THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, 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, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer 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)

TAI PING

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED SALE OF THE COMMERCIAL BUSINESS

(2) INTENDED CONDITIONAL SPECIAL CASH DIVIDEND

AND

(3) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company in relation to the Profit Forecast

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

A letter from the Board is set out on pages 7 to 25 of this circular.

A notice convening the SGM to be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Wednesday, 13 September 2017 at 9:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and registration office in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish.

26 August 2017

CONTENTS

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

"Adjustment"	the adjustment (based on the external debt, cash (which shall exclude an amount relating to retirement benefit obligations under the Commercial Business) and working capital position of the Commercial Business as at Closing) to be made to the Consideration in accordance with the terms of the Sale and Purchase Agreement
"associate"	has the meaning given to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a "black" rain warning signal is hoisted in Hong Kong at any time between 9.00 a.m. and 5.00 p.m.) on which banks are open in Hong Kong for general commercial business
"Business Purchaser"	Thai UK (2017) Ltd, a company incorporated under the laws of England and Wales and wholly-owned by the Purchaser
"Business Sellers"	Tai Ping Carpets UK Limited and Tai Ping Carpets Europe
"CIT"	Carpets International Thailand Public Company Limited, a public company incorporated under the laws of Thailand
"Closing"	completion of the sale and purchase of the Sale Shares and the Sale Businesses in accordance with the provisions of the Sale and Purchase Agreement
"Closing Date"	the date on which Closing occurs: (i) if the Unconditional Date falls on any date before 21 September 2017, on 29 September 2017; and (ii) if the Unconditional Date falls on any date on or after 21 September 2017, on the last Funding Business Day of the month in which the Unconditional Date falls (or, if the Unconditional Date falls less than 10 Business Days before the last Funding Business Day of that month, on the last Funding Business Day of the following month)
"Commercial Business"	the commercial carpets manufacturing, distribution and sales businesses of the Company, comprising the Sale Businesses and businesses carried out by the Target Companies
"Company"	Tai Ping Carpets International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange

"Conditions"	together, (i) the Proposed Disposal having been approved by the shareholders of the Purchaser in a general meeting in accordance with the requirements of the rules governing the listing of securities on the Stock Exchange of Thailand and the Limited Public Company Act B.E. 2535 (1992) of Thailand; (ii) the Company having obtained all necessary approvals from the Stock Exchange for the Proposed Disposal and the Proposed Disposal having been approved by the shareholders of the Company in general meeting in accordance with the requirements of the Listing Rules; and (iii) all legal documentation detailed in the agreed Reorganisation steps plans having been executed by all relevant parties so that the Reorganisation will complete before Closing and the Company having confirmed to the Purchaser in writing that it is satisfied (acting reasonably and in good faith and having consulted with key employees of the Commercial Business and having given due consideration to their views) that, following Closing, the Target Companies will be able to continue to operate the Commercial Business independently from the Group and as a going concern, in each case in all material respects (other than any services to be provided by the Remaining Group under the Sale and Purchase Agreement, the Transitional Services Agreement, any Transaction Document, or any related transitional arrangements between the Group and the Target Companies or other ordinary course intercompany trading arrangements)
"Consideration"	the consideration for the Proposed Disposal (subject to the Adjustment) payable by the Purchaser to the Company, as further outlined in the section headed "2. *The Sale and Purchase Agreement*" in the letter from the Board in this circular
"CTG"	Costigan Limited, a company incorporated under the laws of the British Virgin Islands
"Deposit"	the deposit in the amount of US$3 million which was paid by the Purchaser to the Company within five Business Days of signing the Sale and Purchase Agreement
"Directors"	the directors of the Company
"Financial Adviser"	Anglo Chinese Corporate Finance, Limited, the financial adviser to the Company in connection with the Profit Forecast included in this circular
"FMDE Closing Date"	the date that is on the last Funding Business Day of the month in which the FMDE End Date falls (or, if the FMDE End Date falls less than 10 Business Days before the last Funding Business Day of that month, on the last Funding Business Day of the following month)

"FMDE End Date"	the date that is the later of either (i) the date on which the Thai Factory has, in the Company's opinion (acting reasonably and in good faith having consulted with the Purchaser (and having had regard to their reasonable comments and requests)), returned to being able to operate at or above the level of its Usual Production Capacity; and (ii) the first Business Day on or by which all Conditions have been fulfilled or waived
"Force Majeure Delay Event"	any epidemic, tidal wave, earthquake, flood, typhoon, fire, explosion, collapse or natural disaster which (i) first occurs after the signing of the Sale and Purchase Agreement; and (ii) results in the Thai Factory ceasing or being unable to operate at or above the level of its Usual Production Capacity
"Force Majeure Event"	any epidemic, tidal wave, earthquake, typhoon, fire, explosion, collapse or natural disaster that (i) first occurs after the signing of the Sale and Purchase Agreement; (ii) was not reasonably foreseeable by the Purchaser, the Share Purchasers or the Business Purchasers prior to or on the date of this Agreement; (iii) results in the Commercial Business ceasing or unable to operate or carry on the business as usual, wholly or substantially for a consecutive period of 20 Business Days; (iv) (in the opinion of a loss adjuster appointed by the respective insurance company) is excluded from, inadequately insured by, or not sufficiently covered by, (in each case to a material extent) the insurance coverage in place for the Commercial Business; and (v) has a material and adverse effect on the business and operations of the Target Companies taken as a whole which will continue for a sustained and long term period (of at least 12 months) and which will reduce the market value of the Target Companies taken as a whole, in excess of the aggregate of US$45 million, with certain exclusions
"Funding Business Day"	a day (other than a Saturday or Sunday or public holiday in Hong Kong, Bangkok and The City of New York and any day on which a tropical cyclone warning no. 8 or above or a "black" rain warning signal is hoisted in Hong Kong at any time between 9.00 a.m. and 5.00 p.m.) on which banks are open in Hong Kong, Bangkok and the City of New York for general commercial business
"Group"	the Company and its subsidiaries
"Group Share Sellers"	the Company and Amberfield Investments Co. S.A. (an indirect wholly-owned subsidiary of the Company)
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Individual Share Sellers"	Mark Stuart Worgan, Suwat Nampoolsuksan, Somluck Boonsaner, Suchada Kanjanawenich, and Nichanun Pimukmanuskit
"Intended Special Dividend"	the intended special cash dividend of approximately HK$361 million which would be distributed by the Company to the Shareholders as set out in the section headed "*12. Intended Special Dividend*" in the letter from the Board in this circular
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Latest Practicable Date"	24 August 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
"Long Stop Date"	nine months after the date of the Sale and Purchase Agreement or such other date as may be agreed in writing by each of the Company and Purchaser
"Parties"	the parties to the Sale and Purchase Agreement and Party means any one of them
"percentage ratios"	has the meaning given to such term in Chapter 14 of the Listing Rules
"PRC" or "China"	the People's Republic of China, for the purposes of this circular excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Profit Forecast"	the forecast of profits for the financial year ending 31 December 2017 as set out in Appendix IV to this circular and which is also included in the section headed "*10. Profit Forecast for the Company for the year ending 31 December 2017*" in the letter from the Board in this circular
"Proposed Disposal"	the proposed sale of the Commercial Business by the Company, on its own behalf and on behalf of the Group Share Sellers, the Individual Share Sellers and the Business Sellers, to the Purchaser, on its own behalf and on behalf of the Share Purchasers and the Business Purchasers, pursuant to the terms and conditions set out in the Sale and Purchase Agreement
"Purchaser"	Thailand Carpet Manufacturing Public Company Limited, a company organised and existing under the laws of Thailand

"Remaining Business"	the business of the Remaining Group which involves the manufacture, distribution and sale of hand-tufted and artisan carpets as carried on as at the date of this circular and from time to time
"Remaining Group"	the Company and its subsidiaries from time to time but excludes the Target Companies
"Remediable Force Majeure Delay Event"	a Force Majeure Delay Event that the Parties agree can be remedied such that the Thai Factory will return to its Usual Production Capacity before the date that is 6 months after the Force Majeure Delay Event has occurred
"Reorganisation"	the pre-sale reorganisation of the Commercial Business that the Company implements at its own costs prior to Closing in preparation for sale of the Commercial Business pursuant to the Proposed Disposal
"Sale and Purchase Agreement"	the agreement entered into by the Company and the Purchaser on 3 August 2017 in relation to the Proposed Disposal
"Sale Businesses"	the commercial carpets distribution and sales businesses carried on by Tai Ping Carpets UK Limited and Tai Ping Carpets Europe immediately prior to Closing
"Sale Shares"	the shares in the relevant Target Companies held by the Share Sellers
"Seller Group"	the Seller and its subsidiaries, parent companies or subsidiaries of such parent companies from time to time but excluding the Target Companies
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Proposed Disposal and the Intended Special Dividend
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holders of Share(s)
"Share Purchasers"	together, (i) TCMC HK (2017) Limited, a company incorporated under the laws of Hong Kong, which will be wholly-owned by the Purchaser on or before the Closing; (ii) Pimol Srivikorn; and (iii) the Purchaser
"Share Sellers"	the Group Share Sellers and the Individual Share Sellers

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surplus Cash Dividend"	(i) any interim dividend, or interim dividends, in an aggregate amount of up to US$15 million, declared, paid or made by a Target Company to the Remaining Group prior to Closing (provided such dividends shall leave CIT with cash at least equal to the retirement benefit obligations and unsecured bank borrowings under the Commercial Business); and (ii) any interim dividend or distribution declared, paid or made by one Target Company to another Target Company for the purposes of facilitating the payment of any dividend referred to in (i) above
"Target Companies"	together, (i) CTG; (ii) Royal Thai Americas (2017) Inc. (formerly known as Tai Ping Carpets Commercial Inc.); (iii) Royal Thai HK (2017) Limited (formerly known as Global Carpets (Holdings) Limited); (iv) VC; (v) CIT; (vi) Anderry Limited; (vii) Onsen Limited; (viii) Tai Ping Carpets India Private Limited; (ix) TPC Macau Limitada; and (x) Tai Ping Carpets (S) Pte. Ltd.
"Thai Factory"	the manufacturing facility located at No.80 Moo 1 Leab Khlong Koh Krieng Subroad, Pathum Thani – Bang Bua Thong (Highway No.345), Bang Kuwad Subdistrict, Mueang District, Pathum Thani Province, Thailand
"THB"	Thai Baht, the lawful currency of the Kingdom of Thailand
"Transaction Document"	has the meaning as set out in the section headed "*3. Other related agreements*" in the letter from the Board in this circular
"Unconditional Date"	the first Business Day on or by which all Conditions have been fulfilled or waived
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Usual Production Capacity"	in respect of a given calendar month, the Thai Factory's production capacity being equal to 65% of the arithmetic mean of the Thai Factory's production capacity for that calendar month (on a seasonally adjusted basis) over the preceding three calendar years
"VC"	Vechachai Co., Limited, a private company incorporated under the laws of Thailand

Note: Unless otherwise specified herein, amounts denominated in USD in this circular have been translated, for illustration purpose only, into HKD amounts using the rate of US$1 to HK$7.75 and Thai Baht converted into Hong Kong dollars at the rate of THB1 = HK$0.23. No representation is made that any amount in USD or Thai Baht could have been or could be converted at the above rate or any other rates at all.

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:
David C. L. Tong
Nelson K. F. Leong
John J. Ying
Andrew C. W. Brandler

Independent Non-executive Directors:
Yvette Y. H. Fung
Roderic N. A. Sage
Lincoln C. K. Yung
Aubrey K. S. Li

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM EX
Bermuda

Principal Office in Hong Kong:
33rd Floor, Global Trade Square
21 Wong Chuk Hang Road
Wong Chuk Hang
Hong Kong

26 August 2017

Dear Shareholders,

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED SALE OF THE COMMERCIAL BUSINESS

(2) INTENDED CONDITIONAL SPECIAL CASH DIVIDEND

AND

(3) NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcements of the Company dated 23 November 2016, 23 May 2017 and 3 August 2017 respectively.

As stated in the announcement dated 23 November 2016, the Company has undertaken a strategic review of the Company's Commercial Business with a view to optimising value for the Shareholders. The Company had since received a number of non-binding proposals from various independent third parties to acquire the Commercial Business.

As stated in the announcement dated 23 May 2017, the Company has continued to pursue the strategic review through ongoing discussions with a preferred buyer in relation to a possible sale of the Commercial Businesses as a going concern.

As stated in the announcement dated 3 August 2017, the Company and the preferred buyer, the Purchaser, entered into a sale and purchase agreement in relation to the Proposed Disposal (the "**Sale and Purchase Agreement**"). The Company also announced an intended special dividend of HK$1.70 per Share to be distributed to the Shareholders, subject to the approval of Shareholders having been obtained at the SGM and Closing having taken place.

The purpose of this circular is to provide you with details of, among others, (i) the Proposed Disposal and the transactions contemplated thereunder, (ii) the Intended Special Dividend, (iii) the financial information of the Group, (iv) the unaudited historical financial information of the Commercial Business, (v) the unaudited pro forma financial information of the Remaining Business, (vi) the Profit Forecast, (vii) the property valuation in relation to certain Thai properties included in the Proposed Disposal, and (viii) the notice of the SGM.

2. THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

(a) Transaction

The Company, on its own behalf and on behalf of the Share Sellers and the Business Sellers, has agreed to sell, and the Purchaser, on its own behalf and on behalf of the Share Purchasers and the Business Purchasers, has agreed to purchase, the Commercial Business (the "**Proposed Disposal**").

The Proposed Disposal will proceed in the following manner:

(i) prior to Closing, the Company will, at its own cost, implement a pre-sale reorganisation of the Commercial Business in preparation for the sale of the Commercial Business to the Purchaser pursuant to the Proposed Disposal (the "**Reorganisation**"); and

(ii) on Closing:

(A) the Company (through the Share Sellers) will sell, and the Purchaser (through the Share Purchasers) will purchase, the Sale Shares; and

(B) the Company (through the Business Sellers) will sell, and the Purchaser (through the Business Purchasers) will purchase, the Sale Businesses as a going concern.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this circular, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company.

(b) Assets to be disposed of

Sale Shares

The Sale Shares represent the entire issued share capitals of CTG and VC. As at the date of this circular, CTG is a wholly-owned subsidiary of the Company. VC is 48.999% owned by Amberfield Investments Co. S.A., which is wholly owned by CTG and the remaining 51.001% is held by the Individual Share Sellers.

Sale Businesses

The Sale Businesses comprise the commercial carpets distribution and sales businesses carried on by Tai Ping Carpets UK Limited and Tai Ping Carpets Europe (both indirect wholly-owned subsidiaries of the Company) immediately prior to Closing.

(c) Consideration

The consideration for the Proposed Disposal will be US$94 million (approximately HK$729 million in cash, subject to the Adjustment, which will be payable in cash by the Purchaser (on behalf of the Share Purchasers and the Business Purchasers) to the Company (on behalf of the Share Sellers) and each of the Business Sellers in the following manner:

(i) a US$3 million deposit within five Business Days of signing the Sale and Purchase Agreement (the "**Deposit**"); and

(ii) the balance, upon Closing.

The Consideration (together with the Adjustment, if any) will be apportioned:

(a) among the Individual Share Sellers in accordance with their respective paid in amounts for their holdings of the Sale Shares (being THB510,010 (approximately HK$117,302) in aggregate); and

(b) in respect of the balance (being approximately HK$728 million) among the Group Share Sellers and the Business Sellers in accordance with their respective holdings of the Sale Shares and the Sale Businesses.

The Surplus Cash Dividend will also be paid by CIT, a Target Company, to the Company prior to Closing.

The Consideration (together with the Adjustment, if any) was arrived at following a strategic review, which included a competitive auction process managed by the Company's financial adviser for the strategic review (Evercore Asia Limited), involving a number of potential bidders, and was ultimately determined based on arm's length negotiations between the Company and the Purchaser (as the successful bidder) after taking into account a number of factors, including (i) the historical financial performance of the Commercial Business and its ongoing capital expenditure requirements, (ii) prevailing market conditions, (iii) the proposals and feedback from the competitive auction process, (iv) the valuation of the Thai property interests within the Commercial Business that are part of the Proposed Disposal (as further set out in Appendix V to this circular); and (v) the ability of the Purchaser, as a committed industry player in the commercial carpet sector, to continue to invest in, and to realise value from, the Commercial Business.

(d) Conditions Precedent

Closing of the Sale and Purchase Agreement is conditional on the following conditions precedent (the ***Conditions***) being satisfied or waived:

(i) the Proposed Disposal having been approved by the shareholders of the Purchaser in a general meeting in accordance with the requirements of the rules governing the listing of securities on the Stock Exchange of Thailand and the Limited Public Company Act B.E. 2535 (1992) of Thailand;

(ii) the Company having obtained all necessary approvals from the Stock Exchange for the Proposed Disposal and the Proposed Disposal having been approved by the shareholders of the Company in general meeting in accordance with the requirements of the Listing Rules; and

(iii) all legal documentation detailed in the agreed Reorganisation steps plans having been executed by all relevant parties so that the Reorganisation will complete before Closing and the Company having confirmed to the Purchaser in writing that it is satisfied (acting reasonably and in good faith and having consulted with key employees of the Commercial Business and having given due consideration to their views) that, following Closing, the Target Companies will be able to continue to operate the Commercial Business independently from the Group and as a going concern, in each case in all material respects (other than any services to be provided by the Remaining Group under the Sale and Purchase Agreement, any Transaction Document, or any related transitional arrangements between the Group and the Target Companies or other ordinary course intercompany trading arrangements).

Neither the Company nor the Purchaser (so far as the Company is aware) has any intention to waive any of the Conditions as at the date of this circular.

If Conditions (ii) and (iii) are not fulfilled or (as appropriate) waived on or before the Long Stop Date and the Purchaser terminates the agreement as a result, the Deposit will be repayable by the Company to the Purchaser. The Deposit will also be repayable by the Company to the Purchaser in other agreed circumstances where the agreement is terminated.

A further amount in USD equal to the Deposit shall also be payable by the Company to the Purchaser if the Sale and Purchase Agreement terminates prior to Closing:

(a) as a result of a breach by the Company of its obligations to satisfy Conditions (d)(ii) and (d)(iii) above; or

(b) as a result of either Condition (d)(ii) or (d)(iii) not being fulfilled or waived by the Long Stop Date; or

(c) if the Company fails to comply with its material Closing obligations.

(e) Termination

If any of the Conditions has not been fulfilled or (as appropriate) waived on or before the Long Stop Date, either the Company or the Purchaser is entitled to terminate the Sale and Purchase Agreement by giving written notice to the other Party.

In addition, the Proposed Disposal may also not proceed under certain circumstances, including where:

(i) the Purchaser fails to pay the Deposit to the Company in the prescribed manner within five Business Days of the date of the Sale and Purchase Agreement, following which the Company may terminate the Sale and Purchase Agreement;

(ii) the Purchaser fails to comply with any of its Closing obligations, following which the Company may terminate the Sale and Purchase Agreement;

(iii) the Company fails to comply with any of its material Closing obligations, following which the Purchaser may terminate the Sale and Purchase Agreement;

(iv) if the Unconditional Date has not occurred on or before the Long Stop Date as a result of the Company failing to satisfy its condition precedents, following which either the Company or Purchaser may terminate the Sale and Purchase Agreement;

(v) a Force Majeure Event occurs prior to Closing, following which the Purchaser may terminate the Sale and Purchase Agreement;

(vi) a Force Majeure Delay Event occurs at any time prior to the Closing Date and the Company and the Purchaser agree that the Force Majeure Delay Event is not a Remediable Force Majeure Delay Event, following which either the Company or the Purchaser may terminate the Sale and Purchase Agreement; or

(vii) a Force Majeure Delay Event occurs at any time prior to the Closing Date and the Thai Factory has not returned to its Usual Production Capacity before the date that is six months after the Force Majeure Delay Event, then either the Company or the Purchaser may terminate the Sale and Purchase Agreement.

Other than in circumstances outlined in sub-paragraphs (e)(iii), (e)(iv), (e)(v), (e)(vi) and (e)(vii) above and also where:

(a) there is a breach by the Company of its obligations to satisfy Conditions (d)(ii) and (d)(iii) above; or

(b) where the termination of the Sale and Purchase Agreement is by operation of law (other than as a result of breach by the Purchaser),

then the Deposit shall be forfeited and shall not be repayable by the Company to the Purchaser.

(f) Closing

Closing will take place on the Closing Date following the satisfaction or (as appropriate) waiver of the Conditions, unless the Company and the Purchaser otherwise agree in writing. Closing is currently expected to take place on 29 September 2017.

Closing may be deferred in certain circumstances, including where:

(i) a Force Majeure Delay Event occurs at any time prior to the Closing Date and the Parties agree that the Force Majeure Delay Event is a Remediable Force Majeure Delay Event; or

(ii) the Parties cannot agree (despite acting reasonably and in good faith) on whether or not the Force Majeure Delay Event is a Remediable Force Majeure Delay Event,

following which Closing will be deferred to the FMDE Closing Date.

3. OTHER RELATED AGREEMENTS

Pursuant to the Sale and Purchase Agreement, the following transaction documents will also be entered into on Closing in connection with the Proposed Disposal (each a "**Transaction Document**"):

(a) an agreement for the provision of certain IT services and support by the Remaining Group to the Target Companies to be entered into between Hong Kong Carpet (Holdings) Limited, a subsidiary of the Company and Royal Thai HK (2017) Limited (formerly known as Global Carpets (Holdings) Limited) (one of the Target Companies);

(b) an agreement for the licensing by Tai Ping Limited to Royal Thai HK (2017) Limited (formerly known as Global Carpets (Holdings) Limited) of certain software;

(c) an assignment of trade marks agreement for the assignment by the Purchaser to the Company of all right, title and interest in the "Tai Ping" marks and all associated intellectual property rights;

(d) the Axminster Supply and Manufacturing Agreement, pursuant to which the Purchaser agrees to be the Group's exclusive third party manufacturer and supplier of Axminster carpet, carpet tile, needle punched carpet and machine tufted carpet products which meet the applicable specifications for a period of seven years after Closing in order to ensure that the Remaining Group has continued access to such products to satisfy any of its customers' requirements from time to time (and as further described below); and

(e) the Hand Tufted Supply and Manufacturing Agreement, pursuant to which the Company agrees to be the Purchaser group's exclusive third party manufacturer and supplier of hand tufted carpet products to the Purchaser's group for a period of seven years after Closing in order to provide the Purchaser's group with a reliable third party source to satisfy any of its customers' requirements from time to time (and as further described below).

The Axminster Supply and Manufacturing Agreement and the Hand Tufted Supply and Manufacturing Agreement

Going forward, the Remaining Group will focus on hand-made or traditionally woven carpets as its core products and it will not retain any manufacturing capability in relation to machine-made goods. However, some of its clients may occasionally seek to buy machine-made products and the Axminster Supply and Manufacturing Agreement has been put in place to help the Company maintain these client relationships by allowing continuity of supply.

The Company will not actively solicit orders for machine-made products and it is expected that no more than 10% of the Remaining Group's revenue will be driven from the sale of machine-made products.

Neither the Purchaser nor the Company expect to purchase significant volume of products under the Axminster Supply and Manufacturing Agreement and the Hand Tufted Supply and Manufacturing Agreement.

4. INFORMATION ON THE COMPANY AND THE INDIVIDUAL SHARE SELLERS

The Company

The Company is Asia's premier carpet manufacturer and is a leader in the international custom carpet industry, manufacturing, distributing and selling hand tufted, machine woven and tufted carpets in over 70 countries.

The Individual Share Sellers

The Individual Share Sellers hold in aggregate 51.001% of the equity interests in VC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this circular, the Individual Share Sellers are third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company.

5. INFORMATION ON THE PURCHASER

The Purchaser is a company organised and existing under the laws of Thailand and is listed on the Stock Exchange of Thailand. Its principal business is that of a manufacturer and distributor of carpets to domestic and international markets.

6. INFORMATION ON THE COMMERCIAL BUSINESS

The Commercial Business of the Company is a market leader in high end commercial, hospitality and automotive carpets sectors with global operations of over 40 years. The business is vertically integrated comprising of design, productions, customer service and sales and distribution covering Asia, the United States and EMEA. The business is supported by its own 16-hectare manufacturing facility in Pathumthani, Thailand, with 10 million square meters annual production capacity.

Certain financial information on the Commercial Business, which is derived from the unaudited combined financial information of the Commercial Business, is set out below:

	For the year ended 31 December 2016 *HK$'000* (unaudited)	**For the year ended 31 December 2015** *HK$'000* (unaudited)
Turnover	789,103	793,041
Profit (before tax)	96,532	104,632
Profit (after tax)	78,668	86,532

	As at 31 December 2016 *HK$'000* (unaudited)	**As at 31 December 2015** *HK$'000* (unaudited)
Assets and liabilities		
Total assets	595,132	613,149
Total liabilities	135,080	133,241

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

As a result of the Proposed Disposal, the Company expects to realise a gain of approximately HK$330 million. The expected gain is calculated based on the consideration for the Proposed Disposal less (i) the expected carrying value of the Commercial Business up to the Closing Date after taking into account the Surplus Cash Dividend and the anticipated Adjustment, (ii) reclassification adjustment of currency translation reserve from equity to profit or loss and (iii) the estimated transaction costs and expenses related to the Proposed Disposal, assuming that the Proposed Disposal is completed on 29 September 2017.

Shareholders should note that the above figures are for illustrative purposes only. The actual gain on the Proposed Disposal may be different from that above and will be determined based on the actual financial position of the Commercial Business on the Closing Date and the review by the Group's auditors upon finalisation of the consolidated financial statements of the Group.

Upon Closing, the Target Companies will cease to be subsidiaries of the Company and the Purchaser will assume all obligations and liabilities of the Sale Businesses, except for the liabilities expressly excluded under the Transaction Documents and any liability to tax of the relevant Business Sellers in respect of income, profits or gains of the relevant Sale Businesses earned, accrued or received on or prior to Closing.

8. USE OF PROCEEDS

The Directors expect that the proceeds from the Proposed Disposal will be approximately HK$729 million.

The Group intends to apply the proceeds of the Proposed Disposal to, among other things, finance the Company's plans to invest in the Remaining Business, support on-going initiatives, repay existing debt, for working capital purposes, and also to fund the Intended Special Dividend, as further outlined below:

Purposes	**Total**
	HK$'million
Business rationalisation *(Note a)*	40
Construction of manufacturing plant	60
Transaction costs *(Note b)*	51
Repayment of bank loans *(Note c)*	120
Operating cash retained in the Company	97
Return to shareholders by way of special cash dividend	361
Total proceeds from the Proposed Transaction	**729**

Notes:

a. Business rationalisation includes actions to be taken as described in the section headed "*11. Post-Closing cost saving measures for the Remaining Group*" below. A certain portion of the proceeds will be used to fund the cash payments for these initiatives.

b. Transaction costs represent mainly professional fees and outgoings related to the Proposed Disposal and expenses incurred to execute the Reorganisation.

c. The total outstanding loan amount for the Company as at 30 June 2017 was HK$198 million, the Company expects to use HK$78 million of internal cash and HK$120 million from the proceeds of the Proposed Disposal to repay certain outstanding loans after Closing.

9. REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Company operates the Commercial Business and the Remaining Business. The Commercial Business involves larger projects which require machinery supported by ongoing capital expenditure, and the sales process is dependent upon a diverse group of influencers including professional purchasing groups, designers, contractors, specifiers and hospitality companies. The Remaining Business involves small and complex orders which require experienced and highly skilled craftspeople making goods primarily by hand, and the sale process is made primarily through the interior designers and high-end decorator communities. As a result, robust and increasingly discrete Remaining Business and Commercial Business platforms have been established, each with their own separate and distinct design, marketing, production, distribution, sales resources and sales offices. Maintaining and growing the two businesses in an increasingly competitive global marketplace requires ongoing investment as well as greater specialisation in both management and support. It has become evident that the Commercial Business in particular is subject to increasing competitive pressure, requiring ongoing capital expenditure to remain in a leading position. As a result of the strategic review conducted by the Company in late 2016, the Board has decided to divest the Commercial Business and focus on the Remaining Business – bringing the Company back to its origins as a hand-made carpet manufacturer.

Reasons for disposing of the Commercial Business

The Commercial Business is supported by the Company's largest and most capital intensive plant in Pathumthani, Bangkok, Thailand. Its products are exclusively made using heavy machinery, which therefore incurs significant maintenance, repair, overhaul and replacement costs. As the machinery has been in use for a considerable period, growth has stalled in recent years and the margins of the Commercial Business are increasingly coming under pressure as competitors continue to invest in newer, faster equipment. In order for the Commercial Business to remain competitive, a complete modernisation programme which is estimated to cost an additional one-off investment of almost HK$500 million would be required. Due to the scale of the operations of the Commercial Business, it is also necessary to regularly invest approximately 10% of the value of the equipment on a "maintenance only" basis. Selling the Commercial Business will reduce the Company's ongoing investment and financing needs and enable it to focus on the less capital intensive Remaining Business which also has a higher profit margin.

Reasons for retaining the Remaining Business

The management of the Company believes that the Remaining Business represents the best growth opportunity for the Company given its market presence, product excellence, brand recognition and new state-of-the-art vertical facility. The growth opportunities in both existing and new products, geographies and business models are real, viable and sustainable.

The Remaining Business will focus exclusively on producing hand-made or traditionally woven carpets at the Tai Ping factory (in Xiamen, China) and the Cogolin workshop (in Southern France). These products are sold to interior designers, specialist decorators and wealthy end-users for use in homes, private yachts and jets and to boutique stores for use in the premium or VIP areas of corporate offices, luxury hotels and resorts. The tangible assets retained will include the new Artisan workshop in Xiamen, China, the hand-woven workshop at Cogolin, France, regional “flag-ship” showrooms in New York, Paris, Hong Kong and Shanghai as well as a number of smaller showrooms primarily in major cities of the United States.

The Remaining Business has a strong brand position built up over the last 15 years. Since the brand has become established in the mid 2000’s, the Remaining Business has consistently delivered gross-margins of over 60%. The Remaining Business is not exposed to the kind of “commoditisation” and price-competition seen in the Commercial Business. The business model of the Remaining Business is not capital intensive and has a high proportion of variable and semi-variable costs, allowing scalability. Following completion of the new Xiamen factory, the Remaining Business will require minimal on-going capital expenditure. The products are largely hand-made, requiring minimal equipment beyond small hand tools. In addition, sales cycles of the Remaining Business are fairly stable over the course of the year in contrast to fluctuations that are commonly observed on the Commercial Business, this provides more stable and predictable cash flow for the Company.

The Remaining Business is uniquely, the only vertically integrated manufacturer, seller and distributor of hand-made products in its chosen markets offering key differentiation in terms of customisation and speed to market. In addition to its broad sales presence across many countries, the Remaining Business focuses upon, and is the market leader in a number of specific lines of business primarily residential, aviation, yacht and corporate stores and offices. None of its major competitors have their own factory, instead having to buy products on an OEM basis from third-party suppliers. Without any wholly-owned supply resources, they are less able to quickly develop and launch new niche product offerings, and are less able to customise or tailor products to meet high-end customer requirements.

In addition, over the past three years, the Company has doubled its distribution network and it is anticipated that franchising and distribution points of sales can double again over the next five years to reach approximately 25 new points of sale focusing primarily on the residential sector. The management of the Company believes that there is significant room for the Remaining Business to expand in the residential sectors in key additional markets. The recent growth in both the luxury yacht and aviation sectors is expected to continue. E-commerce and retail models which allow sales to be transacted without significant operating expense are being explored and are expected to contribute significantly to revenue while maintaining and growing the Company’s already healthy gross margins.

In view of the operations of the Remaining Business described above, the Board considers that the Remaining Group will have sufficient tangible assets and level of operations after the Proposed Disposal to warrant the continued listing of its securities as required under Rule 13.24 of the Listing Rules.

Benefits of the Proposed Disposal

The Proposed Disposal allows the Company to reduce the cost base for the Remaining Business and the reduced scope of the Remaining Business will enable greater targeting of the retained resources and faster exploitation of business opportunities. Post-Closing, the geographically dispersed back-office infrastructure that supported the more complex dual-business company will be replaced, and the Remaining Business will be under-pinned by a leaner and simpler management and support structure located principally in Hong Kong. In addition to cost reduction, this centralisation will enable greater efficiency and speed in management decision making. More details of the post-Closing cost saving measures are set out under the section headed "*11. Post-Closing cost saving measures for the Remaining Group*".

Based on the above, the Company is of the view that the Proposed Disposal represents a good opportunity for the Group to realise its assets at a fair price through the auction process, which will enable the Group to further strengthen its financial and liquidity position, and provide cash resources for its development and investments in the Remaining Business.

The Company will be able to deliver significant value to Shareholders by the Intended Special Dividend (which is a significant return when compared to the Company's undisturbed Share price, which was HK$3.57 per share on 4 August 2017, after the announcement was made). The aggregate total dividend of approximately HK$361 million is approximately 46.2% of the Company's market capitalisation of approximately HK$781 million as at the Latest Practicable Date.

The Directors, including the independent non-executive Directors, consider the terms of the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

10. PROFIT FORECAST FOR THE COMPANY FOR THE YEAR ENDING 31 DECEMBER 2017

In the absence of unforeseen circumstances and on the bases and assumptions set out in Appendix IV to this circular, certain forecast data of the Company for the year ending 31 December 2017 is set out below.

	For the year ending 31 December 2017 *HK$ million*	*Note*
Loss after tax for continuing operation of the Remaining Business	(178)	*1*
Profit after tax from discontinued operation of the Commercial Business	13	*2*
Gain on disposal of Commercial Business	330	*3*
Net profit attributable to the Company	165	

Notes:

1. Loss after tax for the Remaining Business comprises the actual financial results of the Remaining Business for the six months period ended 30 June 2017 and the profit forecast for the six months period from 1 July 2017 to 31 December 2017. The amount includes total one-off/restructuring expenses that are related to streamlining and right sizing the operations of the Remaining Group and closure of non-core business after the divestment of the Commercial Business as described in the section headed "*11. Post-Closing cost saving measures for the Remaining Group*" in the letter from the Board of this circular.

2. Profit after tax for the Commercial Business comprises the actual financial results of the Commercial Business for the six months period ended 30 June 2017 and the profit forecast for the period from 1 July 2017 to 29 September 2017. It is assumed that the Proposed Disposal will complete on 29 September 2017.

3. Gain on disposal of the Commercial Business is calculated based on the Consideration less the expected carrying value of the Commercial Business up to the Closing Date and estimated transaction costs and expenses related to the Proposed Disposal assuming that the Proposed Disposal is completed on 29 September 2017, after taking into account the Surplus Cash Dividend and the Adjustment.

This Profit Forecast is prepared based on the Company's business plan, and is consistent with historical trends and demonstrated performance. The Company assumes the Remaining Business will continue to operate throughout 2017 and the Commercial business is expected to be divested on 29 September 2017. The Profit Forecast has included results generated from the Commercial Business in 2017 up to that date.

The Profit Forecast should be read together with the letters from the Company's reporting accountant (PricewaterhouseCoopers) and the Financial Adviser set out in Appendix IV to this circular.

The loss after tax for the Remaining Business in 2017 is expected to be HK$178 million which includes the anticipated one-off expenses of approximately HK$106 million (as further described in, the section headed "*11. Post-Closing cost saving measures for the Remaining Group*").

One-off/restructuring expenses are linked to various cost saving measures including right sizing of the corporate functions, streamlining sales and distributions and closure of certain non-core businesses after the Proposed Disposal. These cost-saving measures will be implemented after Closing. Initiatives will commence in the fourth quarter of 2017, and the Company expects that the benefits will begin to be realised in 2018, giving rise to an improved overall profitability.

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out above and in Appendix IV to this circular. While the Directors consider such assumptions to be reasonable, whether actual results will meet their expectations will depend on a number of risks and uncertainties over which they have no control and actual results may differ materially from those express or implied in these forward-looking statements. Under no circumstances should the inclusion of such information in this circular be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Company, the Board, the Financial Adviser or the reporting accountant that these results will be achieved or are likely to be achieved.

Shareholders and prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this circular.

11. POST-CLOSING COST SAVING MEASURES FOR THE REMAINING GROUP

As noted in the section headed "*10. Profit Forecast for the Company for the year ending 31 December 2017*", the Directors forecasts that the operations of the Remaining Business will be loss making in 2017. While cost saving initiatives are already in progress to improve the profitability of the Group, the Company will seek to implement additional cost saving measures after Closing in order to return the business to profitability. The reductions are expected to give rise to approximately HK$30 million of savings in annual operating costs as compared to those for the 2017 financial year. Cost saving measures are expected to be substantially completed by the end of 2017 and to take effect in 2018. These comprise (i) reduction of corporate overheads, (ii) rationalisation of real estate needs, and (iii) rationalisation of non-core business units, each as further detailed below.

These cost saving measures are expected to give rise to total one-off costs of approximately HK$106 million in 2017 (which includes approximately HK$72 million of costs relating to the closure of the Nanhai production facility and the relocation of manufacturing capacity to the new Xiamen facility) and approximately HK$10 million in 2018. These one-off costs will be financed through proceeds from the Proposed Disposal amounting to approximately HK$40 million and the remaining costs will be financed by the Group's available cash and cash equivalents.

Reduction of corporate overheads

The reduction of corporate overheads aims to reflect the reduced scale of operations of the Group after the Proposed Disposal. The Company expects a total saving of approximately HK$16 million per year at a one-off cost of approximately HK$8 million.

Rationalisation of real estate needs

The Company intends to relocate the current office in New York to smaller premises by the end of 2017, and it is in the process of sub-letting its office in Paris through to the end of the current rental term. The Company is also actively seeking to relocate its Paris showroom to a more suitable location with lower rental.

The Company expects a total saving of approximately HK$5 million per year, at a one-off cost of approximately HK$12 million (which primarily comprises early termination fees and agency fees).

Rationalisation of non-core business units

The Company is currently undergoing a strategic review of the operations of its non-core business with a view to optimising value for the Company's shareholders.

The Company has historically established entities in a number of countries. Marginal entities that do not form part of the Proposed Disposal will also be subject to further strategic review.

12. PROSPECTS FOR THE REMAINING GROUP

2018

Revenue

In 2018, the Board expects that the Company will continue to work through the business right-sizing and transition and most of the cost saving measures (as described in the section headed "*11. Post-Closing cost saving measures for the Remaining Group*" above) will start to take effect. Sales revenue in the year is expected to be slightly lower than 2017 resulting from the sale or closure of non-core business which will not be fully off-set by the sales growth in the Remaining Business.

Sales in the Remaining Business are expected to show improvement over the course of 2018 as the retained team settles-in, the new streamlined organisation structure becomes established, stability is restored, and customer confidence improves following the divestment of the Commercial Business. The overall gross margin is also expected to improve as the margin dilution from non-core business is eliminated.

The Remaining Business' products are sold globally through well-established sales and distribution channels. The residential sector remains its largest and most important market and is currently reached primarily through showrooms located in major cities around the world. With customer buying habits changing, business is increasingly transacted at the customer's premises and the Company will address this trend by changing its distribution and sales model. A review of its real-estate footprint will be conducted with sales personnel redeployed to enable the profiling of potential new clients as well as increased client visits and prospecting for incremental business. The development of the new model will also support increased geographical coverage to drive residential growth – particularly in the Americas.

The Company anticipates that it will continue to explore and develop local distributorships and franchising arrangement in Beijing and Hangzhou, China and Tokyo, Japan. The push for growth in Asia is also expected to be supported by the relocation of the Chief Executive Officer and the appointment of a Business Development Director in Hong Kong.

In relation to its product offering, the simplified go-forward structure is expected to support greater tailoring of design collections and specifications to suit differences in consumer tastes across different regions. New products are expected to be developed to specifically target and drive sales in the Company's other lines-of-business, including Private Yachts & Aviation and luxury Boutique Stores.

Efficiency improvement at the new factory in Xiamen combined with the use of targeted yarn inventories should allow a fast response service to stimulate growth in both existing and new market sectors.

The combined impact of the above initiatives is expected to deliver steady but consistent organic growth as the Remaining Business emerges from restructuring through the second half of 2018 and beyond.

Operating results

Most of the financial impact from the cost saving measures including right sizing the corporate senior management team and streamlining the sales and distribution structure will be materialised in 2018, and so the Company expects to have significantly reduced its operating loss.

One-off/restructuring expenses

One-off/restructuring expenses will also significantly reduce as compared to 2017 as most of the restructuring will be completed in late 2017 and with some activities carried over to be completed in the first quarter of 2018.

2019

With the completion of any remaining right-sizing initiatives and transition in 2018 as set out in the section headed "*11. Post-Closing cost saving measures for the Remaining Group*", the Company believes the business will return to profitability from 2019 onwards. In particular, gross margin is expected to improve as the manufacturing relocation to its new Xiamen facility will have completed, and production efficiency is expected to return to historically demonstrated levels. In addition to profitability, the Company's competitiveness is also expected to be improved with the following on-going initiatives:

Further internal improvements

The reduced business scope of the Remaining Group should enable greater targeting of the retained resources and faster exploitation of business opportunities while operating at a lower cost base.

The adoption of a leaner and simpler management structure based in Hong Kong and centralising support functions will enable greater efficiency and speed in management decision making.

Go-to-market strategy

The go-forward sales strategy for the Remaining Group will look to leverage the established and leading Tai Ping, Edward Fields and Cogolin brands to drive growth and market-share across established markets and in new geographies. As set out in the section headed "*9. Reasons for and Benefits of the Proposed Disposal*", the Company believes there is significant room to expand in key additional markets through the use of franchising and third-party distribution, as well as developing new e-commerce channels which recognise evolving changes in our customers buying habits.

Based on the above, the Board considers that the Company can achieve a mid to high single digit percentage projected annual organic growth rate for the revenue of the Remaining Group in the medium term.

Statements contained in this section that are not historical facts may be forward-looking statements. Statements in this section are based on a number of assumptions regarding our present and future business strategies and the environment in which we will operate in the future. While the Directors consider such assumptions to be reasonable, whether actual results will meet their expectations will depend on a number of risks and uncertainties over which they have no control and actual results may differ materially from those express or implied in these forward-looking statements. Under no circumstances should the inclusion of such information in this circular be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Company, the Board, the Financial Adviser or the reporting accountant that these results will be achieved or are likely to be achieved.

The statements in this section are not a profit forecast for the purposes of the Listing Rules and have not been reviewed or reported upon by the Financial Adviser or the reporting accountant.

Shareholders and prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this circular. The Company undertakes no obligation to update or revise any forward-looking statements in this section.

13. INTENDED SPECIAL DIVIDEND

The Board proposes that, subject to the conditions described below, a special cash dividend of approximately HK$361 million may be distributed to the Shareholders (the "**Intended Special Dividend**"). For the purpose of illustration, based on 212,187,488 Shares in issue as at the date of this circular, the Intended Special Dividend would be HK$1.70 per Share.

The Intended Special Dividend is conditional upon the Shareholders' approval at the SGM of the Proposed Disposal, as well as Closing having taken place. An ordinary resolution will be put forward to the Shareholders at the SGM to approve the payment of the Intended Special Dividend.

The Intended Special Dividend will be paid out of the net proceeds from the Proposed Disposal and will represent approximately 50% of the estimated proceeds from the Proposed Disposal. The Intended Special Dividend would allow the Shareholders to immediately realise value from their shareholdings in the Company.

In determining the amount of the Intended Special Dividend, the Board, having considered the financial resources available to the Remaining Group and the future working capital needs of the Remaining Group, considers that the amount of the Intended Special Dividend is appropriate.

The declaration and payment of the Intended Special Dividend is conditional on Closing having taken place. In order to determine the eligibility of the Shareholders to receive the Intended Special Dividend, the Company will further announce the record date and book closure period for the declaration and payment of the Intended Special Dividend in due course after Closing. All Shareholders whose name appear on the share register on the record date for the Intended Special Dividend will receive the Intended Special Dividend in accordance with his/her shareholding as at the record date.

14. LISTING RULES IMPLICATIONS

Very Substantial Disposal

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Disposal exceeds 75%, the Proposed Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll and therefore the ordinary resolutions to be put to vote at the SGM will be taken by way of poll as required by the Listing Rules.

15. GENERAL

A notice convening the SGM to be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Wednesday, 13 September, 2017 at 9:30 a.m. is set out at the end of this circular.

A proxy form for use at the SGM is enclosed with this circular and such proxy form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.taipingcarpets.com), respectively. Whether or not you are able to attend the SGM, 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the SGM. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish. Voting at the SGM will be taken by poll.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder or its associates have a material interest in the Proposed Disposal and accordingly, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM in relation to the Proposed Disposal.

Shareholders and potential investors should note that the (i) the Proposed Disposal and (ii) the Intended Special Dividend may or may not proceed, as they are subject to a number of conditions, which may or may not be fulfilled (or waived). Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

16. RECOMMENDATIONS

Having taken into account the reasons for and benefits of the Proposed Disposal as set out in this Letter from the Board above, the Directors, including the independent non-executive Directors, consider that the Proposed Disposal and the Intended Special Dividend are fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the proposed resolutions to approve the Proposed Disposal and the Intended Special Dividend.

17. FURTHER INFORMATION

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

By order of the Board
Tai Ping Carpets International Limited
Nicholas T. J. Colfer
Chairman

1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

The audited financial statements of the Group for the three years ended 31 December 2014, 2015 and 2016 can be referred to in the annual reports of the Company which have been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.taipingcarpets.com).

2. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that taking into account the present internal financial resources of the Group, the available credit facilities of the Group, the net proceeds from the Proposed Disposal, and the Intended Special Dividend, in the absence of unforeseen circumstances, the Group has sufficient working capital for at least twelve months from the date of this circular.

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2017, being the latest practicable date for the purpose of this indebtedness statement in this circular, the Group had aggregate outstanding unsecured bank borrowings of approximately HK$198 million.

Contingent liabilities

As at the close of business on 30 June 2017, being the latest practicable date for the purpose of this indebtedness statement in this circular, the Group's total contingent liabilities amounted to HK$13 million in respect of guarantee in lieu of utility deposit and performance bonds issued by banks.

Pledge of assets

As at the close of business on 30 June 2017, the Group had pledged bank deposits approximately HK$1 million made to a bank in securing the purchase of goods from the Group's suppliers, and to pledge for utilities of factory in the PRC.

Disclaimers

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2017.

4. GEARING RATIO

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position plus net debt. As at 30 June 2017, net debt amounted to HK$126 million and total equity of HK$617 million, with gearing ratio 20%.

5. NO MATERIAL ADVERSE CHANGE

Up to and including the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis on the Group for the years ended 31 December 2014, 2015 and 2016.

For the year ended 31 December 2014

BUSINESS REVIEW

The Group's consolidated turnover for the year ended 31 December 2014 was HK$1,428 million, which was flat against the previous year.

Gross margins increased to 47%, and administration expenses were reduced by 11% (HK$28 million) driving a Group operating profit of HK$53 million compared to HK$27 million in 2013 (before one-off gain in relation to Thailand flooding of HK$51 million).

Net profit attributable to the equity holders for the year ended at HK$24 million. This compares to HK$47 million in 2013 which benefitted from one-off, non-recurring insurance revenues of HK$51 million related to the flooding of our factory in Thailand in 2011.

CARPET OPERATIONS

Turnover of the carpet operations in the year was HK$1,396 million, also flat against the previous year. Modest growth in the Artisan businesses was offset by a small decline on the Commercial business side, where improvement in the Americas did not quite compensate for a decline in Asia which was linked to the political unrest in Thailand.

The Americas overtook Asia as our largest region, generating 43% of turnover. Asia contributed 41%, with Europe and the Middle East making up the remaining 16%.

Overall gross profit margin improved by 1% to 46%, with all regions contributing.

The Americas

Turnover in the Americas increased by 14% to HK$595 million, with improvements in both North America (up 11%) and South America (up 73%).

The U.S. hospitality business had a strong year with turnover up by 12% and also improved margins. The Marriott hotel group remained our largest customer, with growth supported by an extended stock program for Marriott CFRST properties (Courtyard, Fairfield Inn, Residence Inn, Spring Hill Suites and Town Place Suites).

The Artisan businesses demonstrated encouraging growth, with turnover increased by 18% to HK$247 million, and also improving margins. The Aviation business grew particularly strongly, delivering a 42% increase in turnover. Our focus in this sector remains on building supply relationships with key customers, supported by standards of customer service that remain unrivalled in the industry. During the year we launched a stock rug program to support the rapid refurbishment programs offered by Aircraft completion centers.

On the Artisan side we expanded market share in the luxury retail stores sector by adding clients such as Neiman Marcus, Saks Fifth Ave and London Jewelers. During the year we also completed numerous high end bespoke projects for discerning residential clients.

Overall gross margins in the Americas increased by 0.5% due primarily to the higher percentage of Aviation sales in the mix. Segment profit for North America and South America grew by over 56% to HK$34 million compared to 2013.

Asia

Turnover in Asia reduced by 10%, due primarily to the political unrest and resulting instability in Thailand.

The Thai domestic market was sluggish but during the second half of the year – and particularly in the fourth quarter – business began to recover with an encouraging improvement in the hospitality sector. Thai exports remained on target, with some weakness in Australia linked to currency fluctuation, being offset by strong progress in India, Japan and Singapore.

Commercial business sector turnover in the rest of Asia decreased by 12%, linked to the exit from unprofitable segments in 2013, as well as some softness in the Singapore gaming sector.

Our Asian Artisan business demonstrated the expected progress in the year with 46% increase in turnover. The primary driver for this was the addition of a new flagship showroom in Shanghai, which opened in March. The Hong Kong showroom and market remained relatively flat with sales volumes on an upswing in the fourth quarter of the year.

Despite the reduction in regional turnover, overall gross profit margin improved by 1%, and significant progress was achieved in delivering internal cost efficiencies in Thailand and particularly Hong Kong. The overall Asian business returned regional segment profits of HK$56 million in the year compared to HK$34 million in 2013 – an improvement of 65%.

Europe, the Middle East and Africa

Our businesses in Europe and the Middle East remained sluggish with turnover down by 3% compared to prior year, finishing at HK$227 million. Behind this, a decline in hospitality sales was largely offset by progress made in our Artisan business.

Sales into the private yacht sector increased by 27%, with a doubling of this business in Germany. Meanwhile, residential sales increased by 42% in the U.K. and retail business conducted through our Paris showroom increased by 80%. Notable projects included celebrity homes in the south of France, the Qatar Foundation's private office of Her Highness Sheikh Mozah in Doha, the "mega yacht" Ocean Victoria, and the Peninsula hotel in Paris.

Our businesses in France and the Middle East underwent major restructuring during the year with a significant downsizing of our Dubai office, as well as reductions in Paris. Further streamlining in the region is planned for 2015.

European gross margins increased to almost 59% and, combined with the significant reduction in operating expenses, this meant that the region's segment losses were almost halved to HK$14 million compared with HK$26 million in 2013.

Human Resources

The overall number of employees across the business decreased by 215 to 2,900.

During the year, a cultural change and internal communication initiative was launched to advance teamwork, unity and cultural awareness across the Group, and support the drive for greater efficiency.

A new global payroll solution was also selected and is being deployed to improve service to employees, address local governance and compliance risk, and deliver robust management reporting and analytics.

NON-CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's U.S.-based yarn-dyeing facilities, experienced an extremely difficult year with turnover down 20% to HK$31 million. This was exclusively linked to a swing in U.S. demand away from nylon yarn systems and into polyester.

A change in leadership took place in 2014, and with a focus on rightsizing and low cost product diversification, a return to profitability is targeted after reporting operating losses in 2014 of HK$1 million.

Asset Held for Sale

Our investment in PCMC continues to be classified as an asset held for sale. An independent valuation of the business has been completed in February 2015 and we target to sell our shareholding in the next 12 to 18 months.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and HK$. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$.

The Group's principal net foreign currency exposure arises from the US$ denominated financial assets/liabilities in the Group's operations covering Thailand, Europe, the PRC and the United Kingdom whose functional currencies are the local currency of the respective operations.

To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and may use foreign currency forward contracts from time to time to manage the risk arising from foreign currency transactions.

At 31 December 2014, if Thai baht had strengthened/weakened by 3% (2013: 1%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$1,574,000 higher/lower (2013: pre-tax profit of HK$385,000 higher/lower), mainly as a result of foreign exchange gains/losses on foreign currency forward contracts translation of US$ denominated assets and liabilities in entities whose functional currency is Thai baht.

At 31 December 2014, if Euro had strengthened/weakened by 1% (2013: 2.5%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$65,000 higher/lower (2013: pre-tax profit of HK$625,000 higher/lower), mainly as a result of foreign exchange gains/losses on foreign currency forward contracts and translation of US$ denominated assets and liabilities in entities whose functional currency is Euro.

At 31 December 2014, if Renminbi had strengthened/weakened by 0.5% (2013: 3%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$1,302,000 higher/lower (2013: pre-tax profit of HK$2,119,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Renminbi.

At 31 December 2014, if British pound had strengthened/weakened by 1.3% (2013: 1.5%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$480,000 higher/lower (2013: pre-tax profit of HK$460,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is British pound.

For the year ended 31 December 2015

BUSINESS REVIEW

The Group's consolidated turnover for the year ended 31 December 2015 was HK$1,313 million which was down by 8% against the previous year.

Gross margins remained at 47% and administration expenses were increased by 5.2% (HK$12 million), driving a Group operating profit of HK$36 million compared to HK$56 million in 2014. Non-recurring operating expenses relating to certain business streamlining and efficiency improvement in the year were HK$16 million compared to HK$12 million in 2014.

Net profit attributable to equity shareholders for the year was HK$19 million, compared to HK$24 million in 2014. Operating profit in our core business as a percentage of sales improved by 0.3% against previous year.

CARPET OPERATIONS

Turnover of the carpet operations in the year was HK$1,285 million, which was down against the previous year by HK$112 million. The Artisan business was flat against previous year whilst the Commercial business saw on overall decline.

The overall gross profit margin was 47% which was comparable with that of the previous year.

The Americas

Turnover in the Americas was marginally down by 2% to HK$582 million, principally due to deterioration in South America and a slow-down in US Aviation business.

The US hospitality business was consistent with prior year whilst margins were slightly up.

The Artisan business was slightly up on prior year with a turnover of HK$156 million whilst margins were marginally down.

The Aviation sector had a difficult year, albeit recovery and continued growth is expected to return in the medium term. 2015 turnover was down by 13% to HK$82 million.

Overall gross margins in the Americas were in line with prior year at 47%.

Asia

Turnover in Asia was down 14% and HK$82 million with generally difficult trading conditions across the region, and unfavourable currency fluctuations.

Business in the Thai hospitality market picked up during the fourth quarter, but the domestic automotive business remained sluggish all year, and exports – particularly into Australia were down. Overall revenue in Thailand was 13% and HK$46 million down compared to prior year.

Business in rest of Asia was down 16% due to softness in the hospitality and gaming sectors. There were however more positive signs in the Philippines market with some significant potential in the gaming and hotel sectors.

The Artisan business was also down 15% and HK$5 million primarily due to Hong Kong. An overhaul of this operation is underway. Supported by targeted investment, the business streamlining is expected to drive improvement in the future.

Europe, the Middle East and Africa

Business in Europe and the Middle East remained flat in local currency but was adversely impacted by the weakness of the Euro. Turnover (after conversion into Hong Kong dollars) was down 8% and HK$17 million compared to prior year, finishing at HK$210 million.

High points included the UK (up by 58%) where both Hospitality and Residential sales improved and Germany (up by 11%). Both locations also benefitted from record performance in the Private Yacht sector where sales were up by 25% to HK$55 million.

European gross margins decreased marginally consistent with the higher proportion of Hospitality sales in the year.

Notable projects included celebrity homes in Paris and London, two presidential palaces and some mega yachts including Ocean Victory, Golden Odyssey and Quantum Blue.

Business Streamlining and Human Resources

During the year, further investments were made to support efficiency improvement and rightsizing. This included management de-layering, the establishment of a simpler organisation structure, general headcount reduction and the optimisation of our real estate.

While long-term improvement is expected, some initiatives required one-off costs that distorted performance in the year. For example, office relocation in Hong Kong resulted in an adverse impact in 2015 of HK$8 million but will deliver annual cost savings of HK$6 million in future.

Despite the recruitment of "workers-in-training" for the new facility, and the establishment of new back offices in Xiamen and Bangkok, headcount reductions in Europe and the Americas drove an overall reduction of 29 to 2,871. In combination with other initiatives, the reduced number of employees (down by more than 300 over the last 3 years) is supporting sustained reduction in operating expenses. In 2015, recurring costs were down approximately HK$55 million compared to previous year.

Streamlining will continue through 2016, under-pinned by further investment in organisational culture development and staff training.

NON CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's U.S.-based yarn-dyeing facilities, experienced another extremely difficult year with turnover down 17% to HK$25 million. This was again due to a swing in US demand away from nylon yarn systems and into polyester.

Asset Held for Sale

Our minority shareholding in PCMC continues to be classified as an asset held for sale, which we fully expect to sell in the next 12 months.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and HK$. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$.

The Group's principal net foreign currency exposure arises from the US$ denominated financial assets/liabilities in the Group's operations covering Thailand, Europe, PRC and the United Kingdom whose functional currencies are the local currency of the respective operations.

To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and may use foreign currency forward contracts from time to time to manage the risk arising from foreign currency transactions.

At 31 December 2015, if Thai baht had strengthened/weakened by 3% (2014: 3%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$1,668,000 (2014: HK$1,574,000), mainly as a result of foreign exchange gains/losses on foreign currency forward contracts translation of US$ denominated assets and liabilities in entities whose functional currency is Thai baht.

At 31 December 2015, if Euro had strengthened/weakened by 1% (2014: 1%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$207,000 (2014: HK$65,000), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Euro.

At 31 December 2015, if Chinese Renminbi had strengthened/weakened by 0.5% (2014: 0.5%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$793,000 higher/lower (2014: pre-tax profit of HK$1,302,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Renminbi.

At 31 December 2015, if British pounds had strengthened/weakened by 1.3% (2014: 1.3%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$87,000 (2014: HK$480,000), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is British pounds.

For the year ended 31 December 2016

BUSINESS REVIEW

The Group's consolidated turnover for the year ended 31 December 2016 was HK$1,320 million, compared to HK$1,313 million in 2015, a slight increase of 1%.

Gross margin for the year was 45%, a reduction from 47% in 2015. Distribution costs increased by 2% to HK$328 million and administrative expenses increased by 11% to HK$278 million. Group operating profit was HK$1 million as compared to HK$36 million in 2015.

Net loss attributable to owners of the Company for the year was HK$33 million, compared to net profit of HK$19 million in 2015.

The Group's 2016 result was heavily influenced by non-recurring expenditure of HK$56 million incurred in executing the relocation of its China Artisan supply-chain to the new manufacturing facility in Xiamen, and also streamlining its overseas operations (2015: HK$16 million).

Excepting this one-off impact, the operating profit in Tai Ping's core business was HK$57 million or 10% up compared to the previous year.

In 2016, the Group incurred HK$10 million withholding tax payment in relation to a fund transfer from its Thailand operations to finance the construction of the new manufacturing facility in Xiamen.

CARPET OPERATIONS

Turnover in the year was HK$1,289 million, which was flat compared with the previous year of HK$1,285 million. The Artisan business increased by 0.4% from the previous year and the Commercial business increased by 0.3%.

The overall gross profit margin was 45%, compared with 47% in the previous year. The reduction in gross margin was partially linked to higher fixed manufacturing overheads that could not be effectively utilised during the transition of manufacturing operations in China.

The Americas

Turnover in the Americas was down by 13% to HK$508 million, principally due to softening of the US hospitality sector as well as a number of projects being put on hold by a major Aviation client undergoing restructuring.

The Artisan business was also slightly down, impacted by temporary supply disruption during the transfer of manufacturing operations to the new Xiamen factory through the middle of the year.

Asia

Turnover in Asia was HK$558 million, increasing by 13% from the previous year.

Overall business out of Thailand was down by 8% to HK$281 million, primarily due to weakness in Carpet Tile sales into Australasia. Some of this is linked to changes within the distribution network while market research has also been conducted leading to the refreshment of certain product lines that have not been performing. These shortfalls were partially off-set by an encouraging increase in automotive sales.

Business in the rest of Asia increased sharply, by 48%, to HK$277 million helped by a strong order book carried over from 2015, and largely linked to the strength of the Asia hospitality and gaming sectors.

The Artisan business also showed encouraging growth of 56% to HK$50 million following organisational changes, greater strategic focus, and additional investment in Sales and Marketing.

Europe, the Middle East and Africa

Turnover in Europe and the Middle East was HK$223 million, increased by 6% from the previous year.

Fewer large projects in the year, combined with weakening of the British Pound and the Euro contributed to a reduction in Residential business, but continued strength in the Yacht sector and encouraging growth in Aviation combined to deliver the overall improvement.

Human Resources

The overall number of employees across the business decreased by 98 to 2,773.

Internal communication continued to be key area of focus during the year and good progress has been made using a new company intranet to share successes and company news, establishing greater cohesiveness across so many time-zones.

Following the restructuring of Marketing and Design at the end of the previous year, 2016 saw changes in Finance where we welcomed a new Chief Financial Officer, Lung Chi Sing Alex, who joined in August. In both areas much emphasis has been placed on improving understanding and integration across the regional teams, as well as getting closer to, and better supporting, key customers in Sales and Operations.

Communication, training and streamlining initiatives will continue in 2017.

NON CARPET OPERATIONS

Yarn Operations

Premier Yarn Dyers, Inc., which operates the Group's US-based yarn-dyeing facilities, began processing wool yarns in 2016 in response to a shift in US demand away from synthetics.

While this has put the business in a stronger position moving forwards, the benefit from 2016's 10% revenue growth was offset by one-off costs incurred to address changes in regulatory and environmental requirements.

ASSET HELD FOR SALE

Our minority shareholding in PCMC continues to be classified as an asset held for sale. The underlying factory site in Manila is currently being marketed for sale by PCMC, after which our intention is to sell or otherwise unwind our shareholding, which we fully expect to happen in the next 12 months.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and HK$. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management considers the foreign exchange risk with respect to US$ is not significant as HK$ is pegged to US$.

The Group's principal net foreign currency exposure arises from the US$ denominated financial assets/liabilities in the Group's operations covering Thailand, Europe, PRC and the United Kingdom whose functional currencies are the local currency of the respective operations.

To manage this exposure, the Group takes advantage of any natural offsets of the Group's foreign currency revenues and expenses and may use foreign currency forward contracts from time to time to manage the risk arising from foreign currency transactions.

At 31 December 2016, if Thai baht had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$1,591,000 (2015: HK$1,112,000), mainly as a result of foreign exchange gains/losses on foreign currency forward contracts translation of US$ denominated assets and liabilities in entities whose functional currency is Thai baht.

At 31 December 2016, if Euro had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$492,000 (2015: HK$413,000), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Euro.

At 31 December 2016, if Chinese Renminbi had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been HK$4,321,000 higher/lower (2015: pre-tax profit of HK$3,173,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is Chinese Renminbi.

At 31 December 2016, if British pounds had strengthened/weakened by 2% (2015: 2%) against the US$ with all other variables held constant, pre-tax profit for the year would have been higher/lower by HK$118,000 (2015: HK$134,000), mainly as a result of foreign exchange gains/losses on translation of US$ denominated assets and liabilities in entities whose functional currency is British pounds.

7. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the manufacture, import, export and sale of carpets, and manufacture and sale of yarns.

The Company's performance is on track with the business plan. The recent softness in business was partly the result of seasonality and the news of the Company's strategic review announcement made in late 2016 which has caused uncertainty both externally and internally. This resulted in unusually high staff turnover in the Americas, which combined with market rumors drove a temporary reduction in business.

The recent public announcement confirming the proposed sale of the Commercial Business reassured both customers and employees, driving optimism that the business will see improvement after completion of the Proposed Disposal.

The Company expects the American market will return to positive growth after uncertainty caused by the US Presidential election is over and the US economy is on track to return to stable growth.

Despite intense market competition in the Asia region, growth continue to be strongest among the geographical regions of the Company's operations. This is partly driven by new built hotels, resorts and gaming projects in the hospitality sector which benefits both the Commercial Business and the Remaining Business. The carpet tile business in Australasia continues to improve after the introduction of new products with designs that are more adaptive to the customers' tastes and improvement in distribution network efficiency.

Business in Europe and Middle East will continue to be challenging in the near term given the stagnated market environment. The Company will deploy its strategy consciously in order to balance its investment and return.

The manufacturing relocation in China is on track and the output from the first phase of the new Artisan workshop in Xiamen has increased quickly since the beginning of 2017. Skill levels are improving and the facility is now operating at around 90% of its planned output. With output close to plan, management focus is on delivering the efficiency, productivity and material utilisation improvements needed to bring the cost of manufacture to target levels.

The second phase construction for the Xiamen workshop will be completed around the end of 2017, allowing room for growth consistent with the Company's longer-term strategy for the Remaining Business.

Following completion of the Proposed Disposal, the Company will undergo several restructuring plans to close-out non-core businesses and streamlining the sales and distribution function of the Remaining Business. In addition, corporate management team and shared corporate services will be right-sized to fit the requirement of the reduced scale of operations of the Company. This will result in additional one-off restructuring expenditures in the near term. However, the costs savings resulting from the restructuring will give rise to a lower operating costs structure for the Remaining Business and will help the Company return to profitability and provide a positive growth-trend in the long-term. The restructuring process will be further accelerated with access to the proceeds from the Proposed Disposal.

8. BANK BORROWING AND BANKING FACILITIES UTILISATION

The Group had aggregate outstanding unsecured bank borrowings of approximately HK$198 million as at 30 June 2017. The amounts are unsecured, bear interest at 1.87% - 2.73% per annum and have a maturity within 31 days.

The total banking facilities available to the Group amounted to approximately HK$688 million, of which HK$455 million remained unutilised as at 30 June 2017.

羅兵咸永道

REPORT ON REVIEW OF UNAUDITED HISTORICAL FINANCIAL INFORMATION OF THE COMMERCIAL BUSINESS

Introduction

We have reviewed the unaudited historical financial information set out on pages II-3 to II-14 which comprise the combined statements of financial position of Costigan Limited, Vechachai Co., Limited and their subsidiaries upon completion of the Reorganisation as defined in Note 2 to the Historical Financial Information (the"**Target Companies**") and the commercial carpets distribution and sales business carried out by Tai Ping Carpets UK Limited and Tai Ping Carpets Europe (the "**Sale Businesses**") (together, the "**Commercial Business**") as of 31 December 2014, 2015 and 2016 and 31 March 2017, and the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 31 March 2017 and explanatory notes (the "**Historical Financial Information**"). The Historical Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Tai Ping Carpets International Limited (the "**Company**") in connection with the disposal of the Commercial Business in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The directors of the Company are responsible for the presentation and preparation of the Historical Financial Information of the Commercial Business in accordance with the basis of presentation and preparation set out in Notes 3 and 4 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rule. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibility is to express a conclusion on the Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by HKICPA. A review of the Historical Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Commercial Business for the relevant periods is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 3 and 4 to the Historical Financial Information.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2017

A. UNAUDITED COMBINED INCOME STATEMENTS

	Unaudited				
	For the 3 months ended 31 March		For the years ended 31 December		
	2017	2016	2016	2015	2014
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Revenue	109,761	113,465	789,103	793,041	858,089
Cost of sales	(67,858)	(72,886)	(489,157)	(512,087)	(568,188)
Gross profit	41,903	40,579	299,946	280,954	289,901
Distribution costs	(23,417)	(22,891)	(107,403)	(86,497)	(91,246)
Administrative expenses	(25,175)	(22,757)	(97,436)	(92,246)	(95,628)
Other gains, net	1,827	2,135	1,430	2,423	3,277
Operating (loss)/profit	(4,862)	(2,934)	96,537	104,634	106,304
Finance income	1	–	6	1	12
Finance costs	–	(1)	(11)	(3)	(8)
Finance income/(costs) – net	1	(1)	(5)	(2)	4
(Loss)/profit before income tax	**(4,861)**	**(2,935)**	**96,532**	**104,632**	**106,308**
Income tax expenses	(1,194)	(2,120)	(17,864)	(18,100)	(17,269)
(Loss)/profit for the period/year	**(6,055)**	**(5,055)**	**78,668**	**86,532**	**89,039**
(Loss)/profit attributable to:					
Owners of the Commercial Business	(6,068)	(5,067)	78,406	86,232	88,745
Non-controlling interests	13	12	262	300	294
	(6,055)	**(5,055)**	**78,668**	**86,532**	**89,039**

B. UNAUDITED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited				
	For the 3 months ended 31 March		For the years ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
(Loss)/profit for the period/year	(6,055)	(5,055)	78,668	86,532	89,039
Other comprehensive income:					
Items that will not be reclassified subsequent to profit or loss					
Remeasurement of retirement benefit obligations	–	–	1,432	–	–
Deferred income tax on remeasurement of retirement benefit obligations	–	–	(286)	–	–
Items that may be reclassified to profit or loss					
Currency translation differences, net of tax	13,268	8,664	2,273	(34,366)	(4,496)
Other comprehensive income/(loss) for the period/year, net of tax	**13,268**	**8,664**	**3,419**	**(34,366)**	**(4,496)**
Total comprehensive income for the period/year	**7,213**	**3,609**	**82,087**	**52,166**	**84,543**
Total comprehensive income attributable to:					
Owners of the Commercial Business	7,093	2,851	81,778	52,134	83,870
Non-controlling interests	120	758	309	32	673
	7,213	**3,609**	**82,087**	**52,166**	**84,543**

C. UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION

	Unaudited			
	As at			
	31 March 2017	**31 December 2016**	**31 December 2015**	**31 December 2014**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
ASSETS				
Non-current assets				
Property, plant and equipment	105,902	104,973	122,890	149,933
Construction in progress	4,683	5,221	3,858	7,785
Prepayments	–	–	1,506	11
Deferred income tax assets	7,559	7,096	8,970	9,220
	118,144	117,290	137,224	166,949
Current assets				
Inventories	145,289	119,485	128,725	142,623
Amount due from the Remaining Group	136,857	89,955	37,326	45,502
Trade and other receivables	108,091	174,902	163,647	141,956
Financial assets at fair value through profit or loss	103,451	89,220	139,033	78,350
Derivative financial instruments	479	–	4	–
Current income tax assets	–	–	5,475	5,994
Cash and cash equivalents	1,635	4,280	1,715	4,017
	495,802	477,842	475,925	418,442
Total assets	**613,946**	**595,132**	**613,149**	**585,391**
Combined share capital	191	191	191	191
Reserves	465,655	458,562	478,018	425,884
	465,846	458,753	478,209	426,075
Non-controlling interests	1,419	1,299	1,699	1,667
Total equity	467,265	460,052	479,908	427,742

C. UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Unaudited			
	As at			
	31 March 2017	31 December 2016	31 December 2015	31 December 2014
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
LIABILITIES				
Non-current liabilities				
Retirement benefit obligations	27,497	25,632	23,930	23,985
Current liabilities				
Trade and other payables	114,693	104,615	96,887	126,834
Derivative financial instruments	–	108	–	51
Bank borrowings – unsecured	1,869	2,961	3,923	3,777
Current income tax liabilities	2,622	1,764	8,501	3,002
	119,184	109,448	109,311	133,664
Total liabilities	**146,681**	**135,080**	**133,241**	**157,649**
Total equity and liabilities	**613,946**	**595,132**	**613,149**	**585,391**
Net current assets	**376,618**	**368,394**	**366,614**	**284,778**
Total assets less current liabilities	**494,762**	**485,684**	**503,838**	**451,727**

D. UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of the Commercial Business						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Balance at 1 January 2014	191	92,899	(166,079)	475,276	402,287	1,408	403,695
Comprehensive income							
Profit for the year	–	–	–	88,745	88,745	294	89,039
Other comprehensive (loss)/income for the year							
Currency translation differences, net of tax	–	–	(4,875)	–	(4,875)	379	(4,496)
Total other comprehensive (loss)/income for the year, net of tax	–	–	(4,875)	–	(4,875)	379	(4,496)
Total comprehensive (loss)/income for the year	–	–	(4,875)	88,745	83,870	673	84,543
Total contributions by and distributions to owners of the Commercial Business, recognised directly in equity							
Dividend paid to the Remaining Group	–	–	–	(60,082)	(60,082)	–	(60,082)
Dividend paid to non-controlling interests	–	–	–	–	–	(414)	(414)
Total transactions with owners	–	–	–	(60,082)	(60,082)	(414)	(60,496)
Balance at 31 December 2014	191	92,899	(170,954)	503,939	426,075	1,667	427,742
Balance at 1 January 2015	191	92,899	(170,954)	503,939	426,075	1,667	427,742
Comprehensive income							
Profit for the year	–	–	–	86,232	86,232	300	86,532
Other comprehensive loss for the year							
Currency translation differences, net of tax	–	–	(34,098)	–	(34,098)	(268)	(34,366)
Total other comprehensive loss for the year, net of tax	–	–	(34,098)	–	(34,098)	(268)	(34,366)
Total comprehensive (loss)/income for the year	–	–	(34,098)	86,232	52,134	32	52,166
Balance at 31 December 2015	191	92,899	(205,052)	590,171	478,209	1,699	479,908

D. UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Unaudited						
	Attributable to owners of the Commercial Business						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Balance at 1 January 2016	191	92,899	(205,052)	590,171	478,209	1,699	479,908
Comprehensive income							
Profit for the year	–	–	–	78,406	78,406	262	78,668
Other comprehensive income/(loss) for the year							
Remeasurement of retirement benefit obligations	–	–	–	1,432	1,432	–	1,432
Deferred income tax on remeasurement of retirement benefit obligations	–	–	–	(286)	(286)	–	(286)
Currency translation differences, net of tax	–	–	2,226	–	2,226	47	2,273
Total other comprehensive income for the year, net of tax	–	–	2,226	1,146	3,372	47	3,419
Total comprehensive income/(loss) for the year	–	–	2,226	79,552	81,778	309	82,087
Total contributions by and distributions to owners of the Commercial Business, recognised directly in equity							
Dividend paid to the Remaining Group	–	–	–	(101,234)	(101,234)	–	(101,234)
Dividend paid to non-controlling interests	–	–	–	–	–	(709)	(709)
Total transactions with owners	–	–	–	(101,234)	(101,234)	(709)	(101,943)
Balance at 31 December 2016	191	92,899	(202,826)	568,489	458,753	1,299	460,052

D. UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Unaudited						
	Attributable to owners of the Commercial Business						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Balance at 1 January 2017	191	92,899	(202,826)	568,489	458,753	1,299	460,052
Comprehensive income							
(Loss)/profit for the period	–	–	–	(6,068)	(6,068)	13	(6,055)
Other comprehensive income for the period							
Currency translation differences, net of tax	–	–	13,161	–	13,161	107	13,268
Total other comprehensive income for the period, net of tax	–	–	13,161	–	13,161	107	13,268
Total comprehensive income/(loss) for the period	–	–	13,161	(6,068)	7,093	120	7,213
Balance at 31 March 2017	191	92,899	(189,665)	562,421	465,846	1,419	467,265
Balance at 1 January 2016	191	92,899	(205,052)	590,171	478,209	1,699	479,908
Comprehensive income							
(Loss)/profit for the period	–	–	–	(5,067)	(5,067)	12	(5,055)
Other comprehensive income for the period							
Currency translation differences, net of tax	–	–	7,918	–	7,918	746	8,664
Total other comprehensive income for the period, net of tax	–	–	7,918	–	7,918	746	8,664
Total comprehensive income/(loss) for the period	–	–	7,918	(5,067)	2,851	758	3,609
Total contributions by and distributions to owners of the Commercial Business, recognised directly in equity							
Dividend paid to non-controlling interests	–	–	–	–	–	(709)	(709)
Total transactions with owners	–	–	–	–	–	(709)	(709)
Balance at 31 March 2016	191	92,899	(197,134)	585,104	481,060	1,748	482,808

E. UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

	Unaudited				
	For the 3 months ended 31 March		For the year ended 31 December		
	2017	2016	2016	2015	2014
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Cash flows from operating activities					
(Loss)/profit before income tax	(4,861)	(2,935)	96,532	104,632	106,308
ADJUSTMENTS FOR:					
Allowance for impairment of trade receivables	161	432	367	580	(342)
Retirement benefit obligation	1,866	1,020	2,263	2,550	3,280
Depreciation of property, plant and equipment	6,711	7,145	27,593	29,581	36,993
Loss/(gain) on disposal of property, plant and equipment	47	(51)	(42)	4,069	(207)
Allowance for impairment of inventories	59	1,041	4,872	9,786	736
Property, plant and equipment written-off	–	17	86	63	–
Loss/(gain) on disposal of financial assets at fair value through profit or loss	–	50	(1,242)	(2,410)	–
(Gain)/loss on change in fair value of derivative financial instruments	(587)	5	113	(50)	(288)
Finance costs	–	1	11	3	8
Finance income	(1)	–	(6)	(1)	(12)
Operating profit before changes in working capital	**3,395**	**6,725**	**130,547**	**148,803**	**146,476**
Prepayment – non-current	–	1,506	1,506	(1,568)	1,992
Trade & other payables	7,945	22,525	7,047	(25,236)	(13,204)
Trade & other receivables	68,660	56,960	(10,483)	(30,229)	42,222
Inventories	(23,161)	(25,081)	5,146	(2,147)	16,620
	56,839	**62,635**	**133,763**	**89,623**	**194,106**
Settlement of derivative financial instruments	–	–	–	(5)	–
Retirement benefit paid	–	–	(714)	(412)	(2,388)
Income taxes paid	(493)	(345)	(2,014)	(5,445)	(18,493)
Interest paid	–	(1)	(11)	(3)	(8)
Withholding tax paid	–	–	(10,353)	–	(6,005)
Net cash generated from operating activities	**56,346**	**62,289**	**120,671**	**83,758**	**167,212**

E. UNAUDITED COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Unaudited				
	For the 3 months ended 31 March		For the year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Cash flows from investing activities					
Purchase of property, plant and equipment and construction-in-progress	(2,783)	(3,801)	(10,451)	(16,056)	(22,875)
Proceeds from disposal of property, plant and equipment	62	75	151	225	412
Proceeds from financial assets at fair value through profit or loss	55,884	42,018	625,866	678,239	631,608
Purchase for financial assets at fair value through profit or loss	(66,306)	(59,977)	(574,274)	(747,232)	(678,015)
Amount due from the Remaining Group	(44,359)	(40,833)	(56,444)	(1,589)	(50,040)
Interest received	1	–	6	1	12
Net cash used in investing activities	**(57,501)**	**(62,518)**	**(15,146)**	**(86,412)**	**(118,898)**
Cash flows from financing activities					
Pledged bank deposit	–	–	–	–	100
Dividend paid to the Remaining Group	–	–	(101,234)	–	(60,081)
Dividend paid to non-controlling interests	–	(709)	(709)	–	(414)
Proceeds from borrowings	4,752	9,175	31,392	(50,091)	46,951
Repayments of borrowings	(5,934)	(8,891)	(32,397)	50,593	(47,474)
Net cash (used in)/generated from financing activities	**(1,182)**	**(425)**	**(102,948)**	**502**	**(60,918)**
Net (decrease)/increase in cash and cash equivalents	**(2,337)**	**(654)**	**2,577**	**(2,152)**	**(12,604)**
Cash and cash equivalents at beginning of period/year	4,280	1,715	1,715	4,017	16,782
Exchange losses on cash and cash equivalents	(308)	(34)	(12)	(150)	(161)
Cash and cash equivalents at end of period/year	**1,635**	**1,027**	**4,280**	**1,715**	**4,017**

NOTES TO THE UNAUDITED COMBINED FINANCIAL HISTORICAL INFORMATION

1. GENERAL INFORMATION

Tai Ping Carpets International Limited ("**the Company**") and its subsidiaries (together "**the Group**") are principally engaged in the manufacture, import, export and sale of carpets, manufacture and sale of yarns and sale of leather, including commercial business and artisan business. The commercial business represents the commercial carpets manufacturing, distribution and sales businesses of the Company ("**Commercial Business**") and the artisan business represents the manufacturing, distribution and sale of hand-tufted and artisan carpets ("**Remaining Business**").

On 3 August 2017, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Thailand Carpet Manufacturing Public Company Limited (the "**Purchaser**") for the disposal of the equity interest of Costigan Limited ("**CTG**") and Vechachai Co., Limited ("**VC**") (collectively, "**Target Companies**") and the commercial carpets distribution and sales business carried out by Tai Ping Carpets UK Limited and Tai Ping Carpets Europe ("**Sale Businesses**") (together, the "**Disposal Group**"), at a consideration of approximately HK$729 million (the "**Proposed Disposal**"). Upon the completion of the Proposed Disposal, the Company and the Remaining Group will cease to carry out the Commercial Business.

2. REORGANISATION

Prior to the reorganisation described below, the Commercial Business is primarily operated by CTG, its subsidiaries (including VC and its subsidiaries, namely Carpets International Thailand Public Company Limited, Tai Ping Carpets (S) Pte. Ltd., Tai Ping Carpets UK Limited and Tai Ping Carpets Europe), Anderry Limited and its subsidiaries, namely Onsen Limited and Tai Ping Carpets India Private Limited (collectively, "**AL Group**"), TPC Macau Limitada, Tai Ping Carpets Americas Inc. and Tai Ping Carpets Ltd., which are companies controlled by Hon. Sir Michael Kadoorie.

Immediately before the Proposed Disposal, the Group will undergo a group reorganisation (the "**Reorganisation**"), pursuant to which certain companies comprising the Disposal Group engaged in the Commercial Business but not being subsidiaries of CTG will be transferred to CTG and certain companies previously held by CTG but engaged in the Remaining Business will be transferred to the Remaining Group. The Reorganisation will principally involve the following:

1. CTG will acquire the entire equity interests of AL Group and TPC Macau Limitada from Luard Enterprises Ltd. These companies are solely engaged in the Commercial Business.

2. CTG will dispose of the entire equity interests of Amberfield Investments Co. S.A. and Tai Ping Carpet Holdings Limited, which are engaged in both Commercial Business and Remaining Business, to the Remaining Group.

NOTES TO THE UNAUDITED COMBINED FINANCIAL HISTORICAL INFORMATION (CONTINUED)

3. BASIS OF PRESENTATION

The companies engaging in the Commercial Business are under common control of Hon. Sir Michael Kadoorie, the controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared on a combined basis.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Commercial Business, under the common control of Hon. Sir Michael Kadoorie immediately before and after the Reorganisation as if the group structure upon the completion of the Reorganisation had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Hon. Sir Michael Kadoorie, whichever is a shorter period.

No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

The net assets and operating results of the Commercial Business were presented using the existing book values from Hon. Sir Michael Kadoorie's perspective as follows:

- The net assets and operating results of CTG, VC, Carpets International Thailand Public Company Limited, Tai Ping Carpets (S) Pte. Ltd., Anderry Limited, Onsen Limited, Tai Ping Carpets India Private Limited and TPC Macau Limitada were presented using their carrying values of companies in this Historical Financial Information as these companies were solely engaged in the Commercial Business for the three years ended 31 December 2016 and the three months ended 31 March 2017.

- During the three years ended 31 December 2016 and the three months ended 31 March 2017, Tai Ping Carpets Ltd., Tai Ping Carpets Americas Inc., Tai Ping Carpets UK Limited and Tai Ping Carpets Europe were engaged in both Commercial Business and Remaining Business. The net assets and operating results of these companies relating to the Commercial Business, for the purpose of this report, were included in this Historical Financial Information in the following manner:

  – Property, plant and equipment, trade and other receivables, inventories and trade and other payables specifically related to the Commercial Business were identified and included in the unaudited combined statements of financial position.

  – Certain assets and liabilities such as cash and cash equivalents, bank borrowings, deferred income tax assets and liabilities, and current income tax recoverable/payable, which are inseparable into the Commercial Business or the Remaining Business, were excluded from the unaudited combined statements of financial position because such assets and liabilities were primarily attributable to the entities based on their legal ownership, and those entities were not the companies in the Disposal Group.

  – Other assets and liabilities relating to corporate functions were also excluded from the unaudited combined statements of financial position.

NOTES TO THE UNAUDITED COMBINED FINANCIAL HISTORICAL INFORMATION (CONTINUED)

– All revenue and expenses specifically related to the Commercial Business were included in the unaudited combined income statement. Major expenses for which specific identification methods were not practicable were allocated in accordance with the following basis to the unaudited combined income statement:

- Office rentals were allocated based on the proportion of staff headcount of the Commercial Business to the total headcount;

- Salaries and related costs of support staff, office expenses were allocated based on the proportion of the number of sales orders of the Commercial business to the total number of sales orders processed; and

- Tax expenses were determined by applying the applicable tax rates to profit/loss before tax of the Commercial Business.

The directors consider that the above method of allocation and presentation provides a fair and reasonable approximation of the amounts attributable to the Historical Financial Information of the Commercial Business.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies of the Disposal Group are eliminated upon combination.

4. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and solely for the purposes of inclusion in this circular. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants and should be read in connection with the annual report of the Company for the year ended 31 December 2016.

The Historical Financial Information has been prepared in accordance with the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2016. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

New and amended standards and interpretation mandatory for the first time for the financial year beginning 1 January 2017 but which have no material impact to the Group:

Annual Improvements	Project Annual Improvements 2014-2016 Cycle (amendments)
HKAS 7	Disclosure Initiative (amendments)
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information of the Remaining Group (the "**Unaudited Pro Forma Financial Information**") presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Proposed Disposal had been completed on 31 December 2016; and (b) the results and cash flows of the Remaining Group for the year ended 31 December 2016 as if the Proposed Disposal had been completed on 1 January 2016. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 31 December 2016 or at any future date had the Proposed Disposal been completed on 31 December 2016 or the results and cash flows of the Group for the year ended 31 December 2016 or for any future period had the Proposed Disposal been completed on 1 January 2016.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2016 and the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2016 extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2016 as set out in the 2016 annual report of the Company, the unaudited historical financial information of the Commercial Business as set out in Appendix II to this circular after giving effect to the pro forma adjustments described in the notes prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	Audited consolidated statement of financial position of the Group as at 31 December 2016	Pro forma adjustments						Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2016
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 2a*	*Note 2b*	*Note 2c*	*Note 2d*	*Note 2e*	*Note 2f*	
ASSETS								
Non-current assets								
Land use right	27,785	–	–	–	–	–	–	27,785
Property, plant and equipment	204,992	(104,973)	–	–	–	–	–	100,019
Construction in progress	177,951	(5,221)	–	–	–	–	–	172,730
Intangible assets	28,707	–	–	–	–	–	–	28,707
Deferred income tax assets	7,530	(7,096)	–	–	–	–	–	434
Prepayments	13,570	–	–	–	–	–	–	13,570
Pledged bank deposits	277	–	–	–	–	–	–	277
	460,812	(117,290)	–	–	–	–	–	343,522
Current assets								
Inventories	217,072	(119,485)	–	–	–	–	–	97,587
Trade and other receivables	300,535	(174,902)	–	–	–	–	–	125,633
Amount due from the Remaining Group	–	(89,955)	89,955	–	–	–	–	–
Financial assets at fair value through profit or loss	89,220	(89,220)	–	–	–	–	–	–
Current income tax assets	14,460	–	–	–	–	–	–	14,460
Pledged bank deposits	2,058	–	–	–	–	–	–	2,058
Fixed deposits	389	–	–	–	–	–	–	389
Cash and cash equivalents	143,746	(4,280)	728,500	64,907	(6,491)	(51,150)	(360,719)	514,513
	767,480	(477,842)	818,455	64,907	(6,491)	(51,150)	(360,719)	754,640
Non-current asset held for sale	17,192	–	–	–	–	–	–	17,192
Total assets	**1,245,484**	**(595,132)**	**818,455**	**64,907**	**(6,491)**	**(51,150)**	**(360,719)**	**1,115,354**

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group (Continued)

	Audited consolidated statement of financial position of the Group as at 31 December 2016	Pro forma adjustments						Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2016
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 2a*	*Note 2b*	*Note 2c*	*Note 2d*	*Note 2e*	*Note 2f*	
EQUITY								
Equity attributable to owners of the Company								
Share capital	21,219	–	–	–	–	–	–	21,219
Reserves	661,242	(458,753)	818,455	64,907	(6,491)	(51,150)	(360,719)	667,491
	682,461	(458,753)	818,455	64,907	(6,491)	(51,150)	(360,719)	688,710
Non-controlling interest	34,656	(1,299)	–	–	–	–	–	33,357
Total equity	717,117	(460,052)	818,455	64,907	(6,491)	(51,150)	(360,719)	722,067
LIABILITIES								
Non-current liabilities								
Deferred income tax liabilities	4,816	–	–	–	–	–	–	4,816
Retirement benefit obligations	28,857	(25,632)	–	–	–	–	–	3,225
Other long-term liabilities	1,200	–	–	–	–	–	–	1,200
	34,873	(25,632)	–	–	–	–	–	9,241
Current liabilities								
Trade and other payables	358,860	(104,615)	–	–	–	–	–	254,245
Derivative financial instruments	108	(108)	–	–	–	–	–	–
Bank borrowings – unsecured	119,211	(2,961)	–	–	–	–	–	116,250
Current income tax liabilities	15,315	(1,764)	–	–	–	–	–	13,551
	493,494	(109,448)	–	–	–	–	–	384,046
Total equity and liabilities	**1,245,484**	**(595,132)**	**818,455**	**64,907**	**(6,491)**	**(51,150)**	**(360,719)**	**1,115,354**

Unaudited Pro Forma Consolidated Income Statement of the Remaining Group

	Audited consolidated income statement of the Group for the year ended 31 December 2016	Pro forma adjustments				Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 December 2016
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 3a*	*Note 3b*	*Note 3d*	*Note 3e*	
Revenue	1,320,288	(789,103)	–	–	–	531,185
Cost of sales	(727,974)	489,157	–	–	–	(238,817)
Gross profit	592,314	(299,946)	–	–	–	292,368
Distribution costs	(327,519)	107,403	–	–	–	(220,116)
Administrative expenses	(277,777)	97,436	–	–	–	(180,341)
Other gains/(losses) – net	13,853	(1,430)	–	–	–	12,423
Gain on disposal of subsidiaries	–	–	374,156	(11,290)	(51,150)	311,716
Operating profit	871	(96,537)	374,156	(11,290)	(51,150)	216,050
Finance income	640	(6)	–	–	–	634
Finance expense	(27)	11	–	–	–	(16)
Finance income – net	613	5	–	–	–	618
Profit/(loss) before income tax	1,484	(96,532)	374,156	(11,290)	(51,150)	216,668
Income tax expense	(39,192)	17,864	–	–	–	(21,328)
(Loss)/profit for the year	**(37,708)**	**(78,668)**	**374,156**	**(11,290)**	**(51,150)**	**195,340**

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2016	Pro forma adjustments				Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2016
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 3a*	*Note 3b*	*Note 3d*	*Note 3e*	
(Loss)/profit for the year	(37,708)	(78,668)	374,156	(11,290)	(51,150)	195,340
Other comprehensive income						
Items that will not be reclassified subsequent to profit or loss						
– Remeasurement of retirement benefit obligations	1,432	(1,432)	–	–	–	–
– Deferred income tax on remeasurement of retirement benefit obligations	(286)	286	–	–	–	–
Items that may be reclassified to profit or loss						
– Currency translation difference	(18,231)	(2,273)	–	–	–	(20,504)
– Reclassification adjustment of currency translation reserve from equity to profit or loss	–	–	26,356	–	–	26,356
Other comprehensive (loss)/profit for the year, net of tax	(17,085)	(3,419)	26,356	–	–	5,852
Total comprehensive (loss)/profit for the year	**(54,793)**	**(82,087)**	**400,512**	**(11,290)**	**(51,150)**	**201,192**
Attributable to:						
Owners of the Company	(48,088)	(81,778)	400,512	(11,290)	(51,150)	208,206
Non-controlling interests	(6,705)	(309)	–	–	–	(7,014)
	(54,793)	**(82,087)**	**400,512**	**(11,290)**	**(51,150)**	**201,192**

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2016	Pro forma adjustments						Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2016
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 3a*	*Note 3b*	*Note 3c*	*Note 3d*	*Note 3e*	*Note 3f*	
Cash flows from operating activities								
Profit/(loss) before income tax	1,484	(96,532)	374,156	–	(11,290)	(51,150)	–	216,668
ADJUSTMENTS FOR:								
Amortisation of intangible assets	10,372	–	–	–	–	–	–	10,372
Amortisation of land use rights	632	–	–	–	–	–	–	632
Allowance for impairment of trade receivables	1,584	(367)	–	–	–	–	–	1,217
Retirement benefit obligation	4,685	(2,263)	–	–	–	–	–	2,422
Depreciation of property, plant and equipment	49,090	(27,593)	–	–	–	–	–	21,497
(Gain)/loss on disposal of property, plant and equipment	(142)	42	–	–	–	–	–	(100)
Allowance for impairment of inventories	6,235	(4,872)	–	–	–	–	–	1,363
Property, plant and equipment written-off	245	(86)	–	–	–	–	–	159
Bad debts written-off	393	–	–	–	–	–	–	393
(Gain)/loss on disposal of financial assets at fair value through profit or loss	(1,242)	1,242	–	–	–	–	–	–
Loss/(gain) on change in fair value of derivative financial instruments	113	(113)	–	–	–	–	–	–
Gain on disposal of investment properties	(13,328)	–	–	–	–	–	–	(13,328)
Gain on disposal of Commercial Business	–	–	(374,156)	–	11,290	51,150	–	(311,716)
Finance costs	27	(11)	–	–	–	–	–	16
Finance income	(640)	6	–	–	–	–	–	(634)
Operating profit/(loss) before changes in working capital	**59,508**	**(130,547)**	**–**	**–**	**–**	**–**	**–**	**(71,039)**
Prepayment – non-current	(5,076)	(1,506)	–	–	–	–	–	(6,582)
Trade & other payables	60,146	(7,047)	–	–	–	–	–	53,099
Trade & other receivables	(29,319)	10,483	–	–	–	–	–	(18,836)
Inventories	(1,831)	(5,146)	–	–	–	–	–	(6,977)
Cash generated from/(used in) operations	**83,428**	**(133,763)**	**–**	–	**–**	**–**	**–**	**(50,335)**

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2016	Pro forma adjustments						Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2016
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 3a*	*Note 3b*	*Note 3c*	*Note 3d*	*Note 3e*	*Note 3f*	
Cash generated from/(used in) operations	**83,428**	**(133,763)**	**–**	**–**	**–**	**–**	**–**	**(50,335)**
Retirement benefit paid	(714)	714	–	–	–	–	–	–
Income taxes paid	(27,184)	2,014	–	–	–	–	–	(25,170)
Withholding tax paid	(10,353)	10,353	–	–	–	–	–	–
Interest paid	(3,028)	11	–	–	–	–	–	(3,017)
Net cash generated from/(used in) operating activities	**42,149**	**(120,671)**	**–**	**–**	**–**	**–**	**–**	**(78,522)**
Cash flows from investing activities								
Purchase of intangible assets	(5,165)	–	–	–	–	–	–	(5,165)
Purchase of property, plant and equipment and construction-in-progress	(89,366)	10,451	–	–	–	–	–	(78,915)
Proceeds from disposal of investment properties	13,328	–	–	–	–	–	–	13,328
Proceeds from disposal of property, plant and equipment	309	(151)	–	–	–	–	–	158
Purchase from financial assets at fair value through profit or loss	625,866	(625,866)	–	–	–	–	–	–
Proceeds for financial assets at fair value through profit or loss	(574,274)	574,274	–	–	–	–	–	–
Net proceeds from disposals of Commercial Business	–	–	728,500	112,895	(11,290)	(51,150)	–	778,955
Decrease in fixed deposits	16,160	–	–	–	–	–	–	16,160
Amount due from the Remaining Group	–	56,444	–	–	–	–	–	56,444
Interest received	640	(6)	–	–	–	–	–	634
Net cash (used in)/generated from investing activities	**(12,502)**	**15,146**	**728,500**	**112,895**	**(11,290)**	**(51,150)**	**–**	**781,599**

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2016	Pro forma adjustments						Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2016
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note 1	*Note 3a*	*Note 3b*	*Note 3c*	*Note 3d*	*Note 3e*	*Note 3f*	
Cash flows from financing activities								
Pledged bank deposit	997	–	–	–	–	–	–	997
Dividend paid to the Company's shareholders	(6,366)	101,234	–	–	–	–	(360,719)	(265,851)
Dividend paid to non-controlling interests	(709)	709	–	–	–	–	–	–
Proceeds from borrowings	93,421	(31,392)	–	–	–	–	–	62,029
Repayments of borrowings	(121,551)	32,397	–	–	–	–	–	(89,154)
Net cash (used in)/generated from financing activities	**(34,208)**	**102,948**	**–**	**–**	**–**	**–**	**(360,719)**	**(291,979)**
Net (decrease)/increase in cash and cash equivalents	**(4,561)**	**(2,577)**	**728,500**	**112,895**	**(11,290)**	**(51,150)**	**(360,719)**	**411,098**
Cash and cash equivalents at beginning of period/year	153,800	–	–	–	–	–	–	153,800
Exchange losses on cash and cash equivalents	(5,493)	12	–	–	–	–	–	(5,481)
Cash and cash equivalents at end of year	**143,746**	**(2,565)**	**728,500**	**112,895**	**(11,290)**	**(51,150)**	**(360,719)**	**559,417**

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The amounts are extracted from the audited consolidated statement of financial position as at 31 December 2016, consolidated income statement, consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2016 as set out in the published annual report of the Group for the year ended 31 December 2016.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Proposed Disposal had taken place on 31 December 2016:

(a) The adjustments represent the de-recognition of assets and liabilities of the Commercial Business as at 31 December 2016, assuming the Proposed Disposal had taken place on 31 December 2016. The assets and liabilities of the Commercial Business are extracted from the unaudited combined statement of financial position of the Commercial Business set out in Appendix II to this Circular.

(b) The adjustment represents the estimated gain on disposal assuming the Proposed Disposal had taken place on 31 December 2016 and is calculated as follows:

	HK$'000
Consideration	728,500
Carrying value of net assets of the Commercial Business attributable to owners of the Company as at 31 December 2016	(458,753)
Less: Release of exchange reserves to Commercial Business as at 31 December 2016	(24,114)
Add: Amount due from the Remaining Group	89,955
Add: Surplus Cash Dividend *(Note 2(c))*	64,907
Less: Adjusted carrying value of net assets of the Commercial Business attributable to owners of the Company as at 31 December 2016	(328,005)
Estimated gain on disposal before transaction costs and withholding tax expense	400,495
Less: Estimated withholding tax expense in connection with the distribution of the Surplus Cash Dividend *(Note 2(d))*	(6,491)
Less: Estimated transaction costs attributable to the Proposed Disposal *(Note 2(e))*	(51,150)
Estimated gain on disposal	342,854

Pursuant to the sale and purchase agreement, certain adjustments would be made to the consideration of HK$729 million. The consideration shall a) increase by the amount of cash and short-term investments minus retirement benefit obligation attributable to the Commercial Business as of the Closing Date; b) decrease by the amount of external debt as of the Closing Date; and c) adjusted by the difference between actual net working capital as of the Closing Date and the pre-determined target net working capital of US$18.6 million.

For the purpose of this pro forma information, the directors assume that, as at the Closing date, there would be no residual cash and short-term investments after the distribution of Surplus Cash Dividend (See Note 2(c)), leaving the amount of cash at least sufficient to settle retirement benefit obligation and unsecured external debt attributable to the Commercial Business. The directors also assume the net working capital as of the Closing Date should be close to the target net working capital. Accordingly, no adjustment is made to the consideration in determining the estimated gain on the Proposed Disposal set out in the above table.

(c) The adjustment represents the Surplus Cash Dividend paid to the Remaining Business prior to the Proposed Disposal. The Surplus Cash Dividend shall leave Carpets International Thailand Public Company Limited with cash at least equal to the retirement benefit obligations and unsecured bank borrowings. As of 31 December 2016, Carpets International Thailand Public Company Limited had financial assets at fair value through profit or loss of approximately HK$89,220,000 and cash and cash equivalent of approximately HK$4,280,000, of which approximately HK$64,907,000 would be paid to the Remaining Business as Surplus Cash Dividend. The residual balance would be left to Carpets International Thailand Public Company Limited for settlement of the retirement benefit obligations of approximately HK$25,632,000 and unsecured bank borrowings of approximately HK$2,961,000. Accordingly, the carrying value of net assets of the Commercial Business attributable to owners of the Company is adjusted by the expected Surplus Cash Dividend of HK$64,907,000.

(d) The adjustment represents the estimated withholding tax expense of HK$6,491,000 in connection with the distribution of the Surplus Cash Dividend.

(e) The adjustment represents estimated transaction costs of approximately HK$51,150,000 that are directly attributable to the Proposed Disposal, as if the Proposed Disposal had been completed on 31 December 2016.

(f) The adjustment represents payment of the Intended Special Dividend of HK$360,719,000 after the Proposed Disposal of the Commercial Business.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the Proposed Disposal had taken place on 1 January 2016:

(a) The adjustments represent the exclusion of operating results/cash flows of the Commercial Business for the year ended 31 December 2016, assuming the Proposed Disposal had taken place on 1 January 2016. The operating results and cash flows of the Commercial Business are extracted from the unaudited income statement and unaudited combined consolidated statement of cash flows of the Commercial Business set out in Appendix II to this circular, respectively.

(b) The adjustment represents the estimated gain on disposal assuming the Proposed Disposal had taken place on 1 January 2016 and is calculated as follows:.

	HK$'000
Consideration	728,500
Carrying value of net assets of the Commercial Business attributable to owners of the Company as at 1 January 2016	(478,209)
Less: Release of exchange reserves to the Commercial Business as at 31 December 2015	(26,356)
Add: Amount due from the Remaining Group	37,326
Add: Surplus Cash Dividend *(Note 3(c))*	112,895
Less: Adjusted carrying value of net assets of the Commercial Business attributable to owners of the Company as at 1 January 2016	(354,344)
Estimated gain on disposal before transaction costs and withholding tax expense	374,156
Less: Estimated withholding tax expense in connection with the distribution of the Surplus Cash Dividend *(Note 3(d))*	(11,290)
Less: Estimated transaction costs attributable to the Proposed Disposal *(Note 3(e))*	(51,150)
Estimated gain on disposal	311,716

(c) The adjustment represents the Surplus Cash Dividend paid to the Remaining Business prior to the Proposed Disposal. The Surplus Cash Dividend shall leave Carpets International Thailand Public Company Limited with cash at least equal to the retirement benefit obligations and unsecured bank borrowings. As of 31 December 2015, Carpets International Thailand Public Company Limited had financial assets at fair value through profit or loss of approximately HK$139,033,000 and cash and cash equivalent of approximately HK$1,715,000, of which approximately HK$112,895,000 would be paid to the Remaining Business as Surplus Cash Dividend. The residual balance would be left to Carpets International Thailand Public Company Limited for the settlement of retirement benefit obligations of approximately HK$23,930,000 and unsecured bank borrowings of approximately HK$3,923,000. Accordingly, the carrying value of net assets of the Commercial Business attributable to owners of the Company is adjusted by the expected Surplus Cash Dividend of HK$112,895,000.

(d) The adjustment represents the estimated withholding tax expense of HK$11,290,000 in connection with the distribution of the Surplus Cash Dividend.

(e) The adjustment represents estimated expenses of approximately HK$51,150,000 that are directly attributable to the Proposed Disposal, as if the Proposed Disposal had been completed on 1 January 2016.

(f) The adjustment represents payment of the Intended Special Dividend of HK$360,719,000 after the Proposed Disposal of the Commercial Business.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, set out on pages III-12 to III-14 received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

To the Directors of Tai Ping Carpets International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tai Ping Carpets International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") upon disposal of the commercial carpets manufacturing, distribution and sales business of the Company (the "**Commercial Business**") (collectively the "**Remaining Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2016, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2016 of the Remaining Group, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-10 of the Company's circular dated 26 August 2017, in connection with the proposed disposal of the Commercial Business (the "**Transaction**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2016 and its financial performance and cash flows for the year ended 31 December 2016 as if the Transaction had taken place on 31 December 2016 and 1 January 2016 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2016, on which an audit report has been published.

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Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2016 and 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 August 2017

1. PROFIT FORECAST

In the absence of unforeseen circumstances and on the bases and assumptions set out in this Appendix, the Directors forecast the consolidated profit attributable to the owners of the Company for the year ending 31 December 2017 will not be less than HK$165 million.

2. BASES AND ASSUMPTIONS FOR DETERMINING THE PROFIT FORECAST

The Directors have prepared the Profit Forecast based on the unaudited management accounts of the Group for the 6 months ended 30 June 2017 and a forecast of the results for the remaining 6 months ending 31 December 2017. The Profit Forecast has been prepared on a basis consistent in all material respects with the accounting policies adopted by the Group set out in Note 2 of the consolidated financial statements in the Company's 2016 annual report and the new/revised accounting standards introduced that were effective for the accounting period beginning on 1 January 2017, where applicable, as set out in the following:

Annual Improvements Project	Annual Improvements 2014-2016 Cycle (amendments)
HKAS 7	Disclosure Initiative (amendments)
HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments)

The Profit Forecast has been prepared on the basis of the following principal bases and assumptions:

– there will be no material changes in the political, legal, fiscal, market or economic conditions in the territories in which the Group currently operates;

– there will be no changes in legislation, regulations or rules in the territories in which the Group currently operates or any other territories with which the Group has arrangements or agreements, which may materially adversely affect the Group's businesses or operations;

– there will be no material changes in inflation rates, interest rates or exchange rates from those currently prevailing in the context of the Group's operations;

– there will be no material changes in the applicable tax rates, surcharges or other government levies in the territories in which the Group operates;

– there will be no material adverse incidences occurred during the forecast period which is outside the control of the directors of the Group;

– there will be no wars, military incidents, pandemic diseases, or natural disasters that will have a material impact on the Group's businesses and operating activities; and

– the Group's operations will not be adversely affected by the occurrence of labour shortages and disputes, change of key management or staff, or any other factors outside the control of the directors of the Group. In addition, the Group will be able to recruit enough employees to meet its operating requirements during the forecast period.

The Profit Forecast included in this section is based on a number of assumptions which are set out above. Shareholders and prospective investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast and projected as stated in this circular are to be expected.

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out above. While the Directors consider such assumptions to be reasonable, whether actual results will meet their expectations will depend on a number of risks and uncertainties over which they have no control and actual results may differ materially from those express or implied in these forward-looking statements. Under no circumstances should the inclusion of such information in this circular be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Company, the Board, the Financial Adviser or the reporting accountant that these results will be achieved or are likely to be achieved. Shareholders and prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date of this circular.

None of the Company, the Board, the Financial Adviser or the reporting accountant guarantees the performance of the Group.

The Profit Forecast has been prepared on the bases, assumptions and estimates set out above. These individual bases, assumptions and estimates should not be viewed as individual forecasts but form part of the overall bases, assumptions and estimates used in arriving at the Profit Forecast and have not been reported on individually by the Financial Adviser or the reporting accountant of the Company.

The Profit Forecast should be read together with the letters from the Company's reporting accountant (PricewaterhouseCoopers) and the Financial Adviser set out in this Appendix.

3. LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT FORECAST

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

The Board of Directors
Tai Ping Carpets International Limited

26 August 2017

Dear Sirs,

Tai Ping Carpets International Limited (the "**Company**")

Profit Forecast for Period Ending 31 December 2017

We refer to the forecast of the consolidated profit attributable to owners of the Company for the year ending 31 December 2017 (the "**Profit Forecast**") set forth in Appendix IV in the circular of the Company dated 26 August 2017 (the "**Circular**").

Directors' Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") based on the management accounts of the Group for the six months ended 30 June 2017 and a forecast of the consolidated results of the Group for the remaining six months ending 31 December 2017.

The Company's directors are solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix IV to the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

4. LETTER FROM THE FINANCIAL ADVISER IN RELATION TO THE PROFIT FORECAST

The following is the text of a letter received from the Financial Adviser, which is prepared for the purpose of incorporation in this circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

The Board of Directors
Tai Ping Carpets International Limited (the **Company**)
33rd Floor
Global Trade Square
21 Wong Chuk Hang Road
Wong Chuk Hang
Hong Kong

26 August 2017

We refer to the forecast of the consolidated profit attributable to the equity shareholder of the Company for the year ending 31 December 2017 (the "**Profit Forecast**"), as set out in Appendix IV in the circular of the Company dated 26 August 2017 (the "**Circular**").

We understand that the Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the unaudited management accounts of the Group for the six months ended 30 June 2017 and a forecast of the consolidated results of the Group for the remaining six months ending 31 December 2017. The forecast has been prepared on a basis consistent in all material respects with the accounting policies adopted by the Group set out in Note 2 "Summary of Significant Accounting Policies" of the "Notes to the Consolidated Financial Statements" of the Company's 2016 annual report.

We have discussed with you the bases and assumptions made by the Directors as set out in Appendix IV in the Circular. We have also considered the letter dated 26 August 2017 addressed to you from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been based.

On the basis of the information comprising the Profit Forecast and on the bases and assumptions of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which the Directors are solely responsible, have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Stuart Wong
Director

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 July 2017 of the property interest to be disposed of by the Group.

仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

26 August 2017

The Board of Directors
Tai Ping Carpets International Limited
33rd Floor, Global Trade Square
No.21 Wong Chuk Hang Road
Wong Chuk Hang
Hong Kong

Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") is instructed by Tai Ping Carpets International Limited (the "**Company**") to provide valuation service on four properties located in the Kingdom of Thailand ("**Thailand**") for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the property interest as at 31 July 2017 (the "**valuation date**").

Our valuation of the property interests represents the "market value" which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued property No.3 by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For property No.1, No.2 and No.4, due to the nature of the buildings of the property interest and the particular location in which they are located, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." It is based on estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality, the depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

Our valuation has been made on the assumption that the seller sells the Property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the Property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the Property interest, we have complied with all requirements contained in Chapter 5 issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including land title document and Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in Thailand and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have reviewed and considered the legal opinions issued by the legal advisors in Thailand given by the Company's legal advisors – Siam Premier International Law Office Limited concerning the validity of the property interests in these countries.

We have had no reason to doubt the truth and accuracy of the information provided to us by the instructing party. We have also sought confirmation from the instructing party that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the area in respect of the Property but have assumed that the area shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the Property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 30 September 2016 by Mr. Perm Sirodom, Ms. Nuntharat Charoenpakdeekun, and Ms. Thanyalak Watthanaphanpitak. Mr. Perm is a principal valuer for public purposes who has 22 years' experience in the valuation of properties in Thailand. Ms. Nuntharat is also a principal valuer for public purposes who has 11 years' experience in the valuation of properties in Thailand. Ms. Thanyalak is an intermediate level valuer who has 3.5 years' experience in the valuation of properties in Thailand.

Unless otherwise stated, all monetary figures stated in this report are in Thai Baht (Baht).

Our valuation certificate is hereby enclosed for your attention.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C.H. Chan
MRICS MHKIS RPS(GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 23 years' experience in the valuation of properties worldwide.

SUMMARY OF VALUES

Property interest held and occupied by the Company in Thailand

No.	**Property**	**Market value in existing state as at 31 July 2017** *Baht*
1.	No.80 Moo 1 Leab Khlong Koh Krieng Subroad, Pathum Thani – Bang Bua Thong (Highway No.345), Bang Kuwad Subdistrict, Mueang District, Pathum Thani Province, Thailand	808,000,000
2.	No. 2054 New Phetchaburi Road, Bang Kapi Subdistrict, Huai Khwang District, Bangkok Metropolis, Thailand	80,900,000
3.	No. 2044/24 New Phetchaburi Road, Bang Kapi Subdistrict, Huai Khwang District, Bangkok Metropolis, Thailand	6,300,000
4.	Mahidol Road (Highway 1141), Pa Daet Subdistrict, Mueang Chiang Mai District, Chiang Mai Province, Thailand	26,000,000
	Total:	921,200,000

VALUATION CERTIFICATE

Property interest held and occupied by the Company in Thailand

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 31 July 2017** *Baht*
1	No.80 Moo 1 Leab Khlong Koh Krieng Subroad, Pathum Thani – Bang Bua Thong (Highway No.345), Bang Kuwad Subdistrict, Mueang District, Pathum Thani Province, Thailand	The property comprises 3 parcels of land with a total site area of approximately 151,155 sq.m. and 12 buildings and various structures erected thereon which were completed in 1993. The buildings mainly include factory building, office building, canteen building, and guardhouse with a total gross floor area of 77,832 sq.m.. The structures mainly include road and drainage, flood wall, fence, and car parking shed with total gross floor area of 22,220 sq.m.. The land use rights of the property is freehold.	The property is currently occupied by the Company for production, office and ancillary purposes.	808,000,000

Notes:

1. Pursuant to 3 Real Estate Title Certificates – Title Deeds No. 1727, 5380, and 78325 dated 5 October 1998, 21 August 1956 and 31 May 2011, the land use rights of 3 parcels of land with a total site area of approximately 151,155 sq.m. have been granted to Carpet International Thailand PCL.

2 Carpet International Thailand PCL is a 99.3% owned subsidiary of the Company.

3. For the buildings and structures, we have been provided the building and modification permits and the building certificate granted to Carpet International Thailand PCL.

4. We have been provided with a legal opinion regarding the property interest by the Company's local legal advisor, which contains, inter alia, the following:

   a) The 3 parcels of land are freehold;

   b) Carpet International Thailand PCL is the sole owner of the 3 parcels of land;

   c) Part of the Land Title 5380 was sub-divided for the Land Title 78325;

   d) The 2 parcels of land are currently free from any registered encumbrances; and

   e) The land and buildings can be leased out, mortgaged, transferred or disposed.

5. A general description of the Property is summarised as below:

Location	:	The Property is located at No. 80 Moo 1 Leab Khlong Koh Krieng Subroad, comprising a total site area of approximately 151,155 sq.m. within Bang Kuwad Subdistrict, Mueang District, Pathum Thani Province.
Nature of Surrounding Area	:	The property is approximately 900 metres northwest of Pathum Thani – Bang Bua Thong Road (Highway 345).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017 *Baht*
2	No. 2054 New Phetchaburi Road, Bang Kapi Subdistrict, Huai Khwang District, Bangkok Metropolis, Thailand	The property comprises 2 parcels of land with the site area of approximately 1,004.4 sq.m. and 3 connected buildings with total gross building area of 2,578 sq.m.. The buildings comprise an office building, a store building, a store area, and parking area and fence. The office building and store building completed in 1982, while the store area, parking area and fence completed in 2006. The land use rights of the property is freehold.	The property is currently occupied by the Company for business operation purposes.	80,900,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Title Deeds No. 140432 and 154605 dated 23 September 1981 and 9 August 1983, the land use rights of 2 parcels of land with a total site area of approximately 1,004.4 sq.m. have been granted to Carpet International Thailand PCL.

2. Carpet International Thailand PCL is a 99.3% owned subsidiary of the Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's local legal advisor, which contains, inter alia, the following:

   a) The 2 parcels of land are freehold;

   b) Carpet International Thailand PCL is the sole owner of the 2 parcels of land;

   c) The 2 parcels of land are currently free from any registered encumbrances; and

   d) The land and buildings can be leased out, mortgaged, transferred or disposed.

4. A general description of the Property is summarised as below:

Location	:	The Property is located at No.2054 on private road, comprising 2 parcels of land with a total site area of 1,004.4 sq.m., within Bang Kapi Subdistrict, Huai Khwang District, Bangkok Metropolis.
Nature of Surrounding Area	:	The property is about 90 meters away from New Phetchaburi Road, about 1.4 kilometers east of Asoke Intersection and about 1.7 kilometers west of Pradit Manutham Road Intersection.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017 *Baht*
3	No. 2044/24 New Phetchaburi Road, Bang Kapi Subdistrict, Huai Khwang District, Bangkok Metropolis, Thailand	The property comprises a parcel land with the site area of approximately 56 sq.m. and a shophouse building with total gross building area of 256 sq.m. The shophouse completed in 1982. The land use rights of the property is freehold.	The property is currently occupied by the Company for business purposes.	6,300,000

Notes:

1. Pursuant to the Real Estate Title Certificate – Title Deeds No. 140407dated 23 September 1981, the land use rights of the parcel land with a site area of approximately 56 sq.m. has been granted to Carpet International Thailand PCL.

2. Carpet International Thailand PCL is a 99.3% owned subsidiary of the Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's local legal advisor, which contains, inter alia, the following:

   a) The land is freehold;

   b) Carpet International Thailand PCL is the sole owner of the land;

   c) The land is currently free from any registered encumbrances; and

   d) The land and buildings can be leased out, mortgaged, transferred or disposed.

4. A general description of the Property is summarised as below:

Location	:	The Property is located at No.2044/24 on private road, comprising a parcel land with a site area of 56 sq.m., within Bang Kapi Subdistrict, Huai Khwang District, Bangkok Metropolis.
Nature of Surrounding Area	:	The property is about 80 meters away from New Phetchaburi Road, about 1.4 kilometers east of Asoke Intersection and about 1.7 kilometers west of Pradit Manutham Road Intersection.

5. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject property. The unit prices of these comparables range from Baht11,250 to Baht34,722 per sq.m. Appropriate adjustments are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of Baht24,609 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2017 *Baht*
4	Mahidol Road (Highway 1141), Pa Daet Subdistrict, Mueang Chiang Mai District, Chiang Mai Province, Thailand	The property comprises 10 parcels of land with total site area of approximately 840 sq.m. and a showroom building with total gross building area of 871 square metres. The land use rights of the property is freehold.	The property is currently occupied by the Company for business purposes.	26,000,000

Notes:

1. Pursuant to 10 Real Estate Title Certificates – Title Deeds No. 56883, 56884, 56885, 56886, 56887, 56888, 56889, 56890, 56891, and 56892 dated 25 July 1986, the land use rights of the parcel lands with a total site area of approximately 840 sq.m. have been granted to Carpet International Thailand PCL.

2. Carpet International Thailand PCL is a 99.3% owned subsidiary of the Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's local legal advisor, which contains, inter alia, the following:

   a) The 10 parcels of land are freehold;

   b) Carpet International Thailand PCL is the sole owner of the 10 parcels of land;

   c) The land is currently free from any registered encumbrances; and

   d) land can be leased out, mortgaged, transferred or disposed.

4. A general description of the Property is summarised as below:

Location	:	The Property is located at the corner of Mahidol Road (Highway 1141) and Public Road, within Pa Daet Subdistrict, Mueang Chiang Mai District, Chiang Mai Province.
Nature of Surrounding Area	:	The Property is around 2 kilometres away from the Chiangmai International Airport and adjacent to the Nathana Village.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(1) Interests of Directors and chief executives

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 (the "**Model Code**") were as follows:

Ordinary shares of HK$0.10 each in the Company

No. of ordinary shares held (long position)

Name	Personal Interests (held as beneficial owner)	Corporate Interests (interest of controlled corporation)	% of the Issued share capital of the Company
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Nelson K. F. Leong	700,000	2,182,000[1]	1.358%
John J. Ying	–	32,605,583[2]	15.366%
Aubrey K. S. Li	100,000[3]	–	0.047%
James H. Kaplan	522,000	–	0.246%

Notes:

1. 2,000,000 shares are held by Gainsborough Associates Limited and 182,000 shares are held by Fontana Enterprises Limited, companies in which Mr. Nelson K. F. Leong holds 33.33% and 40% equity interests respectively and have controlling interest.

2. 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).

3. The shares are jointly held by Mr. Aubrey K. S. Li and his spouse.

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.

(2) Interests of Substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the 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:

Name	No. of ordinary shares held in the Company of HK$0.10 each (long position)	% of the Issued share capital of the Company
Acorn Holdings Corporation[1]	40,014,178	18.858%
Bermuda Trust Company Limited[1]	40,014,178	18.858%
Harneys Trustees Limited[1]	77,674,581	36.607%
Lawrencium Holdings 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

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. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2016 (being the date to which the latest published audited financial statement of the Group were made), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors was materially interested, direct or indirectly, in any contracts or arrangements entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts whose letter and report are contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Anglo Chinese Corporate Finance, Limited	Financial Adviser
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuers

Each of PricewaterhouseCoopers, Anglo Chinese Corporate Finance, Limited ("**Anglo Chinese**") and Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") has given and has not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and reports and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of PricewaterhouseCoopers, Anglo Chinese and JLL did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of PricewaterhouseCoopers, Anglo Chinese and JLL did not have any direct or indirect interest in any assets which have been, since 31 December 2016 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

Other than the Sale and Purchase Agreement, no other contract (not being a contract entered into in the ordinary course of business) has been entered into by members of the Group within the two years immediately preceding the date of this circular and is or may be material.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016 (being the date to which the latest audited accounts of the Company were made up).

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Lung Chi Sing Alex, a fellow member of the Association of Chartered Certified Accountants and is a member of Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda.

(c) The principal place of business of the Company is at 33rd Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong.

(d) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The principal share registrar of the Company is Estera Management (Bermuda) Limited, Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in 33rd Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

(a) the bye-laws of the Company;

(b) the material contract referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the review report from PricewaterhouseCoopers on the unaudited historical financial information of the Commercial Business, the text of which is set out in Appendix II to this circular;

(d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(e) the letter from PricewaterhouseCoopers in relation to the Profit Forecast, the text of which is set out in Appendix IV to this circular;

(f) the letter from the Financial Adviser in relation to the Profit Forecast, the text of which is set out in Appendix IV to this circular;

(g) the valuation report on the property of the Commercial Business located in Thailand that are part of the Proposed Disposal prepared by JLL, the text of which is set out in Appendix V to this circular;

(h) the annual reports of the Company for the two years ended 31 December 2015 and 31 December 2016;

(i) the letters of consent from the experts referred to in the paragraph headed "Experts and Consents" in this Appendix; and

(j) this circular.

TAI PING CARPETS INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 146)

TAI PING

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of the shareholders 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 Wednesday, 13 September 2017 at 9:30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

    (a) the sale and purchase agreement between the Company and Thailand Carpet Manufacturing Public Company Limited (the "**Purchaser**") in relation to the acquisition by the Purchaser of the Company's commercial carpets manufacturing, distribution and sales business in consideration for the aggregate payment of US$94 million (subject to the terms and conditions contained therein and any adjustment) (the "**Sale and Purchase Agreement**"), and the transactions and agreements contemplated thereunder, be and are hereby approved, confirmed and/or ratified; and

    (b) any director or directors of the Company be and is or are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the bye-laws of the Company) in connection with the Sale and Purchase Agreement, to make such amendments and changes relating thereto and to do and take all such action, steps, deeds and things in such manner as he or they may deem necessary, desirable or expedient to give effect to the Sale and Purchase Agreement, and the transactions and agreements contemplated thereunder."

2. “**THAT**:

subject to compliance with the Companies Law of the Bermuda and Closing under the Sale and Purchase Agreement (as defined in ordinary resolution number 1 set out in this notice of meeting) having taken place, a special dividend of HK$1.70 per share in the issued share capital of the Company be declared and paid in cash (the “**Intended Special Dividend**”) to the shareholders of the Company whose names appear on the register of members of the Company on the record date to be fixed by the board of directors of the Company for determining the entitlements to the Intended Special Dividend and any director of the Company be and is hereby authorised to take such action, do such things and execute and deliver such further documents as the director may at his/her absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with the implementation of the payment of the Intended Special Dividend.”

By order of the Board
Tai Ping Carpets International Limited
Nicholas T. J. Colfer
Chairman

Hong Kong, 26 August 2017

Notes:

1. A shareholder entitled to attend and vote at the Special General Meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.

2. The proxy form for use at the Special General Meeting is enclosed in the circular. Completion and return of the form of proxy will not preclude a member from attending and voting at the Special General Meeting or any adjournment thereof if he/she so wishes. In that event, his/her form of proxy will be deemed to have been revoked.

3. Where there are joint registered holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, then one of the said persons whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be returned to the Company’s branch share registrar and registration office in Hong Kong, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

5. The transfer books and the register of members of the Company will be closed from Friday, 8 September 2017 to Wednesday, 13 September 2017, both days inclusive. During such period, no transfer of shares will be effected. In order to establish the right to attend and vote at the Special General Meeting, all transfer documents accompanied by the relevant share certificates, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 7 September 2017.