,299**	1,895
Deferred taxation resulting from an increase in tax rate	**–**	(139)
Share of taxation attributable to an associated company and joint ventures	**5,382**	2,046
	17,829	11,524

5. (Loss)/earnings per share

(Loss)/earnings per share is calculated based on the Group's loss attributable to shareholders of HK$3,852,000 (2003: profit attributable to shareholders of HK$16,293,000) and on the weighted average number of shares in issue of 211,703,488 shares (2003: 211,703,488 shares which has been adjusted for shares issued under the scrip dividend scheme) during the year.

There are no diluted (loss)/earnings per share presented for both years as the Company had no outstanding share options as at 31st December 2004 and for 2003, the dilution from outstanding share options granted by the Company was immaterial.

6. Post balance sheet event

On 29th March 2005 (New York time), EF Acquisition Corp., Inc., a wholly-owned subsidiary of the Company, entered into an asset purchase agreement (the "Asset Purchase Agreement") with Edward Fields, Inc. ("Edward Fields") and its shareholders Mr. Jack Fields and Mr. Joel Lazar (collectively known as the "Seller Parties"). Pursuant to the Asset Purchase Agreement, among other things, EF Acquisition Corp., Inc. had agreed to purchase from Edward Fields, all rights, title and interest in, to and under the assets as prescribed in the Asset Purchase Agreement (the "Acquired Assets") for an aggregate consideration of US$2,000,000 (approximately HK$15,600,000). Except for certain obligations to be assumed by EF Acquisition Corp., Inc. as agreed in the Asset Purchase Agreement, EF Acquisition Corp, Inc, will not assume any debts, obligations, claims or liabilities of the business of Edward Fields, the Seller Parties, the Acquired Assets or otherwise.

DIVIDEND

The Company is currently undergoing a strategic transition, which necessarily involves significant initial expenditures. Therefore, the Directors have not declared on interim dividend and do not recommend the payment of a final dividend for the year (2003: Final divided proposed of HK$0.03 per share).

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.

CODE OF BEST PRACTICE

Throughout the year, the Company has complied with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") save that the Independent Non-executive Directors who have not been appointed for a specific term are subject to retirement by rotation and re-election pursuant to the Company's bye-laws 100 and 109(A).

CLOSING OF REGISTER

The Register of the Members of the Company will be closed from Wednesday, 8th June 2005 to Friday, 10th June 2005, both dates inclusive, during which period no transfer of shares will be registered.

AUDIT COMMITTEE

The authority and duties of the Audit Committee operate within the suggested guidelines as published by the Hong Kong Institute of Certified Public Accountants, namely "A Guide for the Formation of An Audit Committee" issued in 1997 and superseded by "A Guide for Effective Audit Committees" in 2002.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises two Independent Non-executive Directors, namely Mr. Michael T. H. Lee and Mrs. Yvette Y. H. Fung and one Non-executive Director (Mr. John J. Ying).

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's accounts for the 6 months ended 30th June 2004 and for the year ended 31st December 2004 with the Directors.

BUSINESS REVIEW AND PROSPECTS

Results

The Company's consolidated turnover for the year was HK$563.2 million, a 7% increase from HK$525.2 million in 2003. The loss attributable to shareholders of HK$3.9 million compared to the 2003 profit of HK$16.3 million, was a managed loss arising from the implementation of the strategic changes that the Board of Directors identified as necessary in 2003. Loss per share for the year is 1.8 cents.

Strategic Changes

This was Mr. James Kaplan's first full year as CEO, and it marked the beginning of the Group's transformation from a high-quality Asian manufacturer into a world-class customer-focused carpet company.

Mr. Kaplan started by redefining the brand, creating a new image and a corporate logo that reflects the Group's past heritage. To further these initiatives, he instituted the technical and creative (Atelier) design studios to nurture talent and enhance Tai Ping's reputation as a design leader. He established a Group marketing department to update Tai Ping's sales and marketing tools, and introduced new sales and marketing materials to all Tai Ping offices and sales teams in late 2004. He recruited additional experienced sales people to make an immediate impact on the growth of the business. The next step is the May 2005 opening of the New York regional office and showroom to sell to the high-end residential U.S. market, an area where the Group has traditionally been an OEM supplier to other retailers.

Evidently, the changes as outlined have meant incurring additional costs that have directly affected the Group's short-term results. We believe, however, that these changes are necessary if Tai Ping is to realize its skills and capabilities to the fullest extent for the long term, and it is encouraging that U.S. bookings and sales in the first quarter of 2005 are already up markedly on the previous year. Nevertheless, in the circumstances, it seems prudent not to recommend the payment of a dividend for the year.

Carpet Operations

The Group's carpet manufacturing and trading turnover rose by 10% to HK$451.0 million in 2004 from HK$409.6 million in 2003. HK$270.4 million or 60% arose from turnover in Asia and HK$180.5 million or 40% from turnover to the rest of the world, compared to HK$233.1 million and 57% and HK$176.5 million and 43% respectively in 2003.

In 2004 the impact of increases in raw material costs, energy and operating cost resulted in a fall in gross margins to 37% from 39% in 2003. Coupled with the increase in overheads of HK$48.2 million incurred mainly in the planned build up of the sales teams with new hires in the US and Europe and global marketing tools, resulted in the carpet operations reporting a segmental loss before tax, finance and unallocated costs of HK$21.6 million compared to a profit of HK$18.6 million in 2003.

U.S.A.
The U.S. is the primary growth market targeted for the Group. In 2004 major changes to management, operations and strategy were made to build the foundations for the long term. Direct sales people and field designers were hired in key locations to service the commercial markets and experienced residential sales people were hired in the New York market where the Group's initial foray into the U.S. residential market is planned with the opening of a New York showroom in May 2005. The costs of these new hires, supporting marketing & sales tools and the establishment of a New York based head office for the CEO resulted in additional overheads of HK$18.1 million and losses in the U.S. Group in 2004. But the beginning of the growth was seen with an increase in turnover to HK$109.8 million representing 24% of the total carpet sector turnover and an increase from HK$107.7 million in 2003. More importantly, entry into the residential and designer market will bring the benefit of higher margin business.

Europe
Turnover in Europe remained flat at HK$43.5 million, representing 10% of the carpet operations turnover. The European market for the Group continues to be mainly in the high end residential and luxury yacht market. Overhead costs rose by HK$12.3 million with the addition of sales and service people and the move to a more convenient central Paris office location. However planned growth in commercial sales did not materialize except for some limited success in the German market. How best to develop the Group's representation in Europe is still being considered and will be the next focus of the Group CEO once the U.S. residential business is established.

Hong Kong, Macau & China
Turnover in the Hong Kong, Macau & China region amounted to HK$44.3 million in 2004, 10% of the carpet operation's turnover, showing good growth over the turnover of HK$38.2 million in 2003. Strong growth occurred in Hong Kong and with the new opportunities brought by the rapid expansion of the Macau casino industry. However, sales in China remained low. These markets continued to be price-driven, and many of the sales were in the lower cost & margin products with tufted and tiled products being sourced from Carpets International Thailand PCL ("CIT") in Thailand.

Thailand and Southeast Asia
Turnover in Southeast Asia grew to HK$205.7 million, 46% of the Group carpet turnover compared to HK$179.1 million in 2003. These sales were mainly through the Thai subsidiary CIT, whose turnover (including sales to other markets) grew to HK$246.2 million an increase of 15% compared to HK$215.1 million in 2003. Thailand's economy experienced strong growth in 2004, and CIT benefited as the property and hospitality sectors recovered with growth in the tourism industry and consumer spending leading to renovation and new property projects. The needle punch carpet turnover grew with the increased demand from the Thai automotive industry and the use of this product in the exhibition and convention market. However gross margins weakened with the continued increase in raw material prices and fixed supply contracts to the automotive industry. Export sales gross margin fell by 5% during the year due to the strengthening of the Thai Baht and increases in raw material synthetic yarn & fibre prices.

Joint Ventures and Associated Company
The collective group of Weihai companies (49% owned), consisting of Weihai Shanhua Huabao Carpet Co. Ltd., Weihai Shanhua Premier Carpet Co. Ltd. and Weihai Shanhua Floorcovering Products Co. Ltd., reported 35% growth in their turnover to HK$427.8 million from HK$325.0 million in 2003. Weihai's efforts over the past two years to exploit overseas markets gave rise to an increase of 75% in their export turnover to HK$74.1 million with domestic turnover increasing 25% to HK$353.7 million. Gross margins remained constant at 30%. The Group's share of profits before taxation rose by 79% to HK$26.7 million from HK$14.9 million in 2003.

Philippine Carpet Manufacturers Corporation and Pacific Carpets Ltd. (33% owned) grew their domestic and export market turnover in 2004. The manufacturing facilities of Pacific Carpets situated in Clark Base expanded their operations in 2004 to meet customer demands from the Middle East and the U.S. The Group's share of the Philippine operations' results amounted to HK$2.7 million in 2004 compared to HK$0.9 million in 2003.

Other operations
Yarn Dyeing
The Group's yarn dyeing turnover of Premier Yarn Dyers, Inc. ("PYD") in the US and Nanhai in the PRC increased by 5% to HK$60.0 million in 2004 compared to HK$57.2 million in 2003. PYD's turnover in 2004 of HK$55.9 million arose mainly in space dyeing with the demand for hank dyeing significantly reduced. Woollen yarn sales in China by Nanhai grew by 18% to HK$4.1 million but increased raw material wool fleece costs resulted in a reduction in the gross margins achieved. The overall yarn dyeing segmental results in 2004 rose by 7% to HK$11.2 million from HK$10.5 million in 2003.

Interior Furnishings
During 2004 the operations of Banyan Tree Ltd. and Options Home Furnishings Ltd. were merged and renamed Indigo Living Ltd. in order to jointly rebrand the companies and to take advantage of overseas opportunities. The combined operations reported a fall in turnover of 11% to HK$45.8 million from HK$51.5 million in 2003, reflecting decrease in the contract turnover offset by steady growth in the rental & lease market. Costs of the combined operations rose by HK$2.5 million, mainly due to rebranding, and Indigo Living reported a profit of HK$4.6 million compared to HK$5.1 million in 2003. With the acquisition of the remaining 52% of Suzhou Shuilian Mattress Co. Ltd. in December 2004, the Group is now in a better position to explore the opportunities of this profitable business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business with internally generated cash flows and banking facilities at its different geographical locations while financing and cash management activities of the Group are coordinated at the corporate level.

The Group's cash deposits and bank balances amounted to HK$77.0 million at the end of 2004 (2003: HK$84.7 million).

Bank loans, overdrafts and other loans at 31st December 2004 amounted to HK$72.6 million (2003: HK$54.3 million), all of which are repayable within one year. Total borrowing increased to finance the strategic changes outlined above. As at 31st December 2004, 16% of the borrowings were charged at floating interest rates and 84% at fixed interest rates. Borrowings are denominated in Thai Baht and United States Dollars.

As the cash deposits and bank balances exceeded all the outstanding bank loans and overdrafts as at 31st December 2004, no gearing ratio has been calculated.

EXPOSURE TO FOREIGN EXCHANGE RISKS AND RELATED HEDGES

The Group has overseas operations in the PRC, Thailand, Singapore, U.S.A. and Europe. Given that our Singaporean and European operations are relatively small, and the Chinese Renminbi currency is relatively stable, most of the exchange differences arising from translation of overseas operations arose from CIT in Thailand. However, the effect of these exchange differences is reduced by CIT's borrowings being denominated in local Thai Baht currency. As these exchange differences arise from translating the Group's net investments in these foreign operations, they are dealt with in the reserves and do not affect cash flows or the profit and loss account.

CONTINGENT LIABILITIES

As at 31st December 2004, the total contingent liabilities of the Group amounted to HK$7.4 million (2003: HK$4.6 million).

EMPLOYEE AND REMUNERATION POLICY

The success of our business depends on the ability and work ethic of our staff. With operations in many countries, the Group has to manage number of logistical complexities, so we have strengthened our team substantially in the last few years, as our improved sales reflect. We are grateful to all staff for their commitment to the Group.

The Group had approximately 3,100 employees as at 31st December 2004. Employees are remunerated according to the nature of their job and market trends, with built in merit components incorporated in the annual incentive to reward and motivate individual performance. Total staff costs and retirement benefit costs for the year ended 31st December 2004 amounted to HK$172.4 million (2003: HK$151.7 million) and HK$3.2 million (2003: HK$3.2 million) respectively.

OUTLOOK

The carpet industry world wide continues to undergo great changes. In the last year several well-known European carpet companies have found themselves in financial difficulties. Asian manufacturers continue to grow in size and strength due to current economies of labour costs.

These advantages will not last forever. The Group recognizes that it has a unique opportunity to build a world-class organization, renowned for design, superior service and high-quality products. We are accomplishing this by building sales and service teams and by supporting them with the necessary equipment and skills. Only in this way will Tai Ping cement its market position as a leader in custom-made carpets.

We have recently announced the acquisition of Edward Fields Inc., one of America's oldest and best-known carpet retailers. Edward Fields specializes in the residential and designer markets. With a network of showrooms nationwide, it should increase sales of premium products for which Tai Ping is so well-known.

By order of the Board
James S. Dickson Leach **James H. Kaplan**
Chairman *Chief Executive Officer*

Hong Kong, 18th April 2005

The names of Directors as at the date hereof are – Chairman: Mr. James S. Dickson Leach, Honorary Life President: Anthony Yuan Chang 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).

A detailed result announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published in due course in the website of the Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk).