
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Tai Ping Carpets International Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

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**TAI PING
TAI PING CARPETS INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0146)

NOTICE OF ANNUAL GENERAL MEETING

AND

GENERAL MANDATES

TO ISSUE NEW SHARES AND REPURCHASE SHARES

AND

RE-ELECTION OF DIRECTORS

AND

AMENDMENTS TO THE BYE-LAWS

A copy of the notice of the annual general meeting of Tai Ping Carpets International Limited (the "Annual General Meeting") to be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 10 June 2005 at 11:00 a.m. is set out on pages 11 to 14 of this circular. Whether or not you are able to attend the Annual General Meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the Annual General Meeting. Completion and delivery of the form of proxy will not preclude you from voting at the Annual General Meeting should you so wish.



**TAI PING
TAI PING CARPETS INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0146)

Directors:

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

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

* *Non-executive Directors*

** *Independent Non-executive Directors*

18 May 2005

To the Shareholders

Dear Sir or Madam,

**NOTICE OF ANNUAL GENERAL MEETING
AND
GENERAL MANDATES TO ISSUE NEW SHARES AND
REPURCHASE SHARES
AND
RE-ELECTION OF DIRECTORS
AND
AMENDMENTS TO THE BYE-LAWS**

1. INTRODUCTION

At the annual general meeting of Tai Ping Carpets International Limited (the "Company") held on 25 May 2004, ordinary resolutions were passed giving general mandates to the directors of the Company ("Directors"): (i) to repurchase fully paid-up shares of HK\$0.10 each in the share capital of the Company

LETTER FROM THE BOARD

(“Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) up to 10% of the Shares in issue as at 25 May 2004; and (ii) to allot Shares or to grant rights or make agreements pursuant to which Shares might be allotted, up to 20% of the Shares in issue as at 25 May 2004.

2,000,000 share options were granted in January 2005 (pursuant to the Company’s share option scheme approved by the shareholders at an annual general meeting held on 23 May 2002) to the Company’s Chief Executive Officer, Mr. James H. Kaplan. Mr. Kaplan exercised 230,000 of these share options and was allotted 230,000 Shares in January 2005. Save as mentioned above, no Shares have been repurchased or allotted and no rights have been granted to subscribe for Shares pursuant to these mandates.

These general mandates will lapse on 10 June 2005 upon the conclusion of the forthcoming Annual General Meeting to be held on that date, unless renewed at the Annual General Meeting. Resolutions will be proposed to renew these mandates at the Annual General Meeting.

Notice of the Annual General Meeting is set out in this circular. A form of proxy for use at the Annual General Meeting is also attached.

Details of the Directors who are proposed to be re-elected at the Annual General Meeting are set out in Appendix I to this circular.

2. GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to give the Directors a general and unconditional mandate to issue during the Relevant Period (as defined in ordinary resolution no. 5 set out in the notice of Annual General Meeting) Shares representing up to 20% of the issue share capital of the Company on the date of passing ordinary resolution no. 5. Based on 211,933,488 Shares in issue as at 13 May 2005 (the latest practicable date prior to the printing of this circular) and assuming that no Shares are issued or repurchased thereafter until the Annual General Meeting, the Company will be allowed under this general mandate to issue up to 42,386,697 Shares (representing 20% of the Shares in issue as at the date of the Annual General Meeting based on the above assumptions) should ordinary resolution no. 5 be passed at the Annual General Meeting.

3. GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase, at any time until the conclusion of the next annual general meeting of the Company following the passing of ordinary resolution no. 6 (set out in the notice of the Annual General Meeting) or such earlier period as stated therein, Shares representing up to 10% of the issued share capital of the Company on the date of passing ordinary resolution no. 6.

The Explanatory Statement required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to be sent to shareholders in connection with the proposed general mandate for the repurchase of Shares is set out in Appendix II to this circular.

LETTER FROM THE BOARD

4. PROPOSED AMENDMENTS TO THE BYE-LAWS

The Stock Exchange has announced certain amendments to the Listing Rules which subject to certain transitional arrangements came into effect on 1 January 2005. The Appendix 14 Code of Best Practice has been replaced by a new Code of Corporate Governance (the “Code”). The Directors propose to introduce amendments to the Company’s Bye-laws (the “Bye-laws”) to bring them in line with the Code. These amendments are summarized below.

- (i) Bye-law 78 To be consistent with the provisions of paragraph E.2.1 of the Code it is proposed that this Bye-law be amended to allow the Chairman of meeting and/or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of total voting rights at a particular meeting to collectively demand a poll.
- (ii) Bye-law 113 To be consistent with the paragraph E.1.1 of the Code it is proposed that this Bye-law be amended to prohibit the appointment of two or more Directors by a single resolution.
- (iii) Bye-law 189 (v) To be consistent with paragraph A.4.2 of the Code it is proposed that this Bye-law be amended to require that directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment rather than at the first annual general meeting after their appointment.
- (iv) Bye-law 189 (ix)(A) To be more consistent with paragraph A.4.2 of the Code it is proposed that this Bye-law be amended to ensure that every Director other than any executive chairman or managing Director retire by rotation at least once every 3 years. The Directors have been advised that the executive chairman or managing Director cannot be required to retire by rotation in the Bye-laws as a pursuant to section 3(e) of the Tai Ping Carpets International Limited Company Act 1990 of Bermuda. Notwithstanding this, the Directors intend to comply with the Code in this respect by asking any executive chairman or managing Director to voluntarily retire by rotation at least once every 3 years.

5. RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 189(v), Directors appointed by the board of the Company as an addition to the board of the Company shall hold office only until the next following annual general meeting and shall then be eligible for re-election. In accordance with Bye-law 189(v), Mr. David Chi Leung Tong will retire at the Annual General Meeting and, being eligible, will offer himself for re-election.

Pursuant to Bye-law 189(ix)(A) and paragraph A.4.2 of the Code, Ms. Alison Siobhan Bailey, Mr. Michael Tze Hau Lee and Mr. Lincoln Chu Kuen Yung shall retire from office by rotation at the Annual General Meeting.

LETTER FROM THE BOARD

Details of the Directors who are proposed to be re-elected at the Annual General Meeting are set out in Appendix I to this circular.

6. PROCEDURES FOR DEMANDING A POLL

Bye-law 78 sets out the procedure by which shareholders may demand a poll.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:—

- (i) by the Chairman of the Meeting; or
- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

In addition, pursuant to Rule 13.39(3) of the Listing Rules, if the Chairman of the Annual General Meeting and/or the Directors individually or collectively hold proxies in respect of Shares holding 5% or more of the total voting rights at the Annual General Meeting, and if on a show of hands the Annual General Meeting votes in the opposite manner to that instructed in those proxies, the Chairman of the Annual General Meeting and/or the Directors and the chairman holding proxies as aforesaid collectively shall demand a poll. Notwithstanding the aforesaid, if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands (because the votes represented by those proxies exceed 50% or 75%, as the case may be, of the total issued Shares entitled to vote on the resolution in question), then the Directors and/or the Chairman of the Annual General Meeting shall not be required to demand a poll.

LETTER FROM THE BOARD

7. RECOMMENDATION

The Directors wish to state that they have no immediate plans to issue or repurchase any Shares. Approval is being sought from the shareholders to approve the general mandates in order to give flexibility and discretion to the Directors in the event that it becomes desirable for the Company to issue and/or repurchase Shares. The obtaining of such mandates is in accordance with the Listing Rules.

The Directors consider that: (a) the general mandates to issue new Shares and repurchase Shares; (b) the proposed amendments to the Bye-laws; and (c) the re-election of the Directors to be proposed at the Annual General Meeting, are in the best interests of the Company and its shareholders and recommend that shareholders vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
On behalf of the Board
Nicholas T. J. COLFER
Chairman

EXECUTIVE DIRECTOR

Alison Siobhan BAILEY: aged 48; has been employed with the Group for 8 years. She initially joined the Group to manage the planned corporate changes, and was appointed to the position of Finance Director in 1998. She was promoted to Chief Operating Officer in February 2004 to lead manufacturing, finance, human resources, administration and technology functions group wide.

Ms. Bailey is a Chartered Accountant. Her husband, Mr. James S. Dickson Leach, who resigned as Chairman and a Non-executive Director of the Company on 13 May 2005, is an Alternate Director of each of Hesco Limited, Esko Limited and New Holmium Holding Corporation, all of which are substantial shareholders of the Company. Save as disclosed above, Ms. Bailey does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Ms. Bailey does not currently hold any directorships in any other listed companies and did not hold any such directorships in the last three years.

Ms. Bailey has a personal interest of 1,208,589 Shares and family interest of 3,919,769 Shares respectively within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”).

The amount of emoluments received by Ms. Bailey is determined by reference to the Company’s performance and profitability, as well as a remuneration benchmark in the industry and the prevailing market conditions.

NON-EXECUTIVE DIRECTOR

David Chi Leung TONG: aged 34; was reappointed as a Non-executive Director of the Company on 13 May 2005. He was previously an Alternate Director to Messrs James S. Dickson Leach, Nicholas T. J. Colfer (Chairman and a Non-executive Director) and Ian D. Boyce (a Non-executive Director). He is a Chartered Engineer with working and management experience in several industrial operations in Hong Kong, Scotland and Texas.

Mr. Tong is a director of Sir Elly Kadoorie & Sons Limited which is ultimately owned by HWR Trustees Limited, a substantial shareholder of the Company. Mr. Tong is also a director of certain wholly-owned subsidiaries of the Company. Save as disclosed above, Mr. Tong does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Tong does not currently hold any directorships in any other listed companies and did not hold any such directorships in the last three years.

As at the date hereof, Mr. Tong is interested personally in 431,910 Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Tong. The term of office for Mr. Tong is the period up to his retirement by rotation in accordance with the Company’s Bye-laws. Mr. Tong will be entitled to the same level of Director’s fee as other Non-executive Directors and Independent Non-executive Directors who are not members of the Audit Committee (currently HK\$20,000 per annum). Save for the Director’s fees as disclosed above, Mr. Tong will not be entitled to any other emoluments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Michael Tze Hau LEE: aged 44; has a Master of Business Administration and currently is the managing director of Hysan Development Company Limited, a company listed on the Stock Exchange. He is also a member of Main Board Listing Committee of the Stock Exchange and a member of the Executive Committee of Hong Kong Housing Society. He is President of Hong Kong Society for the Protection of Children and Vice-Chairman of Helping Hand. As an Independent Non-executive Director of the Company for the last 7 years, Mr. Lee has brought technical and financial strengths together with valuable experience gained from managing investments in Asian markets.

Mr. Lee does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Lee does not have any interest in Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Lee. The term of office for Mr. Lee is the period up to his retirement by rotation in accordance with the Company's Bye-laws. As a member of Audit Committee of the Company, Mr. Lee's fee for acting as an Independent Non-executive Director is HK\$40,000 per annum (subject to review by the Board from time to time).

Lincoln Chu Kuen YUNG: aged 59; had been a Non-executive Director of Tai Ping for 24 years before his redesignation as an Independent Non-executive Director in December 2004. Mr. Yung is an economics graduate with a Master's Degree of Business Administration. He has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is currently deputy managing director of Nanyang Holdings Limited which is listed on the Stock Exchange, and a director of Shanghai Commercial Bank Limited which is a licensed bank in Hong Kong.

Mr. Yung does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company other than by virtue of his being a second cousin of Mr. Kent Yeh, a Non-executive Director of the Company. Mr. Kent Yeh's father, Mr. Anthony Yeh, is the Honorary Life President and also a Non-executive Director of the Company. As at the date of this announcement, Mr. Yung is interested personally in 30,000 Shares within the meaning of Part XV of the SFO.

There is no service contract signed between the Company and Mr. Yung. The term of office for Mr. Yung is the period up to his retirement by rotation in accordance with the Bye-laws of the Company. Mr. Yung will be entitled to the Director's fee of HK\$20,000 which is the same as other Non-executive Directors and Independent Non-executive Directors who are not members of the Audit Committee. Mr. Yung will not be entitled to any other emoluments.

SHARE REPURCHASE RULES

The following is the Explanatory Statement required to be sent to shareholders under the Listing Rules relating to the repurchase of shares on the Stock Exchange by a company whose primary listing is on the Stock Exchange. References in this Explanatory Statement to “Shares” means fully paid-up shares of HK\$0.10 each in the share capital of the Company.

1. Trading restrictions

A maximum of 10% of the Shares in issue as at the date of passing the resolution authorising the Company to repurchase Shares may be repurchased on the Stock Exchange.

2. Share capital

Based on 211,933,488 Shares in issue as at 13 May 2005 (the latest practicable date prior to the printing of this circular) and assuming that no Shares are issued or repurchased thereafter until the Company’s forthcoming Annual General Meeting to be held on 10 June 2005, the Company will be allowed under the repurchase mandate to repurchase up to 10% of the Shares in issue as at the date of the Annual General Meeting, i.e. 21,193,348 Shares (subject to the passing of ordinary resolution no. 6 set out in the notice of the Annual General Meeting).

3. Reason for repurchase

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to purchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

4. Source of funds

Repurchases must be funded out of funds legally available for the purpose under Bermudan law and the Bye-laws.

It is presently proposed that any repurchase of Shares would be made out of capital paid up on the repurchased Shares and the profits of the Company which would otherwise be available for dividend and, in the case of any premium payable on such repurchase, from the Company’s share premium account and/or its contributed surplus account in accordance with Bermudan law and the Bye-laws.

5. Impact on the working capital or gearing position of the Company

The Directors expect there may be an adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in the Company's audited accounts for the year ended 31 December 2004, if the mandate to repurchase Shares is exercised in full. However, the Directors do not propose to exercise the repurchase mandate to such extent as would have a material adverse effect on the working capital or gearing position of the Company which in the opinion of the Directors is from time to time appropriate for the Company.

6. General

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to repurchase Shares in accordance with the Listing Rules and Bermudan law.

If a shareholder's proportionate interest in the voting rights of the Company increases as a result of a Share repurchase, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). As a result, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at 13 May 2005, New Holmium Holding Corporation, together with its parties acting in concert (collectively known as the "Controlling Shareholders"), owned a total of approximately 58.26% of the issued share capital of the Company. If the repurchase mandate is exercised in full, the Controlling Shareholders will increase their shareholding in the Company to approximately 64.73%. An obligation to make a general offer to shareholders under Rules 26 and 32 of the Takeovers Code would not arise in such circumstances because the Controlling Shareholders already own in excess of 50% of the voting rights of the Company. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the general mandate.

The Directors are of the intention that they will only repurchase Shares to the extent that the minimum public float requirement (i.e. that at least 25% of the issued share capital be held by the public) will be maintained.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of the associates (as defined in the Listing Rules) of the Directors presently intend to sell Shares to the Company in the event that the repurchase mandate is approved by shareholders of the Company.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares or that they have undertaken not to sell any Shares held by them to the Company in the event that the repurchase mandate is approved by shareholders of the Company.

7. Market prices

The highest and lowest traded prices for Shares recorded on the Stock Exchange during each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004:		
April	1.45	1.32
May	1.27	1.24
June	1.40	1.33
July	1.40	1.40
August	1.24	1.23
September	1.33	1.15
October	*	*
November	1.29	1.25
December	1.27	1.21
2005:		
January	1.18	1.18
February	1.25	1.25
March	1.62	1.25
April	1.37	1.09
May (up to 13 May 2005)	1.20	1.105

* *There was no trading during that month.*

8. Repurchases of Shares made by the Company

No repurchases of Shares have been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

NOTICE OF ANNUAL GENERAL MEETING



TAI PING TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0146)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Members of Tai Ping Carpets International Limited (the “Company”) will be held at 21st Floor, St. George’s Building, 2 Ice House Street, Central, Hong Kong, on Friday, 10 June 2005 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited Statements of Accounts and the Reports of Directors and Auditors for the year ended 31 December 2004.
2. To declare a final dividend for the year ended 31 December 2004.
3. To re-elect directors of the Company and fix their remuneration.
4. To re-appoint Auditors and authorize directors of the Company to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions shown as items 5 and 6 as ordinary resolutions:

5. **“THAT:**
 - (a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to allot shares of HK\$0.10 each in the share capital of the Company (“Shares”) and to make and grant offers, agreements and options which would or might require Shares to be allotted be and is hereby generally and unconditionally approved provided that the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors otherwise than Shares issued as a result of a Rights Issue (as defined below) shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution;
 - (b) the approval in paragraph (a) shall authorize the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require Shares to be allotted after the end of the Relevant Period; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; or
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law of Bermuda to be held.

“Rights Issue” means an offer of Shares open for a period fixed by the directors of the Company to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

6. **“THAT:**

- (a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to purchase shares of HK\$0.10 each in the share capital of the Company (“Shares”), subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved provided that the aggregate nominal amount of Shares to be purchased by the Company shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution; and

- (b) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; or
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law of Bermuda to be held.”

NOTICE OF ANNUAL GENERAL MEETING

To consider and, if thought fit, pass the following resolution shown as item 7 as a special resolution:

7. **“THAT:**

The Bye-laws of the Company be and are hereby amended in the following respects:

- (a) by inserting into Bye-law 78 the words “required by the Listing Rules or” immediately after the word “unless” in the second line of the introductory paragraph of that Bye-law;
- (b) by deleting the word “right.” at the end of Bye-law 78(iv) and replacing it with the words “right; or”;
- (c) by inserting the following as a new paragraph (v) to Bye-law 78:

“if required by the Listing Rules, by the Chairman of the meeting and/or Directors who individually or collectively hold proxies in respect of shares holding 5% or more of the total voting rights at such meeting.”;

- (d) by deleting the words “unless an ordinary resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it;” from Bye-law 113;
- (e) by deleting the word “annual” from Bye-law 189(v);
- (f) by deleting Bye-law 189(ix)(A) in its entirety and replacing it with the following paragraph:

“189(ix)(A)(1) Notwithstanding any other provisions in these Bye-laws, at each annual general meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office, provided that every Director shall be subject to retirement by rotation at least once every three years and further provided that no Director holding office as executive chairman or as a managing director shall be subject to retirement by rotation or taken into account in determining the number of Directors to retire.

- (2) As between two or more Directors who have been in office for the same length of time, the Director or Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from his last election or appointment where he has previously vacated office. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. Any Director who wishes to retire and not to offer himself for re-election and any Director appointed pursuant to Bye-law 100 shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.”.

By Order of the Board
Ernest P. L. LAW
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be deposited at the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority. Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person, if you wish.
3. The register of members of the Company will be closed from Wednesday, 8 June 2005 to Friday, 10 June 2005, both days inclusive, during which period no transfer of Shares will be registered.
4. With reference to item 4 above regarding the re-election of Directors, Ms. Alison Siobhan Bailey, Mr. Michael Tze Hau Lee, Mr. Lincoln Chu Kuen Yung retire at the meeting by rotation and Mr. David Chi Leung Tong retires at the meeting because he was appointed by the board of the Company pursuant to the Company's Bye-laws and, being eligible, all offer themselves for re-election. The re-election of these retiring Directors will be individually voted upon by shareholders by way of separate resolutions. Details regarding each of these Directors is set out in Appendix I of the circular of the Company containing notice of the Annual General Meeting dated 18 May 2005.
5. Concerning items 5 and 6 above, the Directors wish to state that they have no immediate plans to issue and repurchase any Shares. Approval is being sought from the shareholders to approve the general mandates in order to give flexibility and discretion to the Directors in the event that it becomes desirable for the Company to issue and/ or repurchase Shares. The obtaining of such mandates is in accordance with the Listing Rules.
6. Explanatory notes to the proposed amendments to the Bye-laws of the Company:
 - (i) Bye-law 78 To be consistent with the provisions of paragraph E.2.1 of the Code it is proposed that this Bye-law be amended to allow the Chairman of meeting and/or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of total voting rights at a particular meeting to collectively demand a poll.
 - (ii) Bye-law 113 To be consistent with the paragraph E.1.1 of the Code it is proposed that this Bye-law be amended to prohibit the appointment of two or more Directors by a single resolution.
 - (iii) Bye-law 189 (v) To be consistent with paragraph A.4.2 of the Code it is proposed that this Bye-law be amended to require that directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment rather than at the first annual general meeting after their appointment.
 - (iv) Bye-law 189 (ix)(A) To be more consistent with paragraph A.4.2 of the Code it is proposed that this Bye-law be amended to ensure that every Director other than any executive chairman or managing Director retire by rotation at least once every 3 years. The Directors have been advised that the executive chairman or managing Director cannot be required to retire by rotation in the Bye-laws as a pursuant to section 3(e) of the Tai Ping Carpets International Limited Company Act 1990 of Bermuda. Notwithstanding this, the Directors intend to comply with the Code in this respect by asking any executive chairman or managing Director to voluntarily retire by rotation at least once every 3 years.