



---

2005 was an exciting transitional year for Tai Ping, in which significant progress was made in the transformation of the Company from a high-quality Asian manufacturer into a premium global brand.

To build the brand and sales capability internationally, Tai Ping made substantial investment in developing new support tools, sales and service centres, particularly in the USA. The Company opened a flagship showroom to great acclaim in New York, and the acquisition of Edward Fields, Inc. added further sales outlets in major cities in the USA. Inevitably, such investment raised operating costs markedly, but a platform was established for sustainable growth.

Group-wide turnover increased by 33%, and all carpet operations posted strong growth in sales and margins, with USA sales up 100% year-on-year, as the benefits of these investments started to come through.

In order to concentrate resources on the core business, a number of non-core assets were sold during the year, including surplus property and various businesses in China, the proceeds of which were redeployed into the carpet operations.

The focus on building international awareness of Tai Ping as a premium brand has greatly enhanced communications with both customers and staff. In turn this has improved customer service and the appeal of Tai Ping as an exciting place to be in the industry at this time: the organisation is now truly international and multicultural. In this regard, we would like to pay tribute to all staff, who have responded to the new environment so positively during this year of transition. Change can be a challenge, but both existing staff and new recruits have worked in close cooperation to produce impressive growth.

I should also like to pay particular tribute to my predecessor as Chairman, Mr. James S. Dickson Leach, who retired during the year. He has been passionately involved in the Company for over a decade and was instrumental in establishing the new strategic direction which is now beginning to yield results.

In addition, Mr. Anthony Y. C. Yeh – one of the founder members of Tai Ping – retired as a Director, although he remains associated with the Company as Honorary Life President, and Mr. Kent M. C. Yeh and Ms. Alison S. Bailey also stepped down as Directors. I should like to thank them all for their valuable contributions over a considerable period of time. Meanwhile, a warm welcome is extended to Mr. Roderic N. A. Sage, who has joined the Board as an Independent Non-executive Director. His extensive experience in accounting and taxation will be of great benefit to the Company.

Looking forward, we expect to maintain sales growth, particularly in the USA, but also in Asia and Europe, where new operations are being established. We shall also be identifying those strategies that will further improve factory productivity to meet increasing demand.

---

2006 marks our 50th anniversary with the continued emphasis on building both the commercial and residential brands worldwide, complemented by the productivity and quality of our international manufacturing capability, I am confident in our plans for the future and Tai Ping's position as the world-class premium brand in the industry.

Nicholas T. J. Colfer  
Chairman

Hong Kong, 24th April 2006