
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.

20 February 2008

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DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital in JSL and the WG Interest by the Purchaser from the Sellers pursuant to the Stock Purchase Agreement
“Board”	the board of Directors
“Company”	Tai Ping Carpets International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 146)
“Completion”	the completion of the Acquisition, which took place on 29 January 2008
“Directors”	the directors (including non-executive and independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, 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)
“JSL”	J.S.L. Carpet Corporation, a corporation incorporated under the laws of the State of New York
“Latest Practicable Date”	15 February 2008, being the latest practicable date prior to the printing of the circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Net Profits”	all revenues generated by JSL (including with respect to the WG Interest), exclusive of any revenues generated by businesses or assets acquired by JSL after Completion, less all expenses of JSL (including with respect to the WG Interest), exclusive of (i) expenses and depreciation incurred by businesses or assets acquired by JSL after Completion and (ii) any write off/amortisation of goodwill or any intangible assets as recognised based upon the purchase price in relation to the Acquisition
“Purchaser”	JSL Acquisition Corporation, a corporation incorporated under the laws of the State of Georgia and a wholly-owned subsidiary of the Company
“Sellers”	Leonard Braunstein, Glen Carr and Stacy Carr
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	the shareholders of the Company
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Purchase Agreement”	the stock purchase agreement dated as of 1 January 2008 between the Purchaser, the Sellers and JSL in relation to the Acquisition
“US\$”	US dollar, the lawful currency of the United States
“WG”	Weavers Guild LLC, a company incorporated under the laws of the State of New York with limited liability
“WG Interest”	50% of the membership interest in WG

Note: Unless otherwise specified herein, amounts denominated in US\$ in this circular have been translated, for the purpose of illustration only, into HK\$ amounts using the rate of HK\$7.8 = US\$1. No representation is made that any amount in US\$ or HK\$ could have been or could be converted at the above rate or at any other rates at all.

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

20 February 2008

Dear Shareholder(s),

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 30 January 2008, the Board of the Company announced that on 29 January 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Stock Purchase Agreement with the Sellers to purchase the entire issued share capital in JSL and 50% of the membership interest in WG for an aggregate consideration of US\$3,600,000 (equivalent to HK\$28,080,000). In addition, the Sellers will also be entitled to additional payments based upon the net profits generated by JSL until 31 December 2011. Completion of the Acquisition took place on 29 January 2008.

The Acquisition constitutes a discloseable transaction of 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 STOCK PURCHASE AGREEMENT

Date

Dated as of 1 January 2008

Parties

Sellers : (i) Leonard Braunstein;
(ii) Glen Carr; and
(iii) Stacy Carr

Purchaser : JSL Acquisition Corporation, a wholly-owned subsidiary of the Company

Target company : J.S.L. Carpet Corporation, a corporation incorporated under the laws of the State of New York

Consideration

The aggregate consideration for the Acquisition of US\$3,600,000 (equivalent to HK\$28,080,000) will be payable in cash in the following manner:

- (i) US\$2,340,000 (equivalent to HK\$18,252,000) shall be payable on Completion; and
- (ii) the balance of the aggregate consideration of US\$1,260,000 (equivalent to HK\$9,828,000) shall be payable as follows:

Payment Date	Amount
1st anniversary of Completion	US\$540,000 (equivalent to HK\$4,212,000)
2nd anniversary of Completion	US\$252,000 (equivalent to HK\$1,965,600)
3rd anniversary of Completion	US\$252,000 (equivalent to HK\$1,965,600)
4th anniversary of Completion	US\$216,000 (equivalent to HK\$1,684,800)

In addition, the Sellers will also be entitled to additional payments based on the Net Profits for the period from 1 January 2008 to 31 December 2011 as set out below provided that the aggregate additional amount payable to the Sellers shall not exceed US\$6,000,000 (equivalent to HK\$46,800,000):

Period	Additional amounts payable to the Sellers
1 January 2008 to 31 December 2008	35% of the Net Profits
1 January 2009 to 31 December 2009	20% of the Net Profits
1 January 2010 to 31 December 2010	13% of the Net Profits
1 January 2011 to 31 December 2011	6% of the Net Profits

LETTER FROM THE BOARD

The additional amounts shall be payable to the Sellers no later than five (5) business days after audited financial statements for JSL are prepared for the calendar year relating to the relevant period for which payment shall be made, but in no event later than 95 days after December 31 of the applicable year.

The payment of the consideration and the additional payments are both guaranteed by Tai Ping Carpets Americas, Inc., a wholly-owned subsidiary of the Company incorporated under the laws of the State of Georgia.

The aggregate consideration and the additional payments payable to the Sellers were determined following arm's length negotiations between the Purchaser and the Sellers with reference to the past, present and expected future performance and the potential strategic values and synergies of JSL and WG to the Group.

Completion

Completion took place on 29 January 2008.

INFORMATION OF JSL AND WG

JSL is a recognised leader as a source for custom high-end carpets and operates a wholesale business with distribution channels based across the United States. JSL was incorporated under the laws of the State of New York.

WG is a 50:50 joint venture between Leonard Braunstein and a customer of JSL to design, manufacture and distribute handmade rugs on a wholesale basis. WG was incorporated under the laws of the State of New York with limited liability on 9 December 2005.

Both the annual accounts of JSL and WG were not required to be audited under the laws of the United States and their accounts had not been audited. The unaudited net profits before and after taxation and extraordinary items attributable to JSL for the year ended 31 December 2006 were approximately US\$313,000 (equivalent to HK\$2,441,400) and US\$283,000 (equivalent to HK\$2,207,400) respectively. The unaudited net profits before and after taxation and extraordinary items attributable to JSL for the year ended 31 December 2005 were approximately US\$45,000 (equivalent to HK\$351,000) and US\$43,000 (equivalent to HK\$335,400) respectively.

The unaudited net profits before and after taxation and extraordinary items attributable to WG for the year ended 31 December 2006 were approximately US\$70,000 (equivalent to HK\$546,000) and US\$69,000 (equivalent to HK\$538,200) respectively.

The unaudited net asset value of JSL and WG as at 31 December 2006 were approximately US\$241,000 (equivalent to HK\$1,879,800) and US\$149,000 (equivalent to HK\$1,162,200) respectively.

LETTER FROM THE BOARD

The Acquisition shall not have any material effect on the earnings and assets and liabilities of the Group.

Upon Completion, the Group will be interested in the entire issued share capital in JSL and 50% of the membership interest in WG. Accordingly, JSL will become a wholly-owned subsidiary of the Group and its financial results will be consolidated into the accounts of the Group while WG will become an associate of the Group and its financial results will not be consolidated into the accounts of the Group. WG will be equity accounted for as a 50% associate in the accounts of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

The Directors believe that the Acquisition would broaden the Group's global product offerings by establishing direct links with a selected group of quality suppliers for certain high-end custom carpets. In addition, the Group and JSL could utilise each other's distribution channels and product offerings to further expand the Group's businesses in the United States.

The Directors are of the view that the terms of the Stock Purchase Agreement and the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, the Sellers are Independent Third Parties.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
TAI PING CARPETS INTERNATIONAL LIMITED
Raymond W. M. Mak
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	Beneficial Owner	Interest of Controlled Corporation	Trustee	Aggregate % of the share capital
Ian D. Boyce	831,371	–	–	0.392%
David C. L. Tong	431,910 ^a	–	3,919,770 ^a	2.051%
Lincoln C. K. Yung	30,000	–	–	0.014%
Lincoln K. K. Leong	–	2,000,000 ^b	–	0.943%
Nelson K. F. Leong <i>(Alternate Director to Lincoln K. K. Leong)</i>	–	2,000,000 ^b	–	0.943%
John J. Ying	–	32,605,583 ^c	–	15.366%
James H. Kaplan	522,000	–	–	0.246%

Notes:

- (a) Mr David C. L. Tong is deemed to be interested in 4,351,680 Shares of which 431,910 Shares are held by him in his personal capacity and 3,919,770 Shares are held by him in his capacity as a trustee of a discretionary trust. The 3,919,770 Shares are attributed to him pursuant to the SFO for disclosure purposes. Nevertheless, he does not have any beneficial interest in these 3,919,770 Shares.
- (b) Mr Nelson K. F. Leong is interested in the same Shares as disclosed by Mr Lincoln K. K. Leong. The Shares are held through a company which is controlled by Mr Lincoln K. K. Leong and Mr Nelson K. F. Leong.
- (c) The Shares are held through Peak Capital Partners I, L.P. of which Mr John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an 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, 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 Shares

Name	No. of Shares held	Aggregate % of the share capital
Acorn Holdings Corporation	117,688,759 ^a	55.465%
Bermuda Trust Company Limited	117,688,759 ^a	55.465%
Harneys Trustees Limited	117,688,759 ^a	55.465%
Lawrencium Holdings Limited	117,688,759 ^a	55.465%
New Holmium Holding Corporation	117,688,759 ^a	55.465%
The Mikado Private Trust Company Limited	117,688,759 ^a	55.465%
The Hon. Sir Michael Kadoorie	117,688,759 ^a	55.465%
Peak Capital Partners I, L.P.	32,605,583 ^b	15.366%

Notes:

- (a) Bermuda Trust Company Limited is deemed to be interested in the same 117,688,759 Shares in which Acorn Holdings Corporation is deemed to be interested. The Mikado Private Trust Company Limited is deemed to be interested in the same 117,688,759 Shares in which Lawrencium Holdings Limited is deemed to be interested. Lawrencium Holdings Limited, Acorn Holdings Corporation and Harneys Trustees Limited are deemed to be interested in the same 117,688,759 Shares in which New Holmium Holding Corporation is interested. These 117,688,759 Shares are held by New Holmium Holding Corporation in its capacity as a trustee. 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 attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those Shares.
- (b) 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 an 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.

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 into a service contract with Tai Ping Carpets Americas, Inc., a wholly-owned subsidiary of the Company, on 15 October 2003 (subsequently amended by a letter agreement dated 14 December 2006 setting out the new terms of employment with effect from 1 January 2006). This contract has no fixed term and may be terminated by either party by 3 months’ written notice. Mr. Kaplan is entitled to an annual base salary of US\$550,000 (equivalent to HK\$4,290,000) together with incentive bonus and other benefits. Mr. Kaplan is also entitled to participate in a profit sharing scheme. If this service contract is terminated due to a change of control of the Company, in addition to the statutory compensation, Mr. Kaplan is also entitled to a severance payment subject to certain conditions.

Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. MISCELLANEOUS

- (a) The company secretary of the Company is Raymond W. M. Mak, *FCCA, CPA*.
- (b) The qualified accountant of the Company is Raymond W. M. Mak, *FCCA, 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.