



Chairman's Statement

TO OUR SHAREHOLDERS

Results

I am pleased to report that the Company's consolidated turnover for the year was HK\$ 525.2 million (2002: HK\$481.1 million). The profits attributable to shareholders declined modestly to HK\$16.3 million (2002 as restated: HK\$17.7 million) against the background of a slow global economy, overshadowed by the war in Iraq and the outbreak of SARS in Asia. Earnings per share were 7.7 cents, compared to 8.4 cents in 2002. In order to preserve cash for operation and expansion, the Board recommends an unchanged dividend for the year (2002: 3 cents per share), together with a scrip alternative.

Strategic Changes

2003 was a year of change for Tai Ping. After the termination of a possible privatization offer in July 2003 and based on a study by an external firm of management consultants, we concluded that there was considerable potential for Tai Ping to expand in the US. As part of the plan to expand our business in the US and revitalize our brandname, Mr. James Kaplan joined the Group as CEO in November 2003, bringing his extensive experience in sales, distribution and business strategy in the US for an internationally recognised premium furniture company. With his leadership, several initiatives including organizational changes and operational improvements were implemented soon after his arrival and these have begun to yield benefits early in 2004.

Corporate Governance

The Board and the Management are committed to promote good corporate governance and dissemination of information to the Company's shareholders and investors continuously. This has included the establishment of a remuneration committee for determination of the remuneration of executive directors and senior management, the issuance of a code of conduct to employees in Hong Kong and China, and the use of the Company's website to publish financial announcements. During the year, a business ethics seminar was given to the employees in Hong Kong. The Board will continue to improve the Company's system of corporate governance to ensure business activities are properly regulated.

Outlook

The carpet industry has been in transition for a number of years. The traditional manufacturers of woven Axminster and Wilton carpets have seen inroads made into their markets by tufted carpets which can be made in great volume and at lower cost. Customers do not require woven carpets for every application and as a result there has been excess capacity leading to amalgamation and closure of high cost and less efficient woven carpet mills. The opening of international markets has introduced further competition from Asia and particularly from China, and carpets have become a commodity leading to lower prices.

Tai Ping recognizes that design and customer experience and brand recognition are key to success. It is with this in mind that the Board and management felt that the Company must become customer focused and not factory oriented.

The quality of Tai Ping's products has never been in question. Several leading carpet and rug retailers in North America recognize this and having been using Tai Ping to supply them for several years.

The appointment of a US based CEO, with proven success in sales, marketing and customer service, is intended to bring Tai Ping closer to its ultimate customer. This should enable us to retain a greater share of the customer dollar.

For the last few years we have invested substantial amounts in our factories. Although this will continue, the emphasis will now be on building sales and service centres in Europe and North America. The investments made so far have significantly increased sales. Unlike investments in machinery which are depreciated over a number of years, the cost of sales and service centers is fully written off as it occurs adversely affecting profit in the early years. I am confident that this is the right direction for Tai Ping and its group companies, and will result in increased value of the business.

The introduction of new regulations has considerably increased the workload of Independent and Non-executive Directors and I would like to thank them and the other Board members for their support and advice, and the management and the staff for their hard work, patience and persistence while the Group undergoes change.

James S. Dickson Leach

Chairman

Hong Kong, 19th April 2004