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## **TAI PING CARPETS INTERNATIONAL LIMITED** **DISCLOSEABLE TRANSACTION**



# **TAI PING**

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)

The Board wishes to announce that on 12 August 2005, the Vendor, a wholly-owned subsidiary of the Company, each Purchaser and the Agent entered into a Provisional Sale and Purchase Agreement for the sale of certain constituent Units comprising the Property. Pursuant to the Provisional Sale and Purchase Agreements, which are binding agreements enforceable by each of the parties thereto, the Vendor has agreed to sell and the four Purchasers have agreed to buy the relevant constituent Units comprising the Property for an aggregate consideration of HK\$20,700,000 subject to certain terms and conditions. Upon Completion, the Disposal will result in an estimated aggregate capital gain of HK\$11,373,000 (net of expenses) which will be booked into the Group's consolidated accounts for the financial year ending 31 December 2005.

The Group's principal activities consist of the manufacture, import, export and sale of carpets, manufacture and sale of yarn, trading and leasing of interior furnishings and property holding.

As property values have increased significantly in the last 12 months, the yield from leasing the Property has declined in relative terms. As the entire Property has become vacant, the Board considers this an opportune time to sell the Units comprising the Property and capitalise on the growth in the property market.

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

A circular containing, *inter alia*, details of the Disposal will be despatched to shareholders of the Company within 21 days of the publication of this announcement.

### **AGREEMENT**

The Vendor has entered into a Provisional Sale and Purchase Agreement with each Purchaser. Each Provisional Sale and Purchase Agreement has, *inter alia*, the following terms:

#### **Date**

12 August 2005

#### **Parties**

- (i) the Vendor;
- (ii) the relevant Purchaser; and
- (iii) the Agent

## **FORMAL AGREEMENT**

The Vendor and each Purchaser will enter into the Formal Sale and Purchase Agreement in respect of the relevant Unit(s) comprising the Property on or before 22 August 2005.

## **CONSIDERATION**

The Consideration for the Property is HK\$20,700,000 payable in cash by the Purchasers in the following manner:

- (i) an initial aggregate deposit of HK\$1,035,000 was paid on the signing of the Provisional Sale and Purchase Agreements;
- (ii) a further aggregate deposit of HK\$1,035,000 shall be paid on or before 22 August 2005; and
- (iii) the balance of the Consideration of HK\$18,630,000 shall be paid on the Completion Date.

Each Provisional Sale and Purchase Agreement is a binding agreement and, insofar as the extent mentioned below, enforceable by each of the parties thereto. Each Provisional Sale and Purchase Agreement is conditional upon the signing of each of the other Provisional Sale and Purchase Agreements and the simultaneous completion of the sale and purchase of each of the constituent Units of the Property. Should the sale and purchase of any one of the Units fail to complete, none of the transactions will be deemed to complete and the respective deposits will be forfeited in accordance with the relevant Provisional Sale and Purchase Agreement (see below).

As is customary for transactions of this kind, the Disposal is conditional upon the title deeds of the relevant Unit(s) being approved and accepted by the relevant Purchaser who will have seven days to raise any requisitions or objections with respect to the title to the relevant Unit(s) upon receipt of such title deeds. If the Vendor is unwilling or unable to comply with any such requisition or objection made and insisted upon by the relevant Purchaser, the Vendor can provide such Purchaser with five days written notice to annul the sale, upon which such Purchaser shall be entitled to a return of the initial and any further deposits made (without interest, costs or compensation).

Should any of the Purchasers default, the Vendor shall be entitled to forfeit each Purchaser's initial deposit and the further deposit (if paid). Should the Vendor default, the Purchasers shall be entitled to a refund of their respective initial deposit and further deposit (if paid) together with a sum equivalent to their respective initial deposit and further deposit (if paid). On the terms of each Provisional Sale and Purchase Agreement, neither party shall then be entitled to sue the other for any additional loss or damage arising from the other party's default.

The Consideration was determined after arm's length negotiations on normal commercial terms between the Vendor and the Purchasers, and after the Company taking into account the rental income of HK\$30,000 per month from the Property. The Company also took into consideration the recent sale of three shop units adjacent to the Property at a comparable market value per square foot to that of the Property. No separate independent valuation of the Property was made other than the valuation conducted by an independent property valuer appointed by the Group, as at 31 December 2004 (see below).

The Vendor will be liable to pay a commission to the Agent at a level customary for transactions of this kind.

## **GENERAL NATURE OF THE DISPOSAL**

Pursuant to the Provisional Sale and Purchase Agreements, the Vendor has agreed to sell and the four Purchasers have agreed to buy the relevant Units comprising the Property for the Consideration. The Vendor and each of the Purchasers will enter into the Formal Sale and Purchase Agreements on or before 22 August 2005, following which Completion will take place. Completion is expected to occur on or before 15 November 2005. If Completion in respect of any of the Units does not occur on or before 15 November 2005, each of the Formal Sale and Purchase Agreements will terminate and the Vendor will have the right to forfeit each Purchaser's deposit (see above).

Upon successful completion of the Disposal, the Vendor will realise an estimated aggregate capital gain of HK\$11,373,000 net of expenses, which have been estimated to be HK\$327,000 (such expenses include the estimated commission payable to the Agent and the estimated legal fees in respect of the conveyances), which will be booked into the Group's consolidated profit and loss account for the financial year ending 31 December 2005 (subject to auditors' final confirmation). The aforementioned capital gain is calculated in accordance with the Hong Kong Financial Reporting Standards and represents the difference between the net disposal proceeds (estimated to be HK\$20,373,000) and the carrying amount of the Property of approximately HK\$9,000,000 as reflected in the Company's audited financial statements for the year ended 31 December 2004.

## **INFORMATION ON THE PROPERTY**

The Property was acquired by the Group in 1982 for approximately HK\$7,294,000. For the period up to 2001, the majority of the Units comprising the Property were used by the Group as a carpet showroom. The Property was subsequently leased to third parties to generate rental income for the Group. The turnover attributable to the Property for the last two financial years ended 31 December 2003 and 31 December 2004 was approximately HK\$450,000 (representing 0.09% of the turnover of the Group for the year ended 31 December 2003) and HK\$440,000 (representing 0.08% of the turnover of the Group for the year ended 31 December 2004) respectively.

The net book value of the Property, as shown in the audited financial statements of the Company's 2004 annual report, was approximately HK\$9,000,000, which, compared to the Consideration of HK\$20,700,000, represents a premium of approximately 130%. The net book value of the Property is based on the valuation conducted on an open market basis by an independent property valuer appointed by the Group, as at 31 December 2004 (information regarding the valuation is contained in the Company's audited financial statements for the year ended 31 December 2004).

The net profits (before taxation and extraordinary items) attributable to the Property for the last two financial years ended 31 December 2003 and 31 December 2004 were approximately HK\$339,000 (representing 1.17% of the net profits before taxation and extraordinary items of the Group for the year ended 31 December 2003) and HK\$313,000 (representing 1.85% of the net profits before taxation and extraordinary items of the Group for the year ended 31 December 2004) respectively.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As property values have increased significantly in the last 12 months, the yield from leasing the Property has declined in relative terms. In addition, the entire Property became vacant on 1 August 2005 following the early termination of the remaining lease over the Property by the tenant. As a result of the foregoing, the Board considers this an opportune time to sell the Property and capitalise on the growth in the property market.

The Directors of the Company (including the independent non-executive Directors) believe the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

#### **APPLICATION OF THE PROCEEDS FROM THE DISPOSAL**

The net proceeds from the Disposal are estimated to be approximately HK\$20,373,000 and will be used to fund the Company's general working capital and may be applied to reduce bank borrowings.

#### **GENERAL**

The Group's principal activities consist of the manufacture, import, export and sale of carpets, manufacture and sale of yarn, trading and leasing of interior furnishings and property holding.

To the best of the Directors' knowledge, the principal business activity of Shing Lung Agencies Limited is investment holding. Each of the other Purchasers, April Wai Yan Kwok, Hang Tat Kwok and Cynthia Sau Kuen Chow, are individuals.

The Disposal constitutes a discloseable transaction of the Company under Rules 14.07 and 14.08 of the Listing Rules. A circular containing, *inter alia*, further information on the Disposal will be despatched to the Shareholders in accordance with the relevant requirements of the Listing Rules.

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries the Purchaser, Shing Lung Agencies Limited and its ultimate beneficial owner are Independent Third Parties of the Company and connected persons (as defined under the Listing Rules) of the Company. To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries the other Purchasers, April Wai Yan Kwok, Hang Tat Kwok and Cynthia Sau Kuen Chow, who are all individuals, are Independent Third Parties of the Company and connected persons (as defined under the Listing Rules) of the Company.

#### **DEFINITIONS**

“Agent”	Fuller Property Consultant (holder of Hong Kong Business Registration No. 33072107) of G/F, 45C, Po Heung Street, Tai Po, New Territories, Hong Kong
“Board”	the board of directors of 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)
“Completion”	the completion of the Disposal
“Completion Date”	on or before 15 November 2005

“Consideration”	HK\$20,700,000, being the aggregate selling price of the Property payable by the Purchasers to the Vendor and comprising HK\$3,700,000 in respect of Unit 8, HK\$2,840,000 in respect of Unit 9, HK\$3,000,000 in respect of Unit 10, HK\$3,700,000 in respect of Unit 11 and HK\$7,460,000 in respect of Units 12 & 13
“Directors”	the directors of the Company
“Disposal”	the disposal by the Vendor of all its rights, title and interest in, to and under the Property
“Formal Sale and Purchase Agreements”	each of the formal agreements for sale and purchase to be entered on or before 22 August 2005 between the Vendor and the relevant Purchaser in respect of the relevant Unit(s) of the Property
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People’s Republic of China
“Hong Kong Financial Reporting Standards”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Statements of Standard Accounting Practices and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (as amended from time to time)
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	Units Nos. 8, 9, 10, 11, 12 and 13 on the Ground Floor of Wing On Plaza, No. 62 Mody Road, Tsimshatsui East, Kowloon
“Provisional Sale and Purchase Agreements”	the provisional agreement for sale and purchase dated 12 August 2005 entered into between the Vendor, April Wai Yan Kwok and the Agent in respect of the Unit 8; the provisional agreement for sale and purchase dated 12 August 2005 entered into between the Vendor, Hang Tat Kwok and the Agent in respect of the Unit 9; the provisional agreement for sale and purchase dated 12 August 2005 entered into between the Vendor, April Wai Yan Kwok and the Agent in respect of the Unit 10; the provisional agreement for sale and purchase dated 12 August 2005 entered into between the Vendor, Cynthia Sau Kuen Chow and the Agent in respect of the Unit 11; the provisional agreement for sale and purchase dated 12 August 2005 entered into between the Vendor, Shing Lung Agencies Limited and the Agent in respect of the Units 12 & 13; or any one of them as the context may require

“Purchasers”	in respect of Units 8 and 10, April Wai Yan Kwok; in respect of Unit 9, Hang Tat Kwok; in respect of Unit 11, Cynthia Sau Kuen Chow; in respect of Units 12 and 13, Shing Lung Agencies Limited, a company incorporated in Hong Kong with limited liability; or any one of them as the context may require
“Shareholders”	the shareholders of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Units”	Unit 8, Unit 9, Unit 10, Unit 11 and Units 12 &13 of the Property or any one of them as the context may require
“Vendor”	Delvincourt Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company

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

Hong Kong, 12 August 2005

*As at the date of this announcement, the Company’s Directors are Chairman: Mr Nicholas T. J. Colfer, 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 Lincoln K. K. Leong, Mr David C. L. Tong, Alternate Director: Mr Nelson K. F. Leong (Alternate to Mr Lincoln K. K. Leong)*