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TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE PREVIOUS PRODUCTS AND SERVICES SUPPLY AGREEMENT

On 22 March 2011, the Company entered into the Previous Products and Services Supply Agreement with HSH pursuant to which the Company agreed to supply and HSH agreed to purchase the Products and Services (comprising carpets, rugs and all forms of floor coverings and related installation and transportation services) from the Company. The Previous Products and Services Supply Agreement will expire on 21 March 2014. Details of the transactions under the Previous Products and Services Supply Agreement were set out in the announcement of the Company dated 22 March 2011.

In order to renew the arrangements under the Previous Products and Services Supply Agreement, on 18 March 2014, the Company and HSH entered into the New Products and Services Supply Agreement on terms substantially the same as those of the Previous Products and Services Supply Agreement. The term of the New Products and Services Supply Agreement will commence on 22 March 2014 and will continue until 31 December 2016.

As per the Previous Products and Services Supply Agreement, the New Products and Services Supply Agreement provides that the Company is not obliged to supply the Products and Services ordered, if the fulfilment of such order would result in the aggregate value of the Products or Services ordered in a particular period exceeding the annual cap(s) for the corresponding period set out in the paragraph headed “Annual Caps” of this announcement. The maximum annual value of the transactions contemplated under the New Products and Services Supply Agreement during the Term will be HK\$10,000,000.

MPTCL, a substantial shareholder of the Company, is deemed to be interested in more than 30% of the voting power of HSH. Accordingly, HSH and the other members of the HSH Group are associates of MPTCL and connected persons of the Company. The transactions contemplated under the New Products and Services Supply Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the HK Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the Annual Cap is more than 0.1% but less than 5%, the New Products and Services Supply Agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the independent Shareholders' approval requirements, under Chapter 14A of the HK Listing Rules.

A. INTRODUCTION

On 22 March 2011, the Company entered into the Previous Products and Services Supply Agreement with HSH pursuant to which the Company agreed to supply and HSH agreed to purchase the Products and Services (comprising carpets, rugs and all forms of floor coverings and related installation and transportation services) from the Company. The Previous Products and Services Supply Agreement will expire on 21 March 2014. Details of the transactions under the Previous Products and Services Supply Agreement were set out in the announcement of the Company dated 22 March 2011.

In order to renew the arrangements under the Previous Products and Services Supply Agreement, the Board is pleased to announce that the Company and HSH entered into the New Products and Services Supply Agreement on 18 March 2014 on terms substantially the same as those of the Previous Products and Services Supply Agreement.

B. THE NEW PRODUCTS AND SERVICES SUPPLY AGREEMENT

The terms of the New Products and Services Supply Agreement have been arrived at after arm's length negotiation between the Parties and the principal terms of which are set out below:–

Date

18 March 2014

Parties

- (a) the Company as the supplier; and
- (b) HSH as purchaser.

Transaction Nature

The Company will supply, or will procure that a member of the Group will supply, and HSH will purchase, or will procure that a member of the HSH Group will purchase, such quantities of the Products and the Services as may be ordered from time to time on the terms and conditions set out in the New Products and Services Supply Agreement, provided that the Company is not obliged to supply and HSH is not obliged to purchase any Products or Services ordered, if the

fulfilment of such order would result in the aggregate value of the Products or Services ordered in a particular period exceeding the Annual Cap(s) for the corresponding period set out in the paragraph headed “Annual Caps” of this announcement.

For the avoidance of doubt, HSH will be under no obligation to buy all or any of its requirements for the Products and Services from the Group and the HSH Group will be free to purchase any products or services equivalent or similar to, or performing the same function as the Products or Services from any other person.

The Company may enter into, from time to time, as necessary, separate purchase orders or quotations for each specific transaction contemplated under the New Products and Services Supply Agreement during the Term, with HSH. Each purchase order or quotation will set out further details of the Products and/or Services, price, quantities, delivery terms and other relevant specifications.

Prices

The prices payable by HSH for the Products and Services will be those set out in the quotation sent by the relevant member of the Group to the relevant member of the HSH Group. Such prices will be determined by reference to the Group’s standard prices for such Products and Services and taking into account the cost and prevailing market prices for such Products and Services, subject to such adjustments as may be agreed between the supplying and purchasing parties following arm’s length negotiations.

The supply of the Products and Services by the Company to HSH will be:–

- (a) on normal commercial terms to be agreed between the Company and HSH for each transaction in accordance with the New Products and Services Supply Agreement; and
- (b) at a competitive pricing determined on arm’s length basis by reference to the prevailing market prices of the Products and Services.

Payment Term

HSH will pay to the Company the total amount for each order in the currency specified in the quotation issued by the Company to HSH by cheque or by electronic transfer or by directly depositing funds into such bank account specified by the Company within 30 days after the date of the relevant invoice.

Term

The term of the New Products and Services Supply Agreement will commence on 22 March 2014, and will continue until 31 December 2016 (both days inclusive). Following expiry of the Term, the Parties may agree in writing to renew the New Products and Services Supply Agreement for a further 3-year term. The Company will re-comply with the HK Listing Rules upon renewal of the New Products and Services Supply Agreement.

C. ANNUAL CAPS AND HISTORICAL FIGURES

Annual Caps

In accordance with Rule 14A.35(2) of the HK Listing Rules, the Group has capped the value of its annual consideration under the New Products and Services Supply Agreement with HSH, as set out below:–

Period/Financial Year	Annual Caps
22/3/2014 to 31/12/2014	HK\$8,500,000
1/1/2015 to 31/12/2015	HK\$10,000,000
1/1/2016 to 31/12/2016	HK\$10,000,000

The Annual Caps were arrived at after taking into account the Group's standard prices for the Products and Services, which are reviewed annually on the basis of various factors including the supply and demand for such Products and Services, the costs of providing such Products and Services and their prevailing market prices, estimated inflation and the historical transaction amounts under the Previous Products and Services Supply Agreement. The amounts payable by HSH may be adjusted and other terms of supply may be amended to reflect various factors such as the size of the order. All such adjustments and amendments will be agreed between the relevant members of the Group and the HSH Group following arm's length negotiation.

If for any reason any of the Annual Caps set out above is exceeded, the Company will comply with its obligations under the HK Listing Rules including the requirement to seek independent Shareholders' approval for such transaction.

Historical Figures

Set out below is a summary of the historical annual caps and the historical transaction amounts incurred under the Previous Products and Services Supply Agreement for the three financial years ended 31 December 2011, 2012 and 2013:–

Financial Year	Annual Caps	Actual Transaction Amounts
1/1/2011 to 31/12/2011	HK\$8,500,000	HK\$1,480,000
1/1/2012 to 31/12/2012	HK\$8,500,000	HK\$2,913,000
1/1/2013 to 31/12/2013	HK\$8,500,000	HK\$2,610,000

It is expected that the Company will utilise the proceeds received from the supply of the Products and Services under the New Products and Services Supply Agreement as general working capital of the Group.

D. REASONS FOR AND BENEFITS OF THE NEW PRODUCTS AND SERVICES SUPPLY AGREEMENT

The Previous Products and Services Supply Agreement will expire on 21 March 2014. The execution of the New Products and Services Supply Agreement will enable the Group to continue to work with, and to supply the Products and Services on normal commercial terms to the HSH Group. The HSH Group is a long-standing established customer of the Group and it predominately applies the Products and Services in their prestigious hotels and commercial and residential properties, and the continued supply of the Products and Services by the Group to the HSH Group will help to maintain stability of the Group's business as a whole and reduce transaction and communication costs as the Group is familiar with and has in-depth knowledge of the requirements and needs of the HSH Group.

For the above reasons, the Directors (including the Independent Non-executive Directors) considered that the New Products and Services Supply Agreement has been entered into the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

“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 and traded on the Main Board of the Stock Exchange (stock code: 146)
“connected person(s)”	has the meaning given to it under the HK Listing Rules
“continuing connected transactions”	has the meaning given to it under the HK Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSH”	The Hongkong and Shanghai Hotels, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 45)
“HSH Group”	HSH and its subsidiaries from time to time
“MPTCL”	The Mikado Private Trust Company Limited
“New Products and Services Supply Agreement”	the agreement dated 18 March 2014 entered into between the Company and HSH in relation to the provision of the Products and Services by the Company to HSH in accordance with the terms set out therein
“Parties”	collectively, the Company and HSH
“percentage ratios”	the percentage ratios under Rule 14.07 of the HK Listing Rules
“PRC”	The People’s Republic of China

“Previous Products and Services Supply Agreement”	the agreement dated 22 March 2011 entered into between the Company and HSH in relation to the provision of the Products and Services by the Company to HSH in accordance with the terms set out therein
“Products”	carpets, rugs and all forms of floor coverings
“Services”	installation and transportation of the Products and the provision of related ancillary services
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Term”	the term for the supply and purchase of the Products and Services under the New Products and Services Supply Agreement, which is the period commencing from 22 March 2014 to 31 December 2016 (both days inclusive)
“%”	per cent.

By order of the Board
Tai Ping Carpets International Limited
Lee Siu Kau
Company Secretary

Hong Kong, 18 March 2014

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. Roderic N. A. Sage, Mr. Lincoln C. K. Yung, Mr. Aubrey K. S. Li; Non-executive Directors – Mr. Ian D. Boyce, Mr. David C. L. Tong, Mr. John J. Ying, Mr. Nelson K. F. Leong.