
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.

4 November 2008

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DEFINITIONS

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

“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 Disposal
“Directors”	the directors (including non-executive and independent non-executive directors) of the Company
“Disposal”	the sale of all of Priceless’ title, rights and interest in the Property
“Escrow Agent”	a notary public in Shanghai, an Independent Third Party jointly appointed by the Purchaser and Priceless as the escrow agent
“Formal Sale and Purchase Agreement”	the formal agreement for sale and purchase to be entered into between Priceless and the Purchaser in respect of the Property
“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 which is(are) not connected persons of the Company (as defined in the Listing Rules)
“Latest Practicable Date”	30 October 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Lease”	the existing lease of the Property
“Letter of Intent”	Letter of Intent dated 9 October 2008 between Priceless and the Purchaser in respect of the Property

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Priceless”	Priceless Properties Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Property”	the whole of Level 3 with a total gross floor area of approximately 1,271 square meters and three car parks (numbers 30, 31 and 32) on basement of May Fair Tower, no. 85 and 87 Fumin Road, Jingan District, Shanghai, People’s Republic of China
“Purchaser”	Hangzhou Aupu Electrical Appliances Co., Ltd., a company incorporated in the People’s Republic of China with limited liability
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“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
“Tenant”	the tenant under the Lease, an Independent Third Party
“US\$”	US dollar, the lawful currency of the United States of America

Note: Unless otherwise specified herein, amounts denominated in RMB in this circular have been translated, for illustration purpose only, into HK\$ amounts using the rate of HK\$1.1354 to RMB1. No representation is made that any amount in RMB could have been or could be converted at the above rate or any other rates at all.

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

4 November 2008

Dear Shareholder(s),

DISCLOSEABLE TRANSACTION

INTRODUCTION

The Board of the Company announced that on 9 October 2008, Priceless entered into a binding Letter of Intent to sell its rights, title and interest in the Property to the Purchaser for an aggregate consideration of RMB17,800,000 (equivalent to HK\$20,210,000) subject to the Lease and the Tenant's waiver of its right of first refusal to purchase the Property.

The Disposal 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 LETTER OF INTENT

Date

9 October 2008

Parties

Seller : Priceless

Purchaser : Hangzhou Aupu Electrical Appliances Co., Ltd.

Pursuant to the terms of the Letter of Intent, Priceless and the Purchaser shall enter into the Formal Sale and Purchase Agreement in respect of the Property within 30 days from the execution of the Letter of Intent. Should the Purchaser be in breach of the Letter of Intent and fail to enter into the Formal Sale and Purchase Agreement within the aforesaid period, Priceless shall be entitled to forfeit the deposit paid by the Purchaser. Should Priceless be in breach of the Letter of Intent and fail to enter into the Formal Sale and Purchase Agreement within the aforesaid period, the Purchaser shall be entitled to a refund of the deposit paid by the Purchaser together with a sum equivalent to the deposit. As at the Latest Practicable Date, Priceless and the Purchaser have not entered into the Formal Sale and Purchase Agreement.

Conditions

The Disposal is subject to the Lease and the Tenant's waiver of its right of first refusal to purchase the Property.

Consideration

The aggregate consideration for the Property of RMB17,800,000 (equivalent to HK\$20,210,000) will be payable in cash in the following manner:

- (i) an initial deposit of RMB1,780,000 (equivalent to HK\$2,021,000) shall be paid by the Purchaser to the Escrow Agent within three days after the execution of the Letter of Intent;
- (ii) the balance of the consideration of RMB16,020,000 (equivalent to HK\$18,189,000) shall be payable by the Purchaser to the Escrow Agent within twenty business days after the execution of the Formal Sale and Purchase Agreement;
- (iii) RMB10,000,000 (equivalent to HK\$11,354,000) shall be released by the Escrow Agent to Priceless within three days after the issue of the property ownership certificate to the Purchaser by the Real Estate Transaction Center of Jingan District; and
- (iv) the balance of the consideration of RMB7,800,000 (equivalent to HK\$8,856,000) shall be released by the Escrow Agent to Priceless within three days after the execution of the letter of delivery of the Property by Priceless and the Purchaser.

LETTER FROM THE BOARD

The aggregate consideration was determined following arm's length negotiations between the parties on normal commercial terms, after taking into account past transaction prices, monthly rental income and the valuation amount in the sum of HK\$17,100,000 in accordance with the valuation made by an independent property valuer appointed by the Group as at 31 December 2007. The Company was advised that the valuation is based on both income approach and direct comparison approach by making reference to comparable sales evidence as available in the market.

Completion

Pursuant to the Letter of Intent, it is expected that the Completion will take place around December 2008. The Purchaser has agreed to purchase the Property subject to the Lease and the Tenant's waiver of its right of first refusal to purchase the Property. Priceless has obtained from the Tenant the waiver of its right of first refusal to purchase the Property. The Lease will be assigned to the Purchaser on the date of issue of the property ownership certificate to the Purchaser by the Real Estate Transaction Centre of Jingan District.

INFORMATION ON THE PROPERTY

The Property has been leased out to the Tenant by the Group for rental income.

The rental income attributable to the Property for the last two financial years ended 31 December 2007 and 2006 was HK\$1,096,000 and HK\$1,070,000 respectively.

The surplus on revaluation of the Property before taxation for the financial years ended 31 December 2007 and 2006 was HK\$1,600,000 and HK\$800,000 respectively.

The profit before and after taxation attributable to the Property (inclusive of the surplus on revaluation) for the last two financial years ended 31 December 2007 and 2006 was HK\$2,567,000 and HK\$1,485,000 respectively.

The book value of the Property as at 31 December 2007, as booked in the audited consolidated accounts of the Company, was HK\$17,100,000 and represented approximately 2% of the consolidated net asset value of the Group as at 31 December 2007. When compared with the consideration of RMB17,800,000 (equivalent to HK\$20,210,000), the consideration represents a premium of approximately 18%. The value of the Property as at 31 December 2007 was based on the valuation conducted by an independent property valuer appointed by the Group.

The gain on Disposal would amount to HK\$3,110,000 and the net loss arising from the Disposal, after deducting commission, legal and other expenses, levies and taxes, would amount to approximately HK\$1,000,000. The Disposal shall not have any material effect on the assets and liabilities of the Group.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED APPLICATION OF THE PROCEEDS FROM THE DISPOSAL

The Property is not a core asset of the Group and the yield from leasing the Property is low. The Directors intend to deploy the Group's assets and financial resources to focus on growing the carpets business, and considers this an opportune time to sell the Property and realise the capital gain on the growth in the commercial property market in Shanghai during the past few years.

The Directors are of the view that the terms of the Letter of Intent are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Disposal of approximately HK\$16,100,000 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.

Priceless is a wholly-owned subsidiary of the Company and is principally engaged in the holding of the Property.

To the best of the Directors' knowledge, the principal business activity of the Purchaser is the manufacture and distribution of bathroom masters, exhaust fans and other home appliances.

Also, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

The Disposal 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	Interests of controlled corporation	Trustee	Aggregate % of the share capital
Ian D. Boyce	831,371	–	–	0.392%
David C. L. Tong ¹	431,910	–	3,919,770	2.051%
Lincoln C. K. Yung	30,000	–	–	0.014%
Lincoln K. K. Leong ²	–	2,000,000	–	0.943%
Nelson K. F. Leong ² (Alternate Director to Lincoln K. K. Leong)	–	2,000,000	–	0.943%
John J. Ying ³	–	32,605,583	–	15.366%
James H. Kaplan	522,000	–	–	0.246%

Notes:

¹ 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.

² 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.

- ³ 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 the Shares of the Company

Name	No. of Shares held	Aggregate % of the share capital
Acorn Holdings Corporation ¹	40,014,178	18.858%
Bermuda Trust Company Limited ¹	40,014,178	18.858%
Lawrencium Holdings Limited ¹	77,674,581	36.607%
Harneys Trustees Limited ¹	77,674,581	36.607%
The Mikado Private Trust Company Limited ¹	77,674,581	36.607%
The Hon. Sir Michael Kadoorie ¹	77,674,581	36.607%
Peak Capital Partners I, L.P. ²	32,605,583	15.366%

Notes:

- ¹ Bermuda Trust Company Limited is deemed to be interested in the same 40,014,178 Shares in which Acorn Holdings Corporation is interested. The Mikado Private Trust Company Limited and Harneys Trustees Limited are deemed to be interested in the same 77,674,581 Shares in which Lawrencium Holdings Limited is interested. 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 77,674,581 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.

- ² 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, 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 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 (approximately 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, a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.
- (b) The qualified accountant of the Company is Raymond W. M. Mak, a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.
- (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 registrar 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.