

TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 146)



REMUNERATION COMMITTEE - TERMS OF REFERENCE

The board (the “**Board**”) of directors (the “**Directors**”) of Tai Ping Carpets International Limited (the “**Company**”) has resolved to establish a Committee of the Board known as the Remuneration Committee (“**Committee**”) on 23 September 2005.

1. MEMBERSHIP

- 1.1 The Committee should be established by the Board.
- 1.2 Members of the Committee (“**Members**”) shall be appointed by the Board and shall comprise a minimum of three members.
- 1.3 The majority of the Members shall be independent non-executive Directors.
- 1.4 The Chairman of the Committee shall be appointed by the Board and he/she shall be an independent non-executive Director.

2. MEETINGS

- 2.1 The Committee shall meet at least once a year. Additional meetings shall be held as the work of the Committee demands.
- 2.2 A quorum of the meeting shall be two Members.
- 2.3 Proceedings of the Committee’s meetings shall be governed by the Company’s Bye-laws.
- 2.4 A meeting of the Committee may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meetings to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
- 2.5 The Company Secretary or his/her nominee shall act as the Committee’s Secretary. The Committee may, from time to time, appoint any other person with appropriate qualification and experience as secretary of the Committee.
- 2.6 Full minutes of the Committee’s meeting shall be kept by the secretary of the Committee, and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.

- 2.7 Minutes of meetings of the Committee shall record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by the Members or dissenting views expressed. Draft and final versions of minutes of the meetings shall be sent to all Members for their comment and records respectively, within a reasonable time after the meetings being held.

3. ANNUAL GENERAL MEETING

- 3.1 The chairman of the Committee shall attend the Company's annual general meetings and be prepared to respond to any shareholder's questions on the Committee's activities.
- 3.2. If the Chairman of the Committee is unable to attend an Annual General Meeting of the Company, he shall arrange for another member of the Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any shareholder questions on the Committee's activities.

4. DUTIES, POWER AND FUNCTION

- 4.1 The Committee shall be provided with sufficient resources to perform its duties. At the invitation of the Chairman/Chairperson of the Committee, the chairman of the Board and/or executive Directors, external advisers and other persons may be invited to attend meetings.
- 4.2 The Committee should consult the Chairman/Chairperson of the Board and/or chief executive and/or the Head of Human Resources Department about their remuneration proposals for other executive Directors.
- 4.3 The Committee can seek independent professional advice in accordance with the procedures agreed by the Board from time to time and request the attendance of any external professional with relevant experience and expertise if it considers necessary.
- 4.4 The duties of the Committee shall be to:
- (a) make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
 - (b) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
 - (c) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination for their office or appointment;
 - (d) make recommendations to the Board on the remuneration of non-executive Directors;
 - (e) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- (f) review and recommend to the Board the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) review and recommend to the Board the compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (h) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration;
- (i) advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**");
- (j) do any such things to enable the Committee to discharge its duties, powers and functions conferred on it by the Board;
- (k) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- (l) conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by laws, rules and/or legislation.

4.5 The Committee shall report back to the Board at the next Board meeting following a Committee's meeting or by circulation of the minutes of such Committee's meeting unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

5. GENERAL

5.1 The terms of reference of the Committee shall be made available on the websites of the Stock Exchange and the Company.

5.2 In case of discrepancies or inconsistencies between the English and Chinese versions of these terms of reference, the English version shall prevail.