



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 additional new sales and marketing materials to all Tai Ping offices and sales teams in late 2004. He recruited 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.

Social responsibility

Tai Ping takes its role as a member of the global business community seriously. We adhere to the highest internationally recognized standards, we strive to improve our facilities, and we work to minimize environmental impact of all our activities. The Group is addressing factory caused pollution by investigating and implementing upgrades to areas such as power generation, waste-water treatment and energy saving projects. Tai Ping's factories have international certification of ISO 9001: 2000, ISO 14001: 1996, as well as CRI Green Label and International Maritime Organisation certifications on selected Axminster and Machine-Tufted wool products. We are working towards ISO/TIS 18001:1999 certification and TLS 8001: 2003 – Safety and Labour Management System. Wherever possible Tai Ping uses environmentally responsible materials, including renewable, biodegradable and sustainable natural fibres and recyclable synthetic fibres. We also recommend the use of low-VOC carpet adhesives and cushions and support environmentally friendly carpet-cleaning chemicals. Tai Ping is a member of the Carpet & Rug Institute of the U.S.A.

Outlook

The carpet industry worldwide 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.

Staff

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 a number of logistical complexities, so we have strengthened our team effort substantially in the last few years, as our improved sales reflect. I am grateful to all staff for their commitment to the Group.

James S. Dickson Leach
Chairman

Hong Kong, 18th April 2005