
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tai Ping Carpets International Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



DISCLOSEABLE TRANSACTION

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.

A letter from the Board is set out on pages 3 to 6 of this circular.

13 September 2006

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Agreement”	the Land and Asset Purchase and Sale Agreement dated 23 August 2006 between Kimberly-Clark and Carpets Inter
“Board”	the board of Directors
“Carpets Inter”	Carpets International Thailand Public Company Limited, a company incorporated in Thailand with limited liability and a subsidiary of the Company
“Company”	Tai Ping Carpets International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code:146)
“Completion”	the completion of the Disposal in accordance with the Agreement
“Directors”	the directors (including non-executive and independent non-executive directors) of the Company
“Disposal”	the sale of all its title, rights and interest in the Land and Assets by Carpets Inter, as described in this Circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates and is(are) not connected persons of the Company (as defined in the Listing Rules)
“Kimberly-Clark”	Kimberly-Clark Thailand Limited, a company incorporated in Thailand with limited liability and an Independent Third Party
“Latest Practicable Date”	8 September 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Land and Assets”	the land located in the Pathumthani Province, Thailand and the buildings, structures, fixtures, landscaping, roads, electrical and mechanical items, water facilities and general infrastructure on the land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Options”	options granted under the Share Option Scheme
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	an employee share option scheme adopted and approved by the Shareholders on 23 May 2002 which fully complies with Chapter 17 of the Listing Rules
“Shareholders”	the shareholders of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Thai Baht”	the lawful currency of Thailand

Note: For the purpose of this circular and for reference only, the exchange rate of HK\$1.00 to Thai Baht 4.914 is adopted.

LETTER FROM THE BOARD

TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



Board of Directors:

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

Executive Director:

James H. KAPLAN, *Chief Executive Officer*

Registered office:

Canon's Court

22 Victoria Street

P.O. Box HM 1179

Hamilton HM EX

Bermuda

Principal Place of Business:

26/F, Tower A

Regent Centre

63 Wo Yi Hop Road

Kwai Chung

Hong Kong

13 September 2006

Dear Shareholder(s),

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 23 August 2006, the Company announced Carpets Inter, a subsidiary of the Company, entered into the Agreement on normal commercial terms to sell all its rights, title and interest in the Land and Assets to Kimberly-Clark. Completion also took place on the same day.

The Disposal constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information in relation to the transaction outlined above.

LETTER FROM THE BOARD

DETAILS OF THE LAND AND ASSET PURCHASE AND SALE AGREEMENT

Date

23 August 2006

Parties

Seller : Carpets Inter, a subsidiary of the Company

Purchaser : Kimberly-Clark, an Independent Third Party

Subject of Disposal

The subject of disposal is all the title, rights and interest in the land located in the Pathumthani Province, Thailand and the buildings, structures, fixtures, landscaping, roads, electrical and mechanical items, water facilities and general infrastructure on the land.

CONSIDERATION

The consideration of Thai Baht 217,700,000 (approximately HK\$44,300,000) has been paid in cash on Completion.

The consideration was determined following arms' length negotiations between the parties on normal commercial terms, after taking into account the valuation made by UK Valuation and Agency Co Ltd., an independent property valuer appointed by the Group as at 31 December 2005 of Thai Baht 202,000,000 (approximately HK\$41,100,000), calculated on a fair value basis.

The Disposal is subject to satisfactory completion of various conditions precedent which are customary to transactions of similar nature. As the conditions precedent have been satisfied, Completion took place on 23 August 2006.

The Directors, including the independent non-executive Directors, consider the terms under the Agreement to be fair and reasonable and in the interest of the Shareholders and the Group.

LETTER FROM THE BOARD

INFORMATION ON THE LAND AND ASSETS

The Land and Assets comprise land of approximately 40,000 square metres, which is located in the Pathumthani Province in Thailand, and buildings with a total floor area of approximately 25,000 square metres. The Land and Assets were used by Carpets Inter for manufacturing carpets since 1976 until it moved its manufacturing operations to another site in Thailand in 1993. Since 1994, the Land and Assets have been leased to Kimberly-Clark. Under the terms of the lease agreement with Kimberly-Clark, monthly rental amounted to Thai Baht 1,650,000 (approximately HK\$340,000). The lease expired in June 2006 and was extended for another two months.

EFFECTS OF THE DISPOSAL

The rental income attributable to the Land and Assets for the last two financial years ended 31 December 2005 and 31 December 2004 was approximately Thai Baht 17,800,000 (approximately HK\$3,600,000, representing 0.5% of the Group's turnover) and Thai Baht 18,600,000 (approximately HK\$3,800,000, representing 0.7% of the Group's turnover), respectively.

The profit before taxation attributable to the Land and Assets for the last two financial years ended 31 December 2005 and 31 December 2004 was approximately Thai Baht 17,000,000 (approximately HK\$3,500,000, representing 8% of the Group's profit before taxation) and Thai Baht 14,200,000 (approximately HK\$2,900,000, representing 25% of the Group's profit before taxation), respectively.

The fair value of the Land and Assets as at 31 December 2005, as booked in the audited consolidated accounts of the Company, was Thai Baht 202,000,000 (approximately HK\$41,100,000) and represented approximately 6% of the consolidated net asset value of the Group as at 31 December 2005. When compared with the consideration of Thai Baht 217,700,000 (approximately HK\$44,300,000), the gain amounted to Thai Baht 15,700,000 (approximately HK\$ 3,200,000) or approximately 8%. The above value of the Land and Assets as at 31 December 2005 was based on the valuation conducted on an open market basis by the independent property valuer appointed by the Group.

The net gain arising from the Disposal after deducting the commission and legal and other expenses (but before Thailand profits tax) amounted to approximately Thai Baht 6,100,000 (approximately HK\$1,300,000). Apart from this gain, there would be no other material effect on the earnings of the Group.

With reference to the audited consolidated accounts of the Company as at 31 December 2005, apart from the net proceeds of the Disposal as set out below, the financial effects of the Disposal were a reduction in the investment properties of approximately HK\$41,100,000 and a reduction in the net deferred tax liabilities of approximately HK\$8,600,000, which resulted from the utilisation of the deferred tax liabilities previously provided to set off part of the Thailand profits tax arising from the Disposal.

Save as the aforesaid, the Disposal has no material effect on the earnings and assets and liabilities of the Group.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Land and Assets are located in the outskirts region of Bangkok and the market prices for such properties have stayed flat over the past few years.

The Land and Assets are not core assets of the Group. The Directors of the Company intend to deploy the Company's assets and financial resources to focus on growing the carpets business. Kimberly-Clark has leased the Land and Assets for over ten years and its offer was the highest amongst all the offers received.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The estimated total expenses for the Disposal are approximately Thai Baht 57,700,000 (approximately HK\$11,700,000) representing the Thailand profits and business tax, commission and legal fees. The net proceeds from the Disposal of approximately Thai Baht 160,000,000 (approximately HK\$32,600,000) will be used as general working capital by the Group.

GENERAL

The Group is principally engaged in the manufacture, import, export and sale of carpets. The Group offers its customers access to a full range of quality floorcovering products, from luxury to affordable, appropriate for every commercial and residential environment.

Carpets Inter is a subsidiary of the Company and is principally engaged in the manufacture and sale of carpets.

Kimberly-Clark is principally engaged in the manufacture and marketing of health and hygiene products and is a subsidiary of Kimberly-Clark Corporation.

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, Kimberly-Clark and its beneficial owner are Independent Third Parties.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (“Model Code”) were as follows:

Long Positions in Shares

Name	Personal Interests	Corporate interests	Aggregate % to the share capital
Ian D. Boyce	214,371	–	0.101%
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Lincoln K. K. Leong	–	2,000,000*	0.943%
Nelson K. F. Leong (Alternate Director to Lincoln K. K. Leong)	–	2,000,000*	0.943%
John J. Ying	–	32,575,875#	15.352%
James H. Kaplan	522,000	–	0.246%

* Mr Nelson K. F. Leong and Mr Lincoln K. K. Leong are interested in the same Shares. Their Shares are held through a company which is controlled by Mr Lincoln K. K. Leong and Mr Nelson K. F. Leong.

The Shares are held through Peak Capital Partners I, L.P. of which Mr John J. Ying is interested in more than one-third of the voting shares.

Interests in Options

Name	Options held as at the		Exercise price (HK\$)	Exercisable from	Exercisable until
	Latest Practicable Date				
James H. Kaplan	500,000		1.21	31 December 2006	31 January 2007
	500,000		1.21	31 December 2007	31 January 2008

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions of Substantial Shareholders in the Shares of the Company

Name	No. of ordinary shares held in the Company of HK\$0.10 each	Aggregate % of the share capital
Acorn Holdings Corporation	117,688,759*	55.465%
Bermuda Trust Company Limited	117,688,759*	55.465%
Harneys Trustees Limited (formerly known as HWR Trustees Limited)	117,688,759*	55.465%
Lawrencium Holdings Limited	117,688,759*	55.465%
New Holmium Holding Corporation	117,688,759*	55.465%
The Hon. Sir Michael Kadoorie	117,688,759*	55.465%
Peak Capital Partners I, L.P. (formerly known as iVentures I, L.P.)	32,575,875#	15.352%

- * Bermuda Trust Company Limited are deemed to be interested in the same 117,688,759 Shares which Lawrencium Holdings Limited and Acorn Holdings Corporation are deemed to be interested. Lawrencium Holdings Limited, Acorn Holdings Corporation and Harneys Trustees Limited (formerly known as HWR Trustees Limited) are deemed to be interested in the same 117,688,759 Shares which New Holmium Holding Corporation is interested. These Shares are held by New Holmium Holding Corporation. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 117,688,759 Shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie's attributed to her under the SFO. Except the above, she has no interest, legal or beneficial, in those Shares.
- # Mr John J. Ying (a Non-executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have interest in the Shares held by Peak Capital Partners I, L.P. (the Company is advised that the term "general partner" commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

5. SERVICE CONTRACTS

Mr. James H. Kaplan ("Mr. Kaplan") entered in to a service contract with the Company on 15 October 2003. This contract is indefinite and terminable by giving not less than one month's written notice by either party. Except for a departure for cause or upon a voluntary resignation, Mr. Kaplan is entitled to a severance payment on his departure.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or terminable by any member of the Group within one year without payment of compensation, other than statutory compensation).

6. MISCELLANEOUS

- (a) The company secretary of the Company is Ernest P. L. Law, FCCA, ACMA, CPA.
- (b) The qualified accountant of the Company is Ernest P. L. Law, FCCA, ACMA, CPA.
- (c) The registered office of the Company is at Canon's Court, 22 Victoria Street, P.O. Box HM 1179, Hamilton HM EX, Bermuda.
- (d) The principal place of business of the Company is at 26/F, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong.
- (e) The branch share registrars of the Company is Computershare Hong Kong Investor Services Limited, 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The principal share registrar of the Company is the Bank of Bermuda Limited, 6 Front Street, Hamilton HM11, Bermuda.
- (g) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.