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

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**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 and the accompanying proxy form 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.

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**TAI PING CARPETS INTERNATIONAL LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 146)



**PROPOSED GENERAL MANDATE TO REPURCHASE SHARES,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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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, 12 June 2009 at 9:30 a.m. is set out on pages 9 to 10 of this circular. Whether or not you are able to attend the Annual General Meeting, please complete the accompanying proxy form 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 proxy form will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

30 April 2009

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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: 146)



*Chairman and Non-executive Director:*

Nicholas T. J. Colfer

*Chief Executive Officer and Executive Director:*

James H. Kaplan

*Non-executive Directors:*

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)

*Registered Office:*

Canon's Court

22 Victoria Street

P.O. Box HM 1179

Hamilton HM EX

Bermuda

*Principal Office in Hong Kong:*

26/F, Tower A

Regent Centre

63 Wo Yi Hop Road

Kwai Chung

Hong Kong

*Independent Non-executive Directors:*

Yvette Y. H. Fung

Michael T. H. Lee

Roderic N. A. Sage

Lincoln C. K. Yung

30 April 2009

*Dear Shareholders*

**PROPOSED GENERAL MANDATE TO REPURCHASE SHARES,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

Notice of the Annual General Meeting (the "Notice") of Tai Ping Carpets International Limited (the "Company") is set out in this document, and a proxy form accompanies this circular. Details of the resolutions to be proposed at the Annual General Meeting are set out in the Notice.

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## LETTER FROM THE BOARD

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### **GENERAL MANDATE TO REPURCHASE SHARES**

At the annual general meeting of the Company held on 13 June 2008, the then shareholders of the Company passed resolutions granting general mandates to the directors of the Company (the “Directors”) to issue and purchase shares in the Company (the “Shares”). 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 at the conclusion of the Annual General Meeting. The Directors wish to state that, after due and careful consideration, they have decided not to propose at the Annual General Meeting to grant a general mandate to the Directors to issue Shares since there is no immediate need to raise equity capital in the foreseeable future. If capital raising through an issue of Shares is required in the future, the Company will seek the necessary Shareholders approval at the relevant time. Resolution will therefore be proposed at the Annual General Meeting to give the Directors a general and unconditional mandate to exercise all the powers of the Company to purchase an amount of Shares in the Company not exceeding ten per cent. of the Company’s issued share capital as at the date of the resolution, for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution) (the “Repurchase Mandate”).

The full text of this resolution is set out in the Notice in this circular. In addition, as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), an explanatory statement providing the requisite information regarding the Repurchase Mandate is set out in Appendix I to this circular.

The Directors wish to state that they have no immediate plans to repurchase any Shares. Approval is being sought from the shareholders of the Company (the “Shareholders”) to approve the Repurchase Mandate in order to give flexibility and discretion to the Directors in the event that it becomes desirable for the Company to repurchase Shares.

### **RE-ELECTION OF RETIRING DIRECTORS**

Mr. John J. Ying, Mr. David C. L. Tong and Mr. Roderic N. A. Sage shall retire by rotation pursuant to the Bye-laws of the Company and, 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 II to this circular.

### **PROXY ARRANGEMENT**

Pursuant to the amendments to the Listing Rules, which came into force on 1 January 2009, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all resolutions will be put to vote by way of poll at the Annual General Meeting. An announcement on the poll vote results will be made by the Company after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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## LETTER FROM THE BOARD

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A proxy form for use at the Annual General Meeting is enclosed with this circular and such proxy form is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.irasia.com/listco/hk/taipingcarpets/index.htm>) respectively. Whether or not you are able to attend the Annual General Meeting, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority to the Company's Branch Share Registrar and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the Annual General Meeting. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

### RECOMMENDATION

The Directors consider that the proposed resolutions set out in the Notice, including the general mandate to repurchase Shares are in the best interests of the Company and its Shareholders and recommend that Shareholders vote in favour of the proposed resolutions.

Yours faithfully,  
On behalf of the Board  
**Nicholas T. J. Colfer**  
*Chairman*

## 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 of Hong Kong Limited (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 ten per cent. 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 24 April 2009 (the Latest Practicable Date) and assuming that no Shares will be issued or repurchased thereafter until the Annual General Meeting, the Company will be allowed under the repurchase mandate to repurchase up to ten per cent. 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).

### 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 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 2008, 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 (the "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, the Company's controlling shareholders together with their parties acting in concert (the "Controlling Shareholders") owned approximately 55.47% 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 61.63%. 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 Repurchase 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>
2008:		
April	2.30	1.18
May	2.33	2.04
June	14.60	1.70
July	1.90	1.79
August	1.95	1.69
September	1.85	1.85
October	1.80	1.10
November	1.30	1.10
December	1.40	1.19
2009:		
January	1.50	1.12
February	1.22	1.10
March	1.20	1.07
April (up to 24 April 2009)	1.40	1.14

## 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).

**NON-EXECUTIVE DIRECTORS**

**John J. Ying:** aged 46; has been a Non-executive Director since 1999 and is a member of the Audit Committee of the Company.

Mr. Ying is the Managing Director of Peak Capital Partners I, L.P. (“Peak Capital”), an established private equity firm focused on investments in Greater China. He is also member of Graduate Executive Board of the Wharton School, 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. Mr. Ying does not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Ying was interested in 32,605,583 Shares held by Peak Capital of which he is the sole shareholder of the general partner of Peak Capital, within the meaning of Part XV of the Securities and Futures Ordinance (“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 Bye-laws of the Company. He is currently entitled to a remuneration of HK\$70,000 per annum, comprising a base fee of HK\$50,000 in respect of his capacity as a Non-executive member of the Board, and an additional HK\$20,000 for being a member of the Audit Committee. The amount of remuneration payable to him is determined on the basis of experience, demand for his services and market practice.

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.

**David C. L. Tong:** aged 38; has been a Non-executive Director since 1997 and is a member of the Remuneration Committee of the Company.

Mr. Tong is a Director of Sir Elly Kadoorie & Sons Limited and serves on several other corporate boards in Hong Kong. He is a Chartered Engineer and holds a Bachelor of Engineering Degree from the University of London. Save as disclosed above, Mr. Tong does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, he was interested personally in 431,910 Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Tong. The term of office for Mr. Tong is the period up to his retirement by rotation in accordance with the Bye-laws of the Company. He is currently entitled to a remuneration of HK\$70,000



per annum, comprising a base fee of HK\$50,000 in respect of his capacity as a Non-executive member of the Board, and an additional HK\$20,000 for being a member of the Remuneration Committee. The amount of remuneration payable to him is determined on the basis of experience, demand for his services and market practice.

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

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Roderic N. A. Sage:** aged 56; has been an Independent Non-executive Director since 2005 and is the Chairman of the Remuneration Committee and the Chairman of the 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. As at the Latest Practicable Date, he did 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 Bye-laws of the Company. He is currently entitled to a remuneration of HK\$110,000 per annum, comprising a base fee of HK\$50,000 in respect of his capacity as a Non-executive member of the Board, an additional HK\$30,000 for being the Chairman of the Remuneration Committee and an additional HK\$30,000 for being the Chairman of the Audit Committee. The amount of remuneration payable to him is determined on the basis of experience, demand for her services and market practice.

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.

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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: 146)



### 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, 12 June 2009 at 9:30 a.m. for the following purposes:

#### **As Ordinary Business**

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2008.
2. To declare a final dividend for the year ended 31 December 2008.
3. To re-elect retiring Directors and authorise the Board to fix their remuneration.
4. To re-appoint BDO McCabe Lo Limited as auditor of the Company and to authorise the Board to fix the remuneration.

#### **As Special Business**

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

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 ten 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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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.”

By order of the Board  
**Raymond W. M. Mak**  
*Company Secretary*

Hong Kong, 30 April 2009

*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. The register of Members of the Company will be closed from Wednesday, 10 June 2009 to Friday, 12 June 2009, both days inclusive, during which period no transfer of Shares will be registered.
3. To be entitled to receive the final dividend, Shareholders must ensure that all transfer documents accompanied by the relevant Share certificates are lodged with 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 for registration no later than 4:30 p.m. on Tuesday, 9 June 2009.
4. Subject to the passing of the necessary resolution at the Annual General Meeting, the final dividend will be payable on or about 6 July 2009 to Shareholders whose names appear on the register of Members of the Company at the close of business on 12 June 2009.
5. With reference to item 3 above regarding the re-election of Directors, Mr. John J. Ying, Mr. David C. L. Tong and Mr. Roderic N. A. Sage shall retire by rotation pursuant to the Bye-laws of the Company. All retiring Directors, being eligible, have offered themselves for re-election at the Annual General Meeting. 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 are set out in Appendix II of this circular.
6. Concerning item 5 above, the Directors wish to state that they have no immediate plans to repurchase any Shares. Approval is being sought from the Shareholders to approve the general mandate in order to give flexibility and discretion to the Directors in the event that it becomes desirable for the Company to repurchase Shares.