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

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**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.

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 howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**TAI PING CARPETS INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00146)



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

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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, 16 June 2006 at 9:30 a.m. is set out on pages 12 to 15 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.

24 May 2006

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LETTER FROM THE BOARD

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**TAI PING CARPETS INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00146)



*Non-executive Directors:*

Nicholas T. J. COLFER, *Chairman*

Ian D. BOYCE

Lincoln K. K. LEONG

David C. L. TONG

John J. YING

Nelson K. F. LEONG *(Alternate Director to  
Lincoln K. K. LEONG)*

*Independent Non-executive Directors:*

Yvette Y. H. FUNG

Michael T. H. LEE

Roderic N. A. SAGE

Lincoln C. K. YUNG

*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

*Executive Director:*

James H. KAPLAN, *Chief Executive Officer*

24 May 2006

*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  
PROPOSED CHANGE OF AUDITORS  
AND  
AMENDMENTS TO THE BYE-LAWS**

**1. INTRODUCTION**

At the Annual General Meeting of Tai Ping Carpets International Limited (the "Company") held on 10 June 2005, ordinary resolutions were passed giving general mandates to the directors of the Company

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## LETTER FROM THE BOARD

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(“Directors”): (i) to repurchase fully paid-up shares of HK\$0.10 each in the share capital of the Company (“Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) up to 10% of the Shares in issue as at 10 June 2005; 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 10 June 2005.

Pursuant to the Company’s existing share options scheme (approved by the shareholders at an annual general meeting held on 23 May 2002), Mr. James H. Kaplan, the Chief Executive Officer of the Company, exercised 254,000 share options and was allotted 254,000 Shares in January 2006. 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 16 June 2006 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. 4 set out in the notice of the Annual General Meeting) Shares representing up to 20% of the issued share capital of the Company on the date of passing ordinary resolution no. 4. Based on 212,187,488 Shares in issue as at 19 May 2006 (the “Latest Practicable Date”, being 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 42,437,497 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. 4 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. 5 (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. 5.

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## LETTER FROM THE BOARD

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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.

#### **4. PROPOSED AMENDMENTS TO THE BYE-LAWS**

Bye-laws 107(A)(vii) and 115 of the Company’s Bye-laws (the “Bye-laws”) provide that the Company may by special resolution remove any Director before the expiration of his period of office notwithstanding anything in the Company’s Bye-laws or in any agreement between the Company and such Director.

In order to bring the Bye-laws in line with the amendment in paragraph 4(3) of Appendix 3 of the Listing Rules relating to the procedure for the removal of Directors which came into effect on 1 March 2006, the board of Directors (the “Board”) proposes to pass a special resolution no. 6 at the Annual General Meeting to amend the aforesaid Bye-laws 107(A)(vii) and 115 such that Directors can be removed by ordinary resolution at a general meeting.

#### **5. RE-ELECTION OF DIRECTORS**

Mr. Ian D. Boyce, Mr. John J. Ying and Mrs. Yvette Y. H. Fung shall retire by rotation pursuant to Bye-law 189 (ix), while Mr. Roderic N. A. Sage shall retire pursuant to Bye-law 189(v). All retiring Directors, all being eligible, have offered themselves for re-election at the Annual General Meeting.

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. PROPOSED CHANGE OF AUDITORS**

As announced on 17 May 2006, according to the Companies Act 1981 of Bermuda (as amended) (the “Companies Act”), PricewaterhouseCoopers (“PwC”), the current auditors of the Company, will retire at the conclusion of the Annual General Meeting and not seek for reappointment. The Company has received a notice of intention to nominate BDO McCabe Lo Limited (“BDO”) as the auditors of the Company from a shareholder pursuant to the Companies Act. A resolution to appoint BDO as the auditors of the Company will be proposed at the Annual General Meeting.

In the letter from PwC to the Board, other than audit fee, which the Company could not come into agreement with them, there were no other circumstances stated therein in connection with the cessation of their audit appointment with the Company. The Board confirms that there were no matters which it considers should be brought to the attention of the shareholders and creditors of the Company.

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## LETTER FROM THE BOARD

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### 7. 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 required by the Listing Rules or 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; or
- (v) 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.

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.

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## LETTER FROM THE BOARD

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### 8. 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; (c) the re-election of the Directors to be proposed at the Annual General Meeting and (d) the proposed change of auditors of the Company, 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*

**NON-EXECUTIVE DIRECTORS**

**Ian D. BOYCE:** aged 61; has been a Non-executive Director since 1999.

Mr. Boyce is a Director of Sir Elly Kadoorie & Sons Limited which is ultimately owned by Harneys Trustees Limited (formerly known as HWR Trustees Limited, a substantial shareholder of the Company), a Non-executive Director of CLP Holdings Limited and Deputy Chairman of The Hongkong & Shanghai Hotels, Limited. He is a Chartered Accountant with extensive investment banking experience.

Save as disclosed above, Mr. Boyce does not have any other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Boyce is interested personally in 214,371 Shares within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”).

There is no service contract between the Company and Mr. Boyce. The term of office for Mr. Boyce is the period up to his retirement by rotation in accordance with the Company’s Bye-laws. As disclosed in note 8 of the Company’s 2005 Annual Report, the Director’s fee received by Mr. Boyce for the year ended 31 December 2005 amounted to HK\$20,000, same as other Non-executive Directors and Independent Non-executive Directors who were not members of the Audit Committee. His annual fee will be revised to HK\$30,000 for financial year 2006 (subject to review by the Board from time to time by reference to the market), same as other Directors who are not members of Audit Committee and Remuneration Committee. Save for the Director’s fees as disclosed above, Mr. Boyce will not be entitled to any other emoluments.

There is no information relating to Mr. Boyce that is required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules.

**John J. YING:** aged 43; has been a Non-executive Director since 1999 and is a member of the Audit Committee.

Mr. Ying is the Managing Director of Peak Capital Partners I, L.P. (a substantial shareholder of the Company), which is an established private equity firm focused on investments in Greater China, a member of the Graduate Executive Board of the Wharton School, Vice Chairman of the Hong Kong Ballet, and Vice Chairman of the Hong Kong International School. He holds a Master of Business Administration Degree from the Wharton School, a Master of Arts Degree from the University of Pennsylvania, and a Bachelor of Science Degree from the Massachusetts Institute of Technology.

Save as disclosed above, Mr. Ying does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Ying does not currently hold any directorships in any listed companies and did not hold any such directorships in the last three years. As at the Latest Practicable Date, Mr. Ying has a corporate interest of 32,575,875 shares in the Company through Peak Capital Partners I, L.P. within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Ying. The term of office for Mr. Ying is the period up to his retirement by rotation in accordance with the Company's Bye-laws. As disclosed in note 8 of the Company's 2005 Annual Report, Mr. Ying, as a member of the Audit Committee of the Company, received Director's fee of HK\$40,000 for the year ended 31 December 2005, same as other Directors who were members of the Audit Committee. His annual fee will be revised for financial year 2006 to include HK\$30,000 in respect of his capacity as a member of the Board, and an additional HK\$20,000 for being a member of the Audit Committee (subject to review by the Board from time to time by reference to the market), same as other Directors being on the Audit Committee or Remuneration Committee. Save for the fees as disclosed above, Mr. Ying will not be entitled to any other emoluments.

There is no information relating to Mr. Ying that is required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Yvette Y. H. FUNG:** aged 44; has been an Independent Non-executive Director since 2004 and is a member of Remuneration Committee.

Mrs. Fung is Deputy Chairman of Synergis Holdings Limited, Non-executive Director of Fountain Set (Holdings) Limited, Independent Non-executive Director of Hong Kong Catering Management Limited and Executive Director of Hsin Chong Holdings (HK) Limited. She holds a Juris Doctor Degree from Stanford Law School, a Master of Business Administration Degree from the University of California Los Angeles, and a Bachelor of Arts Degree from Stanford University.

Mrs. Fung does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mrs. Fung does not have any interests in the Company within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mrs. Fung. The term of office for Mrs. Fung is the period up to her retirement by rotation in accordance with the Company's Bye-laws. As disclosed in note 8 of the Company's 2005 Annual Report, Mrs. Fung, as a member of the Audit Committee of the Company (up to 15 November 2005, after that she left the Audit Committee and joined the Remuneration Committee), received Director's fee of HK\$37,424 for the year ended 31 December 2005, at the same rate as other Directors who were members of the Audit Committee. Her annual fee will be revised for financial year 2006 to include HK\$30,000 in respect of her capacity as a member of the Board, and an additional HK\$20,000 for being a member of the Remuneration Committee (subject to review by the Board from time to time by reference to the market), same as other Directors being on the Audit Committee or Remuneration Committee. Save for the fees as disclosed above, Mrs. Fung will not be entitled to any other emoluments.

The Company considers Mrs. Fung to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

There is no information relating to Mrs. Fung that is required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules.



**Roderic N. A. SAGE:** aged 53; was appointed Independent Non-executive Director on 15 November 2005. He is Chairman of both Remuneration Committee and Audit Committee of the Company.

Mr. Sage is Chief Executive Officer of a specialist tax, corporate services and trust consultancy. He is a Chartered Accountant and was until 2003 a Senior Partner and member of the management board of KPMG in Hong Kong.

Mr. Sage does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Sage does not currently hold any directorships in any listed companies and did not hold such directorships in the last three years. As at the Latest Practicable Date, Mr. Sage does not have any interests in the Company within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Sage. The term of office for Mr. Sage is the period up to his retirement by rotation in accordance with the Company's Bye-laws. As disclosed in note 8 of the Company's 2005 Annual Report, the Director's fee received by Mr. Sage for the period between 15 November 2005 (the date of his appointment) to 31 December 2005 amounted to HK\$5,150, at the same rate as other Directors who were also members of the Audit Committee. His annual fee will be revised for the financial year 2006 to include HK\$30,000 in respect of his capacity as a member of the Board, and an additional HK\$50,000 for being chairman of both the Audit Committee and Remuneration Committee (i.e. HK\$25,000 each for chairing a committee), subject to review by the Board from time to time by reference to the market. Save for the fees as disclosed above, Mr. Sage will not be entitled to any other emoluments.

The Company considers Mr. Sage to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

There is no information relating to Mr. Sage that is required to be disclosed pursuant to Rule 13.51(2)(h) to (w) of the Listing Rules.

**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 212,187,488 Shares in issue as at 19 May 2006 (the Latest Practicable Date) and assuming that no Shares are issued or repurchased thereafter until the Company’s forthcoming Annual General Meeting to be held on 16 June 2006, 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. 21,218,748 Shares (subject to the passing of ordinary resolution no. 5 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 2005, 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 purposes 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 the Latest Practicable Date, New Holmium Holding Corporation, together with its parties acting in concert (collectively known as the "Controlling Shareholders"), owned a total of approximately 55.77% 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 61.97%. 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:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2005:</b>		
May	1.24	1.10
June	1.27	1.20
July	1.29	1.14
August	1.30	1.15
September	1.37	1.18
October	1.33	1.22
November	1.42	1.23
December	1.25	1.16
<b>2006:</b>		
January	1.20	1.12
February	1.20	1.19
March	1.19	1.15
April	1.23	1.12
May (Up to 19 May 2006)	1.13	1.08

**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).

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## NOTICE OF ANNUAL GENERAL MEETING

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### TAI PING CARPETS INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00146)



### 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, 16 June 2006 at 9:30 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 2005.
2. To re-elect Directors of the Company and authorise the Board to fix their remuneration (note 4).
3. To consider the appointment of BDO McCabe Lo Limited as auditors of the Company to replace the retiring auditors PricewaterhouseCoopers and to authorise the Board to fix their remuneration.

#### **Special Business**

To consider and, if thought fit, pass the following resolutions shown as items 4 and 5 as ordinary resolutions:

4. **“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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the approval in paragraph (a) shall authorise 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
- (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).”

5. **“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

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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.”

To consider and, if thought fit, pass the following resolution shown as item 6 as a special resolution:

6. **“THAT:**

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

- (a) by deleting the words “a special” and substituting therefor the words “an ordinary” in Bye-law 107(A)(vii); and
- (b) by deleting the word “special” and substituting therefor the word “ordinary” in Bye-law 115.”

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

Hong Kong, 24 May 2006

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## NOTICE OF ANNUAL GENERAL MEETING

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*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, 14 June 2006 to Friday, 16 June 2006, both days inclusive, during which period no transfer of Shares will be registered.
4. With reference to item 2 above regarding the re-election of Directors, Mr. Ian D. Boyce, Mr. John J. Ying and Mrs. Yvette Y. H. Fung retire at the meeting by rotation, while Mr. Roderic N. A. Sage retires at the meeting because he was appointed by the board of the Company to hold office until the next following annual general meeting pursuant to the Company's Bye-laws, 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 24 May 2006. In the Directors' report on page 35 of the 2005 Annual Report, it was stated by mistake that Mr. David C. L. Tong would retire as Director pursuant to the Company's Bye-laws and Mr. James H. Kaplan would retire voluntarily to satisfy paragraph A.4.2 of the Code of Corporate Governance Practices per Appendix 14 of the Listing Rules at the forthcoming Annual General Meeting. Actually, Mr. Kaplan and Mr. Tong retired and were re-elected as Director at the annual general meetings held on 25 May 2004 and 10 June 2005 respectively. As such, Mr. Tong is not required by the Bye-laws to retire and Mr. Kaplan is not required to retire voluntarily at the forthcoming Annual General Meeting. Instead, Mrs. Yvette Y. H. Fung will retire at the forthcoming Annual General Meeting (in addition to Mr. Roderic N. A. Sage, Mr. Ian D. Boyce, and Mr. John J. Ying) and offer herself for re-election.
5. Concerning items 4 and 5 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 note to the proposed amendments to the Bye-laws of the Company:

Bye-laws 107(A)(vii) and 115

To bring the Bye-laws in line with the amendment in paragraph 4(3) of Appendix 3 of the Listing Rules relating to the procedure for the removal of Directors which came into effect on 1 March 2006, the Board proposes to pass a special resolution at the Annual General Meeting to amend the Bye-laws 107(A)(vii) and 115 such that Directors can be removed by ordinary resolution at a general meeting.