

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this circular.

---



**SCRIP DIVIDEND SCHEME IN RELATION TO**

**THE 2003 FINAL DIVIDEND**

---

---

## DEFINITIONS

---

*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“2003 Final Dividend”	the final dividend of HK\$ 0.03 per Share for the year ended 31st December 2003 payable on or about 15th July 2004 to the Shareholders whose names were recorded on the register of members of the Company as at the close of business on 25th May 2004
“Annual General Meeting”	the annual general meeting of the Company held at 21st Floor, St. George’s Building, 2 Ice House Street, Central, Hong Kong on 25th May 2004
“Board”	the board of Directors
“Company”	Tai Ping Carpets International Limited
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“New Share(s)”	new Share(s) to be issued under the Scrip Dividend Scheme
“PRC”	the People’s Republic of China
“Scrip Dividend Scheme”	the scheme proposed by the Directors on 19th April 2004 which offers the Shareholders a scrip alternative whereby the Shareholders may elect to receive their 2003 Final Dividend wholly or partly by the allotment of New Shares credited as fully paid in lieu of cash
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



**TAI PING CARPETS INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

*Directors:*

- \* James S. DICKSON LEACH, *Chairman*
- \* Anthony Y. C. YEH, *Honorary Life President*  
James H. KAPLAN, *Chief Executive Officer*  
Alison S. BAILEY, *Chief Operating Officer*
- \* Kent M. C. YEH
- \* Lincoln C. K. YUNG
- \* Lincoln K. K. LEONG
- \*\* Yvette Y. H. YEH FUNG
- \*\* Michael T. H. LEE
- \* Ian D. BOYCE
- \* John J. YING
- \* Nicholas T. J. COLFER
- \* David C. L. TONG (*alternate director to James S. DICKSON LEACH, Ian D. BOYCE and Nicholas T. J. COLFER*)
- \* Nelson K. F. LEONG (*alternate director to Lincoln K. K. LEONG*)

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Principal Office in Hong Kong:*

26/F, Tower A  
Regent Centre  
63 Wo Yi Hop Road  
Kwai Chung  
Hong Kong

21st June 2004

*To the Shareholders*

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME IN RELATION TO  
THE 2003 FINAL DIVIDEND**

**1. INTRODUCTION**

On 19th April 2004, the Company announced that the Directors recommended that the 2003 Final Dividend be paid to the Shareholders whose names appeared on the register of members of the Company at the close of business on 25th May 2004 with an option for the Shareholders with Hong Kong addresses to elect to receive such dividend in the form of New Shares in lieu of cash.

---

## LETTER FROM THE BOARD

---

At the Annual General Meeting, the recommended 2003 Final Dividend was approved and the Scrip Dividend Scheme was confirmed by the Directors immediately thereafter. The register of members of the Company was closed from 19th May 2004 to 25th May 2004 (both dates inclusive) for the purpose of calculating the entitlement to the 2003 Final Dividend of the Shareholders. It is expected that cheques and share certificates in respect of the 2003 Final Dividend will be despatched on or about 15th July 2004.

The purpose of this circular is to set out the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by the Shareholders in relation thereto.

### 2. PARTICULARS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, Shareholders have the choice of receiving:

- (a) a cash dividend of HK\$0.03 per Share; or
- (b) an allotment of such number of New Shares credited as fully paid and having an aggregate market value (calculated as described below), save for adjustment for fractions, equal to the total amount of the 2003 Final Dividend which such Shareholder would otherwise be entitled to receive in cash (being HK\$0.03 per Share); or
- (c) a combination of (a) and (b) above.

The New Shares will rank pari passu in all respects with the existing issued Shares except that they shall not rank for the 2003 Final Dividend.

### 3. BASIS OF ALLOTMENT OF THE NEW SHARES

For the purpose of calculating the number of New Shares to be allotted pursuant to the Scrip Dividend Scheme, the price of a New Share will be HK\$1.23, which is the average value of the closing prices of one Share on the Stock Exchange on each of the five consecutive trading days of 19th, 20th, 21st, 24th and 25th May 2004. Accordingly, the number of New Shares which an electing Shareholder will receive will be calculated as follows:—

$$\begin{array}{l} \text{Number of} \\ \text{New Shares to} \\ \text{be received} \end{array} = \begin{array}{l} \text{Number of Shares held on 25th} \\ \text{May 2004 in respect of which the} \\ \text{scrip dividend election is made} \end{array} \times \frac{\text{HK\$0.03}}{\text{HK\$1.23}}$$

**The last day on which the Shareholders will be entitled to select their desired form of dividends is 8th July 2004.** The number of New Shares to be received will be rounded down to the nearest whole number of New Shares. Fractional entitlements to New Shares in respect of alternatives (b) and (c) above will not be issued to Shareholders but will be disregarded and the benefit thereof will accrue to the Company.

---

## LETTER FROM THE BOARD

---

#### 4. ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also benefit the Company because, to the extent that the Shareholders elect to receive the New Shares, in whole or in part in lieu of a cash dividend, such cash which would otherwise have been paid to the Shareholders, will be retained for use as working capital by the Company.

#### 5. EFFECT OF THE SCRIP DIVIDEND SCHEME

Based on 211,121,275 Shares in issue as at 25th May 2004, if no elections for the New Shares are received, the total cash dividend payable by the Company would be approximately HK\$6,333,638. If all Shareholders elect to receive all of their entitlement to the 2003 Final Dividend in the form of New Shares, the maximum number of New Shares to be issued would be 5,149,299 Shares representing 2.44% of the issued share capital of the Company.

Shareholders should note that the New Shares may give rise to notification requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

As at the date hereof, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or the Shareholders other than Shareholders ordinarily resident in Bermuda. As the Company is an exempted company, the Company has been designated as non-resident for Bermuda exchange control purposes and therefore, the Company is not subject to stamp or other similar duty on the issue, transfer or redemption of its Shares.

Further, the Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertaking Tax Protection Act 1996 that, in the event there is enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not be applicable to the Company or to its operations, or to its Shares, debentures or other obligations until 28th March 2016 except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such Shares, debentures or other obligations of the Company or any real property or leasehold interests in Bermuda owned by the Company.

---

## LETTER FROM THE BOARD

---

### 6. FORM OF ELECTION

**If you have not previously permanently elected to receive future dividends in the form of Shares and you elect to receive your 2003 Final Dividend wholly in cash, you do not need to take any action.**

**If you have not previously permanently elected to receive future dividends in the form of Shares and you elect to receive your 2003 Final Dividend wholly in New Shares, or partly in cash and partly in New Shares, you should use the enclosed form of election.** If you sign the form of election but do not specify the number of Shares in respect of which you wish to receive the New Shares, or if you elect to receive New Shares in respect of a greater number of Shares than your registered holding on 25th May 2004, you will be deemed to have exercised your election to receive the New Shares in respect of all the Shares of which you were then registered as the holder.

The enclosed form of election enables the Shareholders to elect to receive their 2003 Final Dividend wholly or partly in New Shares. The form of election also enables Shareholders to permanently elect to receive all future cash dividends in the form of new Shares in the event that the Shareholders are given the choice of receiving new Shares or cash in respect of future dividends. The permanent election will be valid provided that all the prevailing conditions required by any scrip dividend scheme offered by the Company are fulfilled. The permanent election to receive all future dividends if offered in the form of new Shares, can be cancelled by the Shareholder sending notice in writing to the Company's branch share registrars whose address is set out below.

**The form of election should be completed in accordance with the instructions printed thereon and returned to the Company's branch share registrars no later than 4:00 p.m. on 8th July 2004 at:**

**Computershare Hong Kong Investor Services Limited  
Rooms 1901-5  
19th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong**

**Elections in respect of the 2003 Final Dividend cannot be in any way withdrawn, revoked, superseded or altered after the relevant forms of elections are signed and lodged with the Company's branch share registrars. No acknowledgement of receipt of the form of election will be issued.**

If you have previously permanently elected to receive future cash dividends in the form of Shares then, unless you cancel such election no later than 4:00 p.m. on 8th July 2004 by written notice to the Company's branch share registrars, you will receive the 2003 Final Dividend in the form of New Shares without having to complete the enclosed form of election. If you have previously permanently elected to receive future cash dividends in the form of Shares and you return a signed form of election indicating that you wish to receive the 2003 Final Dividend in cash, or partly in cash and partly in Shares, such election will be deemed to be a revocation of your permanent election and you will therefore receive future dividends in cash.

---

## LETTER FROM THE BOARD

---

### 7. SHAREHOLDERS RESIDING OUTSIDE HONG KONG

Shares of the Company have not been registered under the securities legislation of any jurisdiction outside Hong Kong. Therefore, Shareholders whose addresses as recorded in the register of members of the Company as being located outside Hong Kong will not be permitted to participate in the Scrip Dividend Scheme. Accordingly, such Shareholders will receive the 2003 Final Dividend wholly in cash. No forms of election are being sent to such Shareholders.

### 8. STOCK EXCHANGE LISTING, CLEARING AND SETTLEMENT

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares. It is expected that the certificates for the New Shares, and cheques for cash entitlements, will be posted to the Shareholders at the risk of those entitled thereto on or about 15th July 2004 on which date dealings in the New Shares will commence. Subject to the granting of listing of, and permission to deal in, New Shares issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such New Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System. You should seek the advice of your licensed securities dealer or other professional advisers for details of these settlement arrangements and how such arrangements will affect your rights and interests.

The Shares are listed, and dealt in, on the Stock Exchange. No equity or debt securities of the Company are listed, or dealt in, on any other stock exchange nor is listing, or permission to deal in, on any other exchange being, or proposed to be, sought.

### 9. CONDITION OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares.

### 10. GENERAL

Whether or not it is to your advantage to receive cash or the New Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting from that decision, are your responsibility. If you are in any doubt as to what to do, you should consult your professional advisers as to whether or not you are permitted to receive the 2003 Final Dividend in scrip form or if any government or other consent is required. Shareholders who are trustees are recommended to take professional advice as to whether the choice of the New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,  
For and on behalf of the Board  
**TAI PING CARPETS INTERNATIONAL LIMITED**  
**Ernest P. L. Law**  
*Company Secretary*