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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 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)



**DISCLOSEABLE TRANSACTION**

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

A letter from the Board is set out on pages 3 to 6 of this circular.

25 September 2007

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“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)
“Completion”	the completion of the Disposal
“Directors”	the directors (including non-executive and independent non-executive directors) of the Company
“Disposal”	the sale of all of Everfit’s title, rights and interest in the Property
“Everfit”	Everfit Textile Limited, a company incorporated in Hong Kong with limited liability and an 85% subsidiary of the Company
“Formal Sale and Purchase Agreements”	the formal agreement for sale and purchase dated 19 September 2007 between Everfit and each Purchaser in respect of the relevant Unit(s) of the Property
“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 People’s Republic of China
“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates and which is(are) not connected persons of the Company (as defined in the Listing Rules)
“Latest Practicable Date”	20 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Property”	Units A, B, C, D and E on the 10th Floor and two car parks (numbers 26 and 27) on the Ground Floor of Mai Gar Industrial Building, 146 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong
“Provisional Sale and Purchase Agreements”	6 provisional sale and purchase agreements dated 5 September 2007 between, among others, Everfit and the Purchasers in respect of the Property
“Purchasers”	Ample Sun Limited, Sotime Limited, Mainyer Ltd., Fai Hwa Limited, Genius Express Limited and Jitaki Ltd., companies incorporated in Hong Kong with limited liability
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	the shareholders of the Company
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Units”	Units A, B, C, D and E and two car parks (numbers 26 and 27) of the Property or any one of them as the context may require

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## LETTER FROM THE BOARD

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# TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 146)



## TAI PING

### **Board of Directors:**

#### *Non-executive Directors:*

Nicholas T. J. Colfer, *Chairman*

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)

#### *Independent Non-executive Directors:*

Yvette Y. H. Fung

Michael T. H. Lee

Roderic N. A. Sage

Lincoln C. K. Yung

#### *Executive Director:*

James H. Kaplan, *Chief Executive Officer*

### **Registered office:**

Canon's Court

22 Victoria Street

P.O. Box HM 1179

Hamilton HM EX

Bermuda

### **Principal Place of Business:**

26/F, Tower A

Regent Centre

63 Wo Yi Hop Road

Kwai Chung

Hong Kong

25 September 2007

Dear Shareholder(s),

## **DISCLOSEABLE TRANSACTION**

### **INTRODUCTION**

The Board of the Company announces that on 5 September 2007, Everfit entered into the Provisional Sale and Purchase Agreements to sell its rights, title and interest in the constituent Units comprising the Property to the relevant Purchasers for an aggregate consideration of HK\$20,060,000.

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with further information in relation to the transaction outlined above.

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## LETTER FROM THE BOARD

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### DETAILS OF EACH PROVISIONAL SALE AND PURCHASE AGREEMENT

#### Date

5 September 2007

#### Parties

Seller : Everfit  
Purchaser : the relevant Purchaser  
Agent : a real estate agent holding an Estate Agent's Licence (Company) in Hong Kong

Everfit and each Purchaser entered into the Formal Sale and Purchase Agreements in respect of the relevant Unit(s) on 19 September 2007.

#### Consideration

The aggregate consideration for the Property of HK\$20,060,000 will be payable in cash in the following manner:

- (i) an initial deposit of HK\$2,006,000 was paid on the signing of the Provisional Sale and Purchase Agreements; and
- (ii) the balance of the consideration of HK\$18,054,000 shall be payable on Completion.

The aggregate consideration was determined following arm's length negotiations between the parties on normal commercial terms, after taking into account past transaction prices, monthly rental income and the valuation made by an independent property valuer appointed by the Group as at 31 December 2006.

#### Completion

Pursuant to the Provisional Sale and Purchase Agreements, it is expected that the Completion will take place on or before 20 December 2007. The Purchasers have agreed to purchase the relevant Units comprising the Property subject to the existing tenancies upon Completion.

#### Other terms

Completion is conditional upon the sale and purchase of all the Units comprising the Property occurring simultaneously.

Should the Purchasers fail to complete the purchase of the Property, Everfit shall be entitled to forfeit the deposits paid by the Purchasers. Should Everfit fail to complete the sale of the Property, the Purchasers shall be entitled to a refund of all the deposits paid by the Purchasers together with a sum equivalent to the amount of the deposits paid by the Purchasers as liquidated damages.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PROPERTY

The Property was used by Everfit as a factory to manufacture canvas until such business ceased in 2001. The Property was then leased to third parties by the Group to earn rental income.

The rental income attributable to the Property for the last two financial years ended 31 December 2006 and 2005 was HK\$672,000 and HK\$586,000 respectively.

The profit before taxation attributable to the Property for the last two financial years ended 31 December 2006 and 2005 was HK\$578,000 and HK\$423,000 respectively.

The value of the Property as at 31 December 2006, as booked in the audited consolidated accounts of the Company, was HK\$11,600,000 and represented approximately 1% of the consolidated net asset value of the Group as at 31 December 2006. Such value of the Property as at 31 December 2006 was extracted from the valuation conducted by an independent property valuer appointed by the Group. When compared with the consideration of HK\$20,060,000, the consideration represents a premium of approximately 73%.

The net gain arising from the Disposal, after deducting commission and legal and other expenses, amounted to approximately HK\$8,160,000.

Save as disclosed in this circular, the Disposal shall not have any material effect on the earnings and assets and liabilities of the Group.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Property is not a core asset of the Group and the yield from leasing the Property has declined in relative terms and is low. The Directors of the Company intend to deploy the Group's assets and financial resources to focus on growing the carpets business, and consider this an opportune time to sell the Property and realise the capital gain on the growth in the industrial property market.

The Directors are of the view that the terms of the Provisional Sale and Purchase Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net proceeds from the Disposal of approximately HK\$19,760,000 will be used as general working capital by the Group.

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## LETTER FROM THE BOARD

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### GENERAL

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.

Everfit is an 85% subsidiary of the Company and is principally engaged in the holding of the Property.

To the best of the Directors' knowledge, the principal business activity of the Purchasers is investment holding.

Also, to the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, the Purchasers and their ultimate beneficial owner(s) are Independent Third Parties.

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**TAI PING CARPETS INTERNATIONAL LIMITED**  
**Raymond W. M. Mak**  
*Company Secretary*



## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (“Model Code”) were as follows:

### Long Positions in Shares

Name	Personal interests	Corporate interests	Aggregate % of the share capital
Ian D. Boyce	214,371	–	0.101%
David C. L. Tong	431,910	–	0.204%
Lincoln C. K. Yung	30,000	–	0.014%
Lincoln K. K. Leong	–	2,000,000*	0.943%
Nelson K. F. Leong <i>(Alternate Director to Lincoln K. K. Leong)</i>	–	2,000,000*	0.943%
John J. Ying	–	32,605,583#	15.366%
James H. Kaplan	522,000	–	0.246%

\* Mr Nelson K. F. Leong is interested in the same Shares as disclosed by Mr Lincoln K. K. Leong. The Shares are held through a company which is controlled by Mr Lincoln K. K. Leong and Mr Nelson K. F. Leong.

# The Shares are held through Peak Capital Partners I, L.P. of which Mr John J. Ying is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the Shares held by Peak Capital Partners I, L.P. (the Company is advised that the term “general partner” commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).

**Interests in Options**

<b>Name</b>	<b>Options held as at the Latest Practicable Date</b>	<b>Exercise price (HK\$)</b>	<b>Exercisable from</b>	<b>Exercisable until</b>
James H. Kaplan	500,000	1.21	31 December 2007	31 January 2008

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**Interests and Short Positions of Shareholders**

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

**Long Positions of Substantial Shareholders in the Shares of the Company**

Name	No. of ordinary shares held in the Company of HK\$0.10 each	Aggregate % of the share capital
Acorn Holdings Corporation	117,688,759*	55.465%
Bermuda Trust Company Limited	117,688,759*	55.465%
Harneys Trustees Limited	117,688,759*	55.465%
Lawrencium Holdings Limited	117,688,759*	55.465%
New Holmium Holding Corporation	117,688,759*	55.465%
The Hon. Sir Michael Kadoorie	117,688,759*	55.465%
Peak Capital Partners I, L.P.	32,605,583#	15.366%

\* *Bermuda Trust Company Limited are deemed to be interested in the same 117,688,759 Shares in which Lawrencium Holdings Limited and Acorn Holdings Corporation are deemed to be interested. Lawrencium Holdings Limited, Acorn Holdings Corporation and Harneys Trustees Limited are deemed to be interested in the same 117,688,759 Shares in which New Holmium Holding Corporation is interested. These Shares are held by New Holmium Holding Corporation. For the purpose of the SFO, the spouse of the Hon. Sir Michael Kadoorie has a duty of disclosure in Hong Kong in relation to the 117,688,759 Shares. The interest disclosed by the spouse of the Hon. Sir Michael Kadoorie is that of the Hon. Sir Michael Kadoorie attributed to her under the SFO. Except the above, she has no interest, legal or beneficial in those Shares.*

# *Mr John J. Ying (a Non-executive Director of the Company) is the sole shareholder of the general partner of Peak Capital Partners I, L.P. and is deemed to have an interest in the Shares held by Peak Capital Partners I, L.P. (the Company is advised that the term “general partner” commonly refers to the entity liable for all the debts and obligations of a limited partnership and has power to bind a limited partnership).*

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

**3. COMPETING BUSINESS INTERESTS OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in any business apart from the Group’s businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**4. LITIGATION**

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

**5. SERVICE CONTRACTS**

Mr. James H. Kaplan (“Mr. Kaplan”) entered into a service contract with Tai Ping Carpets Americas, Inc., a wholly-owned subsidiary of the Company, on 15 October 2003 (subsequently amended by a letter agreement dated 14 December 2006 setting out the new terms of employment with effect from 1 January 2006). This contract has no fixed term and may be terminated by either party by 3 months’ written notice. Mr. Kaplan is entitled to an annual base salary of US\$500,000 (approximately HK\$3,900,000) together with incentive bonus and other benefits. Mr. Kaplan is also entitled to participate in a profit sharing scheme. If this service contract is terminated due to a change of control of the Company, in addition to the statutory compensation, Mr. Kaplan is also entitled to a severance payment subject to certain conditions.

Save as disclosed above, none of the Directors have any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**6. MISCELLANEOUS**

- (a) The company secretary of the Company is Raymond W. M. Mak, FCCA, CPA.
- (b) The qualified accountant of the Company is Raymond W. M. Mak, FCCA, CPA.
- (c) The registered office of the Company is at Canon’s Court, 22 Victoria Street, P.O. Box HM 1179, Hamilton HM EX, Bermuda.
- (d) The principal place of business of the Company is at 26/F, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong.
- (e) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, 46/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (f) The principal share registrar of the Company is The Bank of Bermuda Limited, 6 Front Street, Hamilton HM11, Bermuda.
- (g) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.