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TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



DISCLOSEABLE TRANSACTION

The Board announces that Treasure Looms (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Shanhua on 26 January 2007 to establish the JV Company. The JV Company will principally be engaged in the manufacturing and sale of carpets.

The registered capital of the JV Company is US\$6,000,000 (approximately HK\$46,800,000) to be contributed in cash by Treasure Looms and Shanhua in the proportion of 49% and 51%. Pursuant to the Joint Venture Agreement, Treasure Looms' capital contribution to the JV Company will be US\$2,940,000 (approximately HK\$22,932,000) in cash.

The establishment of the JV Company constitutes a disclosable transaction for the Company under the Listing Rules. A circular of the Company in relation to the establishment of the JV Company will be despatched to its Shareholders as soon as practicable.

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THE JOINT VENTURE AGREEMENT

(a) Date:

26 January 2007

(b) Parties:

Treasure Looms; and
Shanhua.

The Group has already established three sino-foreign joint ventures with the Shanhua group in the PRC i.e. Weihai Shanhua Floorcovering Products, Weihai Shanhua Huabao Carpet and Weihai Shanhua Premier Carpet. Weihai Shanhua Floorcovering Products, Weihai Shanhua Huabao Carpet and Weihai Shanhua Premier Carpet are not subsidiaries of the Group and investments in Weihai Shanhua Floorcovering

Products, Weihai Shanhua Huabao Carpet and Weihai Shanhua Premier Carpet are accounted for in the Group's consolidated accounts using equity method of accounting under Hong Kong Accounting Standard 31 "Interests in Joint Ventures" ("HKAS 31") issued by the Hong Kong Institute of Certified Public Accountants.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shanhua and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

(c) Business:

Upon establishment, the JV Company will principally be engaged in the manufacturing and sale of carpets.

(d) Registered Capital and Total Investment:

The registered capital of the JV Company is US\$6,000,000 (approximately HK\$46,800,000) and the total investment of the JV Company is US\$15,000,000 (approximately HK\$117,000,000). Subject to business and operational needs, the difference between the total investment amount and the amount of registered capital will be met by funds generating from operations or bank borrowings by the JV Company.

The registered capital of the JV Company will be contributed by Treasure Looms and Shanhua in the following manner:

- (i) 49% being US\$2,940,000 (approximately HK\$22,932,000) will be contributed in cash by Treasure Looms within six months of the issuance of business licence of the JV Company and the contribution is expected to be financed through dividend payments to be made to the Group from Weihai Shanhua Huabao Carpet and Weihai Shanhua Premier Carpet; and
- (ii) 51% being US\$3,060,000 (approximately HK\$23,868,000) will be contributed in cash by Shanhua within six months of the issuance of business licence of the JV Company.

The JV Company will be owned 49% by Treasure Looms and 51% by Shanhua. Since the Group only holds 49% equity capital in the JV Company, the JV Company will not be treated as a subsidiary and investment in the JV Company will be accounted for in the consolidated accounts of the Group using equity method of accounting in accordance with HKAS 31.

Save for the contribution of the above registered capital, Treasure Looms does not have any obligation under the Joint Venture Agreement to provide additional financing or any guarantee or indemnity to or for the benefit of the JV Company.

(e) Term of the JV Company:

35 years from the date of issuance of the business licence of the JV Company. The term may be extended by agreement between the parties.

(f) Profit Distribution:

Net profits of the JV Company will be distributed to the shareholders of Treasure Looms and Shanhua in proportion to their respective equity holdings in the JV Company.

(g) Board of Directors and Supervisors:

The JV Company shall have a board of directors and a board of supervisors, and:

- (i) Treasure Looms shall have the right to appoint two directors and one supervisor to the JV Company; and
- (ii) Shanhua shall have the right to appoint three directors and two supervisors to the JV Company.

REASONS FOR ESTABLISHMENT OF THE JOINT VENTURE

The Group is principally engaged in the manufacture, import, export and sale of carpets. The Group offers its customers access to a full range of quality floorcovering products, from luxury to affordable, appropriate for every commercial and residential environment. The Directors believe that the establishment of the JV Company will further strengthen the Group's relationship with Shanhua and help increase the market share in the PRC.

The amount of registered capital of the JV Company to be contributed by Treasure Looms was determined after arm's length negotiations between the parties to the Joint Venture Agreement.

The Directors are of the view that the terms of the Joint Venture Agreement are normal commercial terms, fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

GENERAL

Shanhua is principally engaged in the manufacture and sale of carpets.

Applying the relevant percentage ratios set out in rule 14.07 of the Listing Rules, the entering into of the Joint Venture Agreement constitutes a disclosable transaction of the Company under the Listing Rules. A circular of the Company in relation to the establishment of the JV Company will be despatched to its Shareholders as soon as practicable.

DEFINITIONS

“Board”	the board of Directors
“Company”	Tai Ping Carpets International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 146)
“Directors”	the directors (including non-executive and independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JV Company”	a sino-foreign equity joint venture to be established in the PRC which is to be owned 49% by Treasure Looms and 51% by Shanhua
“Joint Venture Agreement”	the joint venture agreement dated 26 January 2007 entered into between Treasure Looms and Shanhua to establish the JV Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Shanhua”	Weihai Shanhua Carpets Group Co. Ltd. (威海市山花地毯集團有限公司), a limited liability company established in the PRC
“Shareholders”	the shareholders of the Company
“Treasure Looms”	Treasure Looms (China) Limited (寶隆地氈(中國)有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States
“Weihai Shanhua Floorcovering Products”	Weihai Shanhua Floorcovering Products Co. Ltd. (威海山花地毯材料有限公司), a sino-foreign equity joint venture established in the PRC to which the Group owns 41.7% equity capital

“Weihai Shanhua
Huabao Carpet” Weihai Shanhua Huabao Carpet Co. Ltd. (威海山花華寶地毯有限公司), a sino-foreign equity joint venture established in the PRC to which the Group owns 49% equity capital

“Weihai Shanhua
Premier Carpet” Weihai Shanhua Premier Carpet Co. Ltd. (威海山花博美地毯有限公司), a sino-foreign equity joint venture established in the PRC to which the Group owns 49% equity capital

For the purpose of illustration only, amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1.00 = HK\$7.80

By Order of the Board
Tai Ping Carpets International Limited
Raymond W. M. Mak
Company Secretary

Hong Kong, 26 January 2007

As at the date of this announcement, the Directors of the Company are: Chairman and Non-executive Director — Mr Nicholas T. J. Colfer; Chief Executive Officer and Executive Director — Mr James H. Kaplan; Independent Non-executive Directors — Mrs Yvette Y. H. Fung, Mr Michael T. H. Lee, Mr Roderic N. A. Sage, Mr Lincoln C. K. Yung; Non-executive Directors — Mr Ian D. Boyce, Mr Lincoln K. K. Leong, Mr David C. L. Tong, Mr John J. Ying; Alternate Director — Mr Nelson K. F. Leong (Alternate to Mr Lincoln K. K. Leong).