

TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 146)



DISCLOSABLE TRANSACTION

The Board of Directors of the Company announces that on 7 July 2006, DFLMC and Hong Kong Carpet (Holdings) Limited, two wholly-owned subsidiaries of the Company, entered into Sale and Purchase Agreements on normal commercial terms pursuant to which they sold to Pacific Legend Development Limited the entire issued share capitals of Indigo Living Limited and Banyan Tree Limited respectively.

The aggregate consideration paid in relation to the Disposals was HK\$19,200,000 in cash. The consideration comprised payments of: HK\$2,110,440 for the entire issued share capital of Banyan Tree Limited; HK\$1 for the entire issued share capital of Indigo Living Limited which had a shareholders' deficit of approximately HK\$4.5 million; and HK\$17,089,559 for the assignment of the Loan to Pacific Legend Development Limited. The consideration was determined following arms' length negotiations between the parties and was paid in full in cash at completion.

The Disposals constitute a disclosable transaction for the Company under the Listing Rules. A circular containing further information on the Disposals will be despatched to Shareholders in accordance with the relevant requirements of the Listing Rules.

THE TRANSACTION

The Board of Directors of the Company announces that on 7 July 2006, DFLMC and Hong Kong Carpet (Holdings) Limited, two wholly-owned subsidiaries of the Company, entered into Sale and Purchase Agreements on normal commercial terms pursuant to which they sold to Pacific Legend Development Limited the entire issued share capitals of Indigo Living Limited and Banyan Tree Limited respectively. The transaction also involved the assignment of the Loan to Pacific Legend Development Limited.

DETAILS OF THE SALE AND PURCHASE AGREEMENTS

(1) Indigo SPA

Date

7 July 2006

Parties

- (1) DFLMC (Seller)
- (2) Pacific Legend Development Limited (Buyer)

(2) Banyan SPA

Date

7 July 2006

Parties

- (1) Hong Kong Carpet (Holdings) Limited (Seller)
- (2) Pacific Legend Development Limited (Buyer)

CONSIDERATION

The aggregate consideration paid under the Sale and Purchase Agreements was HK\$19,200,000 in cash, a sum which was determined following arms' length negotiations between the parties.

The consideration comprised a payment of HK\$2,110,440 for the entire issued share capital of Banyan Tree Limited; HK\$1 for the entire issued share capital of Indigo Living Limited which has a shareholders' deficit of approximately HK\$4.5 million; and HK\$17,089,559 for the assignment to Pacific Legend Development Limited of a loan owed by Indigo Living Limited to DFLMC totalling HK\$21,026,436. The assignment of the Loan for HK\$17,089,559 represented a discount of 18.7% to its face value. Following arm's length negotiation, the parties determined this to be its fair value given Indigo's negative net asset value of approximately HK\$4.5 million as at 31 December 2005 which would preclude any repayment of the Loan in the short-term. The consideration was paid in full in cash at completion.

The consideration was negotiated mainly by reference to the combined net asset value of Indigo Living Limited and Banyan Tree Limited after taking into account the assignment of the Loan to Pacific Legend Development Limited.

DISCLOSABLE TRANSACTION

The sale proceeds from the Disposals exceeded 5% but were less than 25% of the relevant threshold tests under Rule 14.06 of the Listing Rules. The Disposals therefore constituted a disclosable transaction for the Company under the Listing Rules.

INFORMATION ON INDIGO LIVING LIMITED AND BANYAN TREE LIMITED

Indigo Living Limited, a wholly-owned subsidiary of the Company, is principally engaged in the sale and leasing of furniture, art and soft furnishings.

Banyan Tree Limited, a wholly-owned subsidiary of the Company, is principally engaged in the provision of management services to Indigo Living Limited following the sale of its inventories to Indigo Living Limited and ceasing sales of furniture and home furnishings in late 2004.

The two companies represented a single business of Tai Ping Carpets Group. The pro-forma combined financial results of Indigo Living Limited and Banyan Tree Limited are compiled based on their audited results (after eliminating any inter-company sales and profits between the two companies) for the years ended 31 December 2005 and 2004, respectively:

	2005 HK\$'000	2004 HK\$'000
(Loss)/profit before taxation	(4,222)	2,536
(Loss)/profit after taxation	(3,355)	2,387

The combined loss for the year ended 2005 included a charge of approximately HK\$5.2 million to provide for the impairment in value of certain slow-moving inventories.

The combined net asset value of Indigo Living Limited and Banyan Tree Limited as at 31 December 2005 (excluding the balances with other Tai Ping Carpets Group companies) amounted to approximately HK\$23.1 million.

An estimated loss of approximately HK\$3.9 million before direct expenses will result from the Disposals, being the difference between the total consideration of HK\$19.2 million and the combined carrying value of net assets of Indigo Living Limited and Banyan Tree Limited of approximately HK\$23.1 million (after taking into account the assignment of the Loan to Pacific Legend Development Limited). The loss resulting from the Disposals represented a 16.9% discount to the combined net asset value mentioned above. Direct expenses are estimated to be approximately HK\$0.7 million, which include legal and consultancy fees and stamp duties.

Following the Disposals, neither Indigo Living Limited nor Banyan Tree Limited will continue to be subsidiaries of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSALS

Market competition in the furniture and home furnishing business in Hong Kong is intense and Indigo Living Limited and Banyan Tree Limited's overall profitability, as well as the return on assets deployed, were relatively low during the past few years. While Indigo Living Limited and Banyan Tree Limited represented non-core businesses to Tai Ping Carpets Group, significant working capital was needed to carry substantial inventories which bore a relatively high obsolescence risk.

The Directors of the Company intend to deploy the Company's management and financial resources to focus on growing the carpets business.

In view of the relatively low profitability and return on assets deployed and, further, as the Disposals did not represent a core business of Tai Ping Carpets Group, the Directors of the Company (including the independent non-executive Directors) believe the terms of the Disposals are fair and reasonable and in the interests of Shareholders as a whole.

The net proceeds from the Disposals of approximately HK\$18.5 million will be used as general working capital by the Company.

GENERAL

Tai Ping Carpets Group is principally engaged in the manufacture, import, export and sale of carpets. Tai Ping Carpets Group offers its customers access to a full range of quality floorcovering products, from luxury to affordable, appropriate for every commercial and residential environment.

DFLMC is an investment holding company which is wholly-owned by the Company.

Hong Kong Carpet (Holdings) Limited is an investment and property holding company which is wholly-owned by the Company.

Pacific Legend Development Limited is an investment holding company which is held as to 39% by Flex Box Limited, 32% by Tuxworth Limited and 29% by Mr John McLennan, a director of Indigo Living Limited and Banyan Tree Limited and therefore a connected person of the Company. Mr John McLennan does not hold any shares in the Company or its subsidiaries. To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, Pacific Legend Development Limited and its ultimate beneficial owners are, with the exception of Mr John McLennan's interest, as described above, Independent Third Parties.

As at the date of this announcement, the Directors of the Company are: Chairman and Non-executive Director – Mr Nicholas T. J. Colfer; Chief Executive Officer and Executive Director – Mr James H. Kaplan; Independent Non-executive Directors – Mrs Yvette Y. H. Fung, Mr Michael T. H. Lee, Mr Roderic N. A. Sage, Mr Lincoln C. K. Yung; Non-executive Directors – Mr Ian D. Boyce, Mr Lincoln K. K. Leong, Mr David C. L. Tong, Mr John J. Ying; Alternate Director – Mr Nelson K. F. Leong (Alternate to Mr Lincoln K. K. Leong).

DEFINITIONS

"Banyan SPA"	the sale and purchase agreement, dated 7 July 2006, pursuant to which Pacific Legend Development Limited purchased the entire issued share capital of Banyan Tree Limited from Hong Kong Carpet (Holdings) Limited
"Banyan Tree Limited"	a company incorporated in Hong Kong with limited liability (registered number 69236) and a wholly-owned subsidiary 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 of Hong Kong Limited (Stock Code:146)
"Directors"	the directors of the Company
"Disposals"	the sale of Indigo Living Limited and Banyan Tree Limited, as described in this Announcement
"DFLMC"	Dong Fung Lim Mei Company Limited, a company incorporated in Hong Kong with limited liability (registered number 230608) and a wholly-owned subsidiary of the Company
"Flex Box Limited"	a company incorporated in Hong Kong with limited liability and an Independent Third Party
"HK\$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People's Republic of China
"Indigo Living Limited"	a company incorporated in Hong Kong with limited liability (registered number 177875) and a wholly-owned subsidiary of the Company
"Independent Third Party(ies)"	person(s) or company(ies) who/which is/are independent of the directors, the chief executive and the substantial shareholders of the Company and its subsidiaries or any of their respective associates
"Indigo SPA"	the sale and purchase agreement, dated 7 July 2006, pursuant to which Pacific Legend Development Limited purchased the entire issued share capital of Indigo Living Limited from DFLMC
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Loan"	the loan owed by Indigo Living Limited to DFLMC totalling HK\$21,026,436
"Pacific Legend Development Limited"	a company incorporated in Hong Kong with limited liability (registered number 1051086)
"Sale and Purchase Agreements"	the Banyan SPA and the Indigo SPA
"Shareholders"	the shareholders of the Company
"Tai Ping Carpets Group"	the Company and its subsidiaries
"Tuxworth Limited"	a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party

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

Hong Kong, 7 July 2006