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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tai Ping Carpets International Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 146)



**PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS AND
APPLICATION OF CONTRIBUTED SURPLUS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A copy of the notice of the annual general meeting of Tai Ping Carpets International Limited (the “Annual General Meeting”) to be held at 21st Floor, St. George’s Building, 2 Ice House Street, Central, Hong Kong on Friday, 13 June 2008 at 9:30 a.m. is set out on pages 10 to 12 of this circular. Whether or not you are able to attend the Annual General Meeting, please complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company’s Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the Annual General Meeting. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the Annual General Meeting should you so wish.

20 May 2008

LETTER FROM THE BOARD

TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 146)



Chairman and Non-executive Director:

Nicholas T. J. Colfer

Chief Executive Officer and Executive Director:

James H. Kaplan

Non-executive Directors:

Ian D. Boyce

Lincoln K. K. Leong

David C. L. Tong

John J. Ying

Nelson K. F. Leong

(Alternate Director to Lincoln K. K. Leong)

Registered Office:

Canon's Court

22 Victoria Street

P.O. Box HM 1179

Hamilton HM EX

Bermuda

Principal Office in Hong Kong:

26/F, Tower A

Regent Centre

63 Wo Yi Hop Road

Kwai Chung

Hong Kong

Independent Non-executive Directors:

Yvette Y. H. Fung

Michael T. H. Lee

Roderic N. A. Sage

Lincoln C. K. Yung

20 May 2008

Dear Shareholders

**PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS AND
APPLICATION OF CONTRIBUTED SURPLUS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

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

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 15 June 2007, the then shareholders of the Company passed resolutions granting general mandates to the directors of the Company (the “Directors”) to issue and purchase shares in the Company (the “Shares”). These general mandates will lapse at the conclusion of the Annual General Meeting. Resolutions will therefore be proposed at the Annual General Meeting to:

- give the Directors a general and unconditional mandate to allot, issue, grant and otherwise deal with additional Shares in the Company, not exceeding ten per cent. of the Company’s issued share capital as at the date of the resolution, for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution) (the “Issue Mandate”);
- give the Directors a general and unconditional mandate to exercise all the powers of the Company to purchase an amount of Shares in the Company not exceeding ten per cent. of the Company’s issued share capital as at the date of the resolution, for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution) (the “Repurchase Mandate”); and
- authorise the Directors to exercise the powers to allot, grant and otherwise deal with additional Shares in the Company under the Issue Mandate in respect of the aggregate nominal amount of share capital in the Company purchased by the Company, conditional on the passing of the resolutions to grant the Issue Mandate and the Repurchase Mandate.

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

Based on 212,187,488 Shares in issue as at 16 May 2008 (the “Latest Practicable Date”, being the latest practicable date prior to the printing of this circular) and assuming that no Shares will be issued or repurchased thereafter until the Annual General Meeting, the Company will be allowed under the Issue Mandate to issue up to 21,218,748 Shares (representing ten per cent. of the Shares in issue as at the date of the Annual General Meeting based on the above assumptions) plus the number of Shares repurchased by the Company pursuant to the Repurchase Mandate.

LETTER FROM THE BOARD

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

RE-ELECTION OF RETIRING DIRECTORS

Mr. Ian D. Boyce, Mrs. Yvette Y. H. Fung and Mr. Lincoln C. K. Yung shall retire by rotation pursuant to the Bye-laws of the Company and, being eligible, have offered themselves for re-election at the Annual General Meeting.

Details of the Directors who are proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

PROPOSED APPLICATION OF CONTRIBUTED SURPLUS

The Directors propose to reduce and apply part of the contributed surplus of the Company to set off against the accumulated losses of the Company as at 31 December 2007 (the “Proposal”). As at 31 December 2007, the Company’s contributed surplus amounted to approximately HK\$442,598,000. After the proposed set-off, the Company’s contributed surplus account will be reduced to approximately HK\$87,768,000.

The contributed surplus of the Company represented the excess of the consolidated net assets of a subsidiary acquired over the aggregate nominal value of the Company’s Shares issued for the acquisition, as a result of the reorganisation of the Group in 1990. Upon completion of the Proposal, the accumulated losses of the Company as at 31 December 2007 will be eliminated so as to tidy up and give a better presentation of the books and accounts of the Company.

PROCEDURES FOR DEMANDING A POLL

Pursuant to the Bye-laws of the Company, resolutions put to the vote of the Annual General Meeting shall be decided on a show of hands unless required by the Listing Rules or a poll is demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):-

- (i) by the Chairman of the Meeting; or
- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (v) if required by the Listing Rules, by the Chairman of the meeting and/or Directors who individually or collectively hold proxies in respect of Shares holding 5% or more of the total voting rights at such meeting.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

In addition, pursuant to Rule 13.39(3) of the Listing Rules, if the Chairman of the Annual General Meeting and/or the Directors individually or collectively hold proxies in respect of Shares holding 5% or more of the total voting rights at the Annual General Meeting, and if on a show of hands the Annual General Meeting votes in the opposite manner to that instructed in those proxies, the Chairman of the Annual General Meeting and/or the Directors and the Chairman holding proxies as aforesaid collectively shall demand a poll. Notwithstanding the aforesaid, if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands (because the votes represented by those proxies exceed 50% or 75%, as the case may be, of the total issued Shares entitled to vote on the resolution in question), then the Directors and/or the Chairman of the Annual General Meeting shall not be required to demand a poll.

RECOMMENDATION

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

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

SHARE REPURCHASE RULES

The following is the Explanatory Statement required to be sent to Shareholders under the Listing Rules relating to the repurchase of shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by a company whose primary listing is on the Stock Exchange. References in this Explanatory Statement to “Shares” means fully paid-up shares of HK\$0.10 each in the share capital of the Company.

1. Trading restrictions

A maximum of ten per cent. of the Shares in issue as at the date of passing the resolution authorising the Company to repurchase Shares may be repurchased on the Stock Exchange.

2. Share capital

Based on 212,187,488 Shares in issue as at 16 May 2008 (the Latest Practicable Date) and assuming that no Shares will be issued or repurchased thereafter until the Annual General Meeting, the Company will be allowed under the repurchase mandate to repurchase up to ten per cent. of the Shares in issue as at the date of the Annual General Meeting, i.e. 21,218,748 Shares (subject to the passing of ordinary resolution no. 6 set out in the notice of the Annual General Meeting).

3. Reason for repurchase

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to purchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

4. Source of funds

Repurchases must be funded out of funds legally available for the purpose under Bermudan law and the Bye-laws.

It is presently proposed that any repurchase of Shares would be made out of capital paid up on the repurchased Shares and the profits of the Company which would otherwise be available for dividend and, in the case of any premium payable on such repurchase, from the Company’s share premium account in accordance with Bermudan law and the Bye-laws.

5. Impact on the working capital or gearing position of the Company

The Directors expect there may be an adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in the Company's audited accounts for the year ended 31 December 2007, if the mandate to repurchase Shares is exercised in full. However, the Directors do not propose to exercise the repurchase mandate to such extent as would have a material adverse effect on the working capital or gearing position of the Company which in the opinion of the Directors is from time to time appropriate for the Company.

6. General

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to repurchase Shares in accordance with the Listing Rules and Bermudan law.

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of a Share repurchase, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Bermuda Trust Company Limited, together with its parties acting in concert (collectively known as the "Controlling Shareholders"), owned a total of approximately 55.47% of the issued share capital of the Company. If the repurchase mandate is exercised in full, the Controlling Shareholders will increase their shareholding in the Company to approximately 61.63%. An obligation to make a general offer to Shareholders under Rules 26 and 32 of the Takeovers Code would not arise in such circumstances because the Controlling Shareholders already own in excess of 50% of the voting rights of the Company. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the general mandate.

The Directors are of the intention that they will only repurchase Shares to the extent that the minimum public float requirement (i.e. that at least 25% of the issued share capital be held by the public) will be maintained.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of the associates (as defined in the Listing Rules) of the Directors presently intend to sell Shares to the Company in the event that the repurchase mandate is approved by Shareholders of the Company.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares or that they have undertaken not to sell any Shares held by them to the Company in the event that the repurchase mandate is approved by Shareholders of the Company.

7. Market Prices

The highest and lowest traded prices for Shares recorded on the Stock Exchange during each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2007:		
May	1.68	1.21
June	1.78	1.53
July	1.85	1.52
August	1.73	1.40
September	1.62	1.48
October	1.90	1.49
November	2.20	1.70
December	2.13	1.80
2008:		
January	2.20	1.75
February	2.30	1.75
March	2.10	1.71
April	2.30	1.78
May (up to 16 May 2008)	2.30	2.04

8. Repurchases of Shares made by the Company

No repurchases of Shares have been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

NON-EXECUTIVE DIRECTOR

Ian D. Boyce: aged 63; has been a Non-executive Director since 1999.

Mr. Boyce is Chairman of Sir Elly Kadoorie & Sons Limited, overseeing a number of the Kadoorie Family's interests in Hong Kong and overseas and, as such, is associated with certain substantial shareholders of the Company. He is also a Non-executive Director of CLP Holdings Limited and Deputy Chairman of The Hongkong & Shanghai Hotels, Limited. He is a Chartered Accountant with extensive investment banking experience. Save as disclosed above, Mr. Boyce does not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Boyce is interested personally in 831,371 Shares within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

There is no service contract between the Company and Mr. Boyce. The term of office for Mr. Boyce is the period up to his retirement by rotation in accordance with the Bye-laws of the Company. Mr. Boyce is currently entitled to remuneration of HK\$50,000 per annum. The amount of remuneration payable to him is determined on the basis of experience, demand for his services and market practice.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yvette Y. H. Fung: aged 46; has been an Independent Non-executive Director since 2004 and is a member of the Remuneration Committee of the Company.

Mrs. Fung is Deputy Chairman of Synergis Holdings Limited, Non-executive Director of Fountain Set (Holdings) Limited, Independent Non-executive Director of Hong Kong Catering Management Limited, Executive Director of Hsin Chong Holdings (HK) Limited, Court Member of the Hong Kong University of Science and Technology, a Board member of the Hong Kong International School and a Council Member of the Hong Kong Society for the Deaf. She holds a Juris Doctor Degree from Stanford Law School, a Master of Business Administration Degree from the University of California Los Angeles and a Bachelor of Arts Degree from Stanford University.

Mrs. Fung does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, she does not have any interests in the Company within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mrs. Fung. The term of office for Mrs. Fung is the period up to her retirement by rotation in accordance with the Bye-laws of the Company. She is currently entitled to remuneration of HK\$70,000 per annum, comprising a base fee of HK\$50,000 in respect of her capacity as a Non-executive member of the Board, and an additional HK\$20,000 for being a member of the Remuneration Committee. The amount of remuneration payable to her is determined on the basis of experience, demand for her services and market practice.

The Company considers Mrs. Fung to be independent with due regard to the guidelines as set out in Rule 3.13 of the Listing Rules.

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

Lincoln C. K. Yung, JP: aged 62; has been a Non-Executive Director of the Company for 24 years before his redesignation as an Independent Non-executive Director in December 2004.

Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. He is currently Deputy Managing Director of Nanyang Holdings Limited, Chairman and Non-executive Director of Shanghai Commercial Bank Limited and a Director of The Shanghai Commercial & Savings Bank, Limited, Pafoong Insurance Company (Hong Kong) Limited and Vice-Chairman of Shanghai Sung Nan Textile Company Limited. He is an economics graduate from the Cornell University and received a Master of Business Administration Degree in accounting and finance from the University of Chicago.

Mr. Yung does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, he is interested personally in 30,000 Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Yung. The term of office for Mr. Yung is the period up to his retirement by rotation in accordance with the Bye-laws of the Company. Mr. Yung is currently entitled to remuneration of HK\$50,000 per annum. The amount of remuneration payable to him is determined on the basis of experience, demand for his services and market practice.

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

NOTICE OF ANNUAL GENERAL MEETING

TAI PING CARPETS INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 146)



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Members of Tai Ping Carpets International Limited (the “Company”) will be held at 21st Floor, St. George’s Building, 2 Ice House Street, Central, Hong Kong, on Friday, 13 June 2008 at 9:30 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the audited Accounts and the Reports of the Directors and Auditor for the year ended 31 December 2007.
2. To declare a final dividend for the year ended 31 December 2007.
3. To re-elect retiring Directors and authorise the Board to fix their remuneration.
4. To re-appoint BDO McCabe Lo Limited as auditor of the Company and to authorise the Board to fix the remuneration.

As Special Business

To consider and, if thought fit, pass the following resolutions shown as items 5, 6 and 7 as ordinary resolutions:

5. **“THAT:**
 - (a) the exercise by the Directors of the Company during the Relevant Period (as defined below) of all powers of the Company to allot shares of HK\$0.10 each (“Shares”) in the share capital of the Company and to make and grant offers, agreements and options which would or might require Shares to be allotted be and is hereby generally and unconditionally approved provided that the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors otherwise than Shares issued as a result of a Rights Issue (as defined below) shall not exceed ten per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution;
 - (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require Shares to be allotted after the end of the Relevant Period; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the Shareholders of the Company in general meeting; or
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law of Bermuda to be held.

“Rights Issue” means an offer of Shares open for a period fixed by the Directors of the Company to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

6. **“THAT:**

- (a) the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to purchase shares of HK\$0.10 each in the share capital of the Company (“Shares”), subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved provided that the aggregate nominal amount of Shares to be purchased by the Company shall not exceed ten per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution; and
- (b) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the Shareholders of the Company in general meeting; or

NOTICE OF ANNUAL GENERAL MEETING

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law of Bermuda to be held.”

7. “**THAT**, subject to the passing of Resolutions 5 and 6 set out in the notice of this meeting, the aggregate number of the Shares in the capital of the Company which are repurchased or otherwise acquired by the Company pursuant to Resolution 6 shall be added to the aggregate number of the Shares in the capital of the Company which may be issued pursuant to Resolution 5.”

To consider and, if thought fit, pass the following resolution shown as item 8 as special resolution:

8. “**THAT**:

- (a) A sum of approximately HK\$354,830,000 in the contributed surplus account of the Company be and is hereby reduced and applied to set off against the accumulated losses of the Company as at 31 December 2007 (“Application of Contributed Surplus”); and
- (b) the Directors be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable, or expedient in connection with the implementation of the Application of Contributed Surplus, including determining the exact amount of the contributed surplus to be reduced and applied pursuant to this resolution.”

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

Hong Kong, 20 May 2008

Notes:

1. A Shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a Shareholder of the Company.
2. The register of Members of the Company will be closed from Wednesday, 11 June 2008 to Friday, 13 June 2008, both days inclusive, during which period no transfer of Shares will be registered.
3. To be entitled to receive the final dividend, Shareholders must ensure that all transfer documents accompanied by the relevant Share certificates are lodged with the Company’s Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 10 June 2008.
4. Subject to the passing of the necessary resolution at the Annual General Meeting, the final dividend will be payable on or about 4 July 2008 to Shareholders whose names appear on the register of Members of the Company at the close of business on 13 June 2008.
5. With reference to item 3 above regarding the re-election of Directors, Mr. Ian D. Boyce, Mrs. Yvette Y. H. Fung and Mr. Lincoln C. K. Yung shall retire by rotation pursuant to Bye-laws of the Company. All retiring Directors, being eligible, have offered themselves for re-election at the Annual General Meeting. The re-election of these retiring Directors will be individually voted upon by Shareholders by way of separate resolutions. Details regarding each of these Directors are set out in Appendix II of this circular.
6. Concerning items 5, 6 and 7 above, the Directors wish to state that they have no immediate plans to issue and repurchase any Shares. Approval is being sought from the Shareholders to approve the general mandates in order to give flexibility and discretion to the Directors in the event that it becomes desirable for the Company to issue and/or repurchase Shares.