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## **TAI PING CARPETS INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 146)



### **CONTINUING CONNECTED TRANSACTIONS**

The Board announces that the Company entered into a New Supply of Products and Services Agreement on 9 May 2008 with HSH principally on identical terms as those contained in the Existing Supply of Products and Services Agreement for the supply of Products and Services by the Tai Ping Group to the HSH Group for a term of 3 years from 22 March 2008 to 21 March 2011.

BTCL, a substantial shareholder of the Company, is interested in more than 30% of the voting power of HSH. Accordingly, HSH and the other members of the HSH Group are considered connected persons of the Company for the purposes of the Listing Rules. The supply of Products and Services under the New Supply of Products and Services Agreement therefore constitutes continuing connected transactions of the Company under rule 14A.14 of the Listing Rules.

The New Supply of Products and Services Agreement provides that the Company is not obliged to supply any Products and Services ordered if the fulfilment of such an order would result in the annual consideration for the Products and Services for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 either equalling or exceeding HK\$8,500,000. This limit is below the thresholds for the Company referred to in rule 14A.34 of the Listing Rules. Accordingly, the Company is only subject to the reporting, announcement and annual review requirements in respect of the New Supply of Products and Services Agreement set out in rules 14A.45 to 14A.47 and rules 14A.37 to 14A.40 of the Listing Rules. If for any reason these levels are exceeded, the Company will comply with its obligations under the Listing Rules including the requirement to seek independent shareholder approval for such transactions.

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BTCL is a substantial shareholder of the Company. BTCL is also interested in more than 30% of the voting power of HSH. Accordingly, HSH and the other members of the HSH Group are considered connected persons of the Company for the purposes of the Listing Rules.

A summary of the principal terms of the New Supply of Products and Services Agreement are set out below:

**Date**

9 May 2008

**Parties**

The Company (as supplier) and HSH (as customer).

**Nature of the transactions**

The provision by the Tai Ping Group of Products and Services to the HSH Group.

**Term**

The New Supply of Products and Services Agreement will be effective from 22 March 2008 and will continue until 21 March 2011 (both dates inclusive). The parties may agree in writing to renew the New Supply of Products and Services Agreement for a further 3-year term upon its expiry on 21 March 2011 and the Company will re-comply with the Listing Rules upon renewal of the Agreement.

**Prices**

The prices payable for the Products and Services will be those set out in the quotation sent by the relevant member of the Tai Ping Group to the relevant member of the HSH Group. Such prices will be determined by reference to the Tai Ping Group's standard prices for such Products and Services, subject to such adjustments as may be agreed between the parties following arm's length negotiations.

**The Annual Limit**

The Company shall not be obliged to supply Products and Services ordered under the New Supply of Products and Services Agreement if the fulfillment of such order would result in the annual consideration for Products and Services for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 either equaling or exceeding HK\$8,500,000.

This annual limit of HK\$8,500,000 is below the thresholds of the Company referred to in rule 14A.34 of the Listing Rules. Accordingly, the Company is only subject to the reporting, announcement and annual review requirements in respect of the New Supply of Products and Services Agreement set out in rules 14A.45 to 14A.47 and rules 14A.37 to 14A.40 of the Listing Rules. If for any reason these levels are exceeded, the Company will comply with its obligations under the Listing Rules including the requirement to seek independent shareholder approval for such transactions.

## **CONSIDERATION**

The consideration payable for the Products and Services to be supplied pursuant to the New Supply of Products and Services Agreement will continue to be determined by reference to the Tai Ping Group's standard prices for such Products and Services. These prices are reviewed annually on the basis of various factors including the supply and demand for such Products and Services and the costs of providing such Products and Services. The amounts payable by HSH may well 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 Tai Ping Group and the HSH Group following arm's length negotiation.

The annual limit for the supply of the Products and Services under the Existing Supply of Products and Services Agreement is HK\$8,500,000 and the annual consideration for such orders for the financial years ended 31 December 2005, 2006 and 2007 was approximately HK\$6,800,000, HK\$5,900,000 and HK\$3,700,000 respectively. The annual consideration for such transactions is dependant upon the extent of the HSH Group's renovation or new building projects in any one year and the number and value of transactions awarded to the Tai Ping Group in connection with such projects. Accordingly, the parties to the New Supply of Products and Services Agreement have agreed to maintain the annual limit for the supply of the Products and Services under the Existing Supply of Products and Services Agreement.

## **RELATIONSHIP BETWEEN THE COMPANY AND HSH**

BTCL is a substantial shareholder of the Company holding approximately 55% of the issued share capital of the Company. BTCL is also interested in more than 30% of the voting power of HSH. Accordingly, HSH and the other members of the HSH Group are considered connected persons of the Company for the purposes of the Listing Rules. Mr. Nicholas T. J. Colfer, the Chairman of the Company, and Mr. Ian D. Boyce, a Non-executive Director of the Company, also sit on the board of HSH.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Existing Supply of Products and Services Agreement expired on 21 March 2008. The Continuing Connected Transactions allow the Tai Ping Group to continue to supply Products and Services on normal commercial terms to the HSH Group for use in their prestigious hotels and commercial and residential properties.

The Board, including the Independent Non-executive Directors, consider that the entering into the New Supply of Products and Services Agreement is in the ordinary and usual course of business of the Tai Ping Group and on normal commercial terms which are fair and reasonable, were negotiated at arm's length and are in the interests of the Shareholders as a whole.

## **GENERAL**

The Tai Ping 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.

HSH is a holding company whose subsidiaries are engaged in the ownership and management of prestigious hotels, commercial and residential properties in key destinations in Asia and the USA.

## **DEFINITIONS**

“Board”	the board of Directors
“BTCL”	Bermuda Trust Company Limited
“Company”	Tai Ping Carpets International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 146)
“Continuing Connected Transactions”	the continuing connected transactions entered into from time to time between the Tai Ping Group and the HSH Group for the provision of Products and Services
“Directors”	The directors (including Non-executive Directors and Independent Non-executive Directors) of the Company
“Existing Supply of Products and Services Agreement”	the agreement dated 22 March 2005 between the Company and HSH in relation to the provision of Products and Services which expired on 21 March 2008
“HK\$”	Hong Kong dollar, the lawful currency of the Hong Kong Special Administrative Region, the People’s Republic of China
“HSH”	The Hongkong and Shanghai Hotels, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 45)
“HSH Group”	HSH and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“New Supply of Products and Services Agreement”	the agreement dated 9 May 2008 between the Company and HSH in relation to the Continuing Connected Transactions
“Products”	carpets, rugs and all forms of floor coverings
“Services”	installation and transportation of the Products and the provision of related ancillary services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Ping Group”	the Company and its subsidiaries

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

Hong Kong, 9 May 2008

*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).*