



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 Tuesday, 25 May 2004 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited Statements of Accounts and the Reports of Directors and Auditors for the year ended 31 December 2003.
2. To declare a final dividend for the year ended 31 December 2003.
3. To re-elect directors of the Company and fix their remuneration.
4. To re-appoint Auditors and authorize directors of the Company to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions shown as items 5 and 6 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 in the share capital of the Company ("Shares") 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 to Shares issued as a result of a Rights Issue (as defined below) shall not exceed 20 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 authorize 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
 - (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 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 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 10 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 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.”

to consider and, if thought fit, pass the following resolution shown as item 7 as a special resolution:

7. “THAT:

The Bye-laws of the Company be and are hereby amended in the following respects:

- (a) by adding the following definition in Bye-law 1:

“associate(s)” shall have the meaning as defined in the Listing Rules;

- (b) by deleting the existing definition of “Clearing House” in Bye-law 1 and replacing it with the following new definition:

“Clearing House” shall mean a recognized clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorized shares depository recognized by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

(c) by adding the following Bye-law 89(C) immediately after Bye-law 89(B)

“89 (C) where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement shall not be counted.”

(d) by deleting Bye-law 108(B)(ii) in its entirety and replacing it with the following paragraph:

“108(B)(ii) If a Director or any of his associates is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company, and if such interest in the contract or proposed contract is material, the Director shall declare the nature of his interest or the interest of any of his associates at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest (or the said interest of any of his associates) then exists, or in any other case at the first meeting of the Board after he knows that he or any of his associates is or has become so interested.”

(e) by deleting Bye-law 108(B)(iii) in its entirety and replacing it with the following:

“108(B) (iii) A Director shall not vote or be counted in the quorum in respect of any such contract or arrangement in which he or any of his associates is so interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to:–

- (a) any contract or arrangement or proposal for giving to any Director or any of his associates any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries; and/or
- (b) any contract or arrangement or proposal for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself or any of his associates has assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security; and/or
- (c) any proposal in relation to an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is or is to be interested as a participant in the underwriting or sub-underwriting of the offer; and/or
- (d) any proposal concerning any other company in which the Director or any of his associates is interested, whether directly or indirectly, only as an officer of that other company; and/or
- (e) any proposal concerning any other company in which the Director or any of his associates is interested as a holder of shares or other securities of that company, provided that the interest of such Director (together with any of his associates) in such shares or securities is equal to or less than five per cent. of such issued shares or securities or the voting rights attaching to such issued shares or securities; and/or

- (f) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (fa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or
 - (fb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (g) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company."

(d) by deleting Bye-law 108(B)(iv) in its entirety and replacing it with the following:

"108(B) (iv) Provided that disclosure or declaration of the interest is duly made as mentioned under paragraph (B)(ii) of this Bye-law and that the relevant contract or arrangement or proposal is one as described under sub paragraphs (a) to (g) of paragraph (B)(iii) of this Bye-law, a Director shall be entitled to vote in respect of any such contract or arrangement or proposal in which he or any of his associates is interested and to be counted in the quorum present at the meeting at which such contract or arrangement or proposal is considered."

(e) by deleting Bye-law 108(B)(vi) in its entirety and replacing it with the following:

"108(B) (vi) A general notice to the Board by a Director that he or any of his associates is a member of a specified firm or corporation and is to be regarded as interested in any contract or arrangement which may be made with that firm or corporation after the date of such notice or that he or any of his associates is to be regarded as interested in any contract or arrangement which may be made with a specified person who is connected with him after the date of such notice shall for the purpose of paragraph (B)(ii) of this Bye-law be deemed to be a sufficient declaration of interest in relation to any contract or arrangement so made, provided that no such notice shall be of effect unless either it is given at a meeting of the Board or the Director takes reasonable steps to ensure that it is brought up and read at the next meeting of the Board after it is given."

(f) by deleting Bye-law 114 in its entirety and replacing it with the following:

“114 No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been delivered to the Company at the registered office or Head Office during a period of not less than seven days commencing no earlier than the day of the despatch of notice of the meeting appointed for such election and ending no later than seven days prior to the date appointed for the meeting.”

By Order of the Board
Ernest P. L. LAW
Company Secretary

Hong Kong, 28 April 2004

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. In order for a form of proxy for use at the meeting to be valid, it must be deposited at the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority. Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person, if you so wish.
3. The register of members of the Company will be closed from Wednesday, 19 May 2004 to Tuesday, 25 May 2004, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-05, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 18th May 2004.
4. Concerning items 5 and 6 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. The obtaining of such mandates is in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").
5. Explanatory notes to the proposed amendments to the Bye-laws of the Company
 - (i) Bye-law 1 To add the definition of "associate(s)" and to amend the definition of "Clearing House".
 - (ii) Bye-law 89 (C) To reflect the restriction on voting by members as required by the amended Appendix 3 of the Listing Rules.
 - (iii) Bye-laws 108(B)(ii)-(iv), 108(B)(vi) To be consistent with the provisions of the amended Appendix 3 of the Listing Rules so that, subject to certain exceptions, a Director is not allowed to vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.
 - (iv) Bye-law 114 To be consistent with the amended Appendix 3 of the Listing Rules which requires there to be a minimum period during which notice to the Company to propose a person for election as a Director and during which period notice to the Company by such person of his willingness to be elected may be given. This minimum period must be fixed for at least seven days and should commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

The names of Directors as at the date hereof are – Chairman: Mr. James S. Dickson Leach, Honorary Life President: Mr. Anthony Y.C. Yeh, Chief Executive Officer: Mr. James H. Kaplan, Executive Director: Ms. Alison S. Bailey, Independent Non-executive Directors: Mr. Michael T. H. Lee, Mrs. Yvette Y. H. Fung, Non-executive Directors: Mr. Ian D. Boyce, Mr. John J. Ying, Mr. Kent M. C. Yeh, Mr. Nicholas T. J. Colfer, Mr. Lincoln K. K. Leong, Mr. Lincoln C. K. Yung, Alternate Directors: Mr. Nelson K. F. Leong (Alternate to Mr. Lincoln K. K. Leong), Mr. David C. L. Tong (Alternate to Mr. James S. Dickson Leach, Mr. Nicholas T. J. Colfer and Mr. Ian D. Boyce).