

TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00146)



CONTINUING CONNECTED TRANSACTIONS

The board of Directors of the Company announces that on 25 January 2006, Carpet International Thailand Public Company Limited, a subsidiary of the Company, entered into an agreement on normal commercial terms with Feltech Manufacturing Company Limited, a connected party of the Company, governing the purchase of Products.

Purchases of Products made pursuant to the Agreement will constitute continuing connected transactions for the purposes of the Listing Rules and are the latest in a series of transactions between CITPCL and FMCL. In each of the years 2004 and 2005, these transactions amounted to approximately HK\$131,221 and HK\$804,242, respectively. For the period 1 January 2006 to 24 January 2006 these transactions amounted to approximately HK\$12,350. The aggregate annual consideration for the Continuing Connected Transactions is expected to exceed HK\$1,000,000 in one or more years during the term of the Agreement. Furthermore, at the time of such Continuing Connected Transactions one or more of the percentage ratios (other than the profits ratio) of the Company is expected to be greater than 0.1%. Accordingly, the Continuing Connected Transactions will no longer be exempt from the reporting and announcement requirements pursuant to Listing Rule 14A.33(3). However, the Continuing Connected Transactions are expected to be exempt from the independent shareholders' approval requirement pursuant to Listing Rule 14A.34. Details of the Continuing Connected Transactions will be included in the published annual report and accounts of the Company in each financial year during which the Company enters into Continuing Connected Transactions under the Agreement.

The directors of the Company (including the independent non-executive directors) consider the terms of the Continuing Connected Transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The board of Directors of the Company announces that on 25 January 2006, Carpet International Thailand Public Company Limited, a 99% owned subsidiary of the Company, entered into an agreement for a three year term and on normal commercial terms with Feltech Manufacturing Company Limited, a connected party of the Company, governing the purchase of Products.

Purchases of Products made pursuant to the Agreement will constitute continuing connected transactions for the purposes of the Listing Rules and are the latest in a series of transactions between CITPCL and FMCL since July 2004. In each of the years 2004 and 2005, these transactions amounted to approximately HK\$131,221 and HK\$804,242, respectively. For the period 1 January 2006 to 24 January 2006 these transactions amounted to approximately HK\$12,350. The aggregate annual consideration for the Continuing Connected Transactions is expected to exceed HK\$1,000,000 in one or more years during the term of the Agreement. Furthermore, at the time of such Continuing Connected Transactions one or more of the percentage ratios (other than the profits ratio) of the Company is expected to be greater than 0.1%. Accordingly, the Continuing Connected Transactions will no longer be exempt from the reporting and announcement requirements pursuant to Listing Rule 14A.33(3). However, the Continuing Connected Transactions are expected to be exempt from the independent shareholders' approval requirement pursuant to Listing Rule 14A.34 as the terms of the Agreement provide that CITPCL is not obliged to purchase, and FMCL is not obliged to supply, any Products ordered if the fulfillment of such an order would result in the annual consideration paid for Products either equalling or exceeding HK\$9.8 million. Continuing Connected Transactions with an aggregate annual consideration of less than HK\$10,000,000 are, providing each of the percentage ratios (other than the profits ratio) are on an annual basis less than 25%, not required to be approved by an independent shareholder vote by virtue of Listing Rule 14A.34. Details of the Continuing Connected Transactions will be included in the published annual report and accounts of the Company in each financial year during which the Company enters into Continuing Connected Transactions under the Agreement.

AGREEMENT

Date

25 January 2006

Parties

CITPCL (as customer) and FMCL (as supplier).

Nature of the transactions

The provision by FMCL of Products to CITPCL, from time to time.

Term

The Agreement is for a three year term commencing 25 January 2006. The parties may agree in writing to renew the Agreement for a further 3 year term upon the expiry of the initial term, however, any such renewal is subject to compliance with the applicable requirements in Chapter 14A of the Listing Rules, which include announcement and independent shareholders' approval requirements.

The Annual Limit

The Agreement expressly provides that CITPCL shall not be obliged to purchase, and FMCL shall not be obliged to supply, Products ordered under the Agreement if the fulfillment of such order would result in the annual consideration for Products either equaling or exceeding HK\$9,800,000.

This annual limit of HK\$9,800,000 is below the HK\$10,000,000 de minimis level, and is also expected to be below the 25% percentage ratios (other than the profits ratio), contained in rule 14A.34(2) of the Listing Rules.

CONSIDERATION

The consideration payable for the Products to be supplied pursuant to the Agreement will be determined by reference to FMCL's standard price lists for such Products and will be on prices no less favourable than those available to third parties. These prices are reviewed annually on the basis of various factors including the supply and demand for such Products and the costs of providing such Products. The amounts payable by CITPCL may, however, be adjusted and other terms of supply may be amended to reflect various factors including the size of the order. Any such adjustments and amendments will be agreed between CITPCL and FMCL following arm's length negotiation and will be on normal commercial terms. Payment will be made by CITPCL within 60 days of receipt of an invoice by cheque.

The annual consideration paid by CITPCL to FMCL for Products for each of the last two financial years was below HK\$1,000,000. This historical figure is based on transactions before CITPCL's new felt-backed carpet tile production line becomes operational, scheduled for April 2006. Once this production line becomes operational, based on the Assumptions, the Company anticipates that the purchases of Products by CITPCL from FMCL will increase substantially over the term of the Agreement and arrive at the HK\$9,800,000 cap referred to above. This is because felt-backing carpet is not currently a major product of CITPCL, however, once the production line is operational, CITPCL expects to purchase much more felt-backing from FMCL which will account for the expected substantial increase in purchases of the Products from FMCL.

RELATIONSHIP BETWEEN THE COMPANY AND FMCL

CITPCL is a 99% owned subsidiary of the Company. Khun Wan Tabtiang, a director of CITPCL, is interested in 61.75% of the voting power at general meetings of FMCL. Accordingly, FMCL is considered a connected person of the Company for the purposes of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions allow CITPCL to continue to purchase Products on normal commercial terms from FMCL for re-sale and use in its felt-backed carpet line production. Further, it is not possible to source many of these Products elsewhere locally and the cost of importing those Products would, in general, result in a higher price being paid by CITPCL than if the Products were acquired from FMCL pursuant to the Agreement.

The Directors (including the independent non-executive directors) of the Company consider the Continuing Connected Transactions are fair and reasonable and in the interests of shareholders of the Company 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.

FMCL is principally engaged in the manufacture of thermal bonded/needle-punch cushion felt for the automotive, textile and construction industry.

As at the date of this announcement, the directors of the Company are Chairman: Mr Nicholas T J Colfer, Chief Executive Officer: Mr James H Kaplan, Independent Non-executive Directors: Mr Roderic N A Sage, 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 David C L Tong, Mr Lincoln K K Leong, Alternate Directors: Mr Nelson K F Leong (Alternate to Mr Lincoln K K Leong).

DEFINITIONS

"Agreement"	the agreement entered into between FMCL and CITPCL on 25 January 2006 in relation to the Continuing Connected Transactions
"Assumptions"	It is assumed that, subject to CITPCL's felt-backed carpet production line becoming fully operational in April 2006, sales of CITPCL's felt-back carpet tiles will total 300,000 sq.m in 2006 and demand will grow at the rate of 15% per annum thereafter by reference to average annual sales and demand growth of CITPCL's PVC carpet tiles (another carpet tile product)
"FMCL"	Feltech Manufacturing Company Limited, a company incorporated in Thailand and held as to 61.75% by Khun Wan Tabtiang (a director of CITPCL) and his family members, as to 9.5% by Khun Nipa Sethbhakdi (a director of an indirect wholly-owned subsidiary of the Company) and the remaining 28.75% by independent third parties of the Company
"CITPCL"	Carpets International Thailand Public Company Limited, a company incorporated in Thailand, held as to 99% by the Company and as to 1% by 23 employees of CITPCL.
"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 CITPCL and FMCL relating to the purchase of Products
"HK\$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People's Republic of China
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Products"	Cotton felt underlay, synthetic felt underlay, compressed polyester felt, bi-component polyester fibres and such other products as may be supplied by FMCL in the ordinary course of its business from time to time.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 25 January 2006