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**TECHTRONIC INDUSTRIES CO. LTD.**  
**創科實業有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 669)**

## **PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES**

### **Placing Agents**



*(in alphabetical order)*

### **Financial Adviser to the Company**



**Standard Chartered Bank (Hong Kong) Limited**

On 29 July 2009, the Vendor entered into the Placing Agreement with the Placing Agents and the Company and the Subscription Agreement with the Company.

Pursuant to the Placing Agreement, the Vendor has agreed to place, through the Placing Agents, an aggregate of 90 million existing Shares, to not less than six independent investors at a price of HK\$6.73 per Share. Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for an aggregate of 90 million new Shares at a price of HK\$6.73 per Share.

The Placing Shares (or the Subscription Shares) represent (i) approximately 6.0% of the existing issued share capital of the Company of 1,501,252,152 Shares as at the date of this announcement and (ii) approximately 5.7% of the issued share capital of the Company of 1,591,252,152 Shares as enlarged by the Subscription.

The Placing Price (or the Subscription Price) of HK\$6.73 per Placing Share, represents a discount of approximately 4.8% to the closing price of HK\$7.07 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 4.9% to the average closing price of HK\$7.08 per Share as quoted on the Stock Exchange for the last five trading days up to the day preceding the Last Trading Day immediately prior to the date of the Placing Agreement and Subscription Agreement.

The Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares and (ii) the completion of the Placing.

The net proceeds from the Subscription will amount to approximately HK\$592 million. The Company intends to use such proceeds to repay the existing indebtedness of the Group and for general working capital purposes.

## **A. PLACING AGREEMENT**

### **Date:**

29 July 2009

### **Parties:**

The Vendor, the Company and the Placing Agents.

### **Placing Agents:**

Merrill Lynch, Citi and HSBC together are the Placing Agents. The Placing Agents are not connected persons of the Group or associates of the Vendor.

### **Placees:**

The Placees are professional, institutional and other investors (the number of which is more than six) who are (i) not a Director (existing and within the preceding 12 months), chief executive or substantial shareholder (each as defined in the Listing Rules) of the Company or any of their associates or associates of the Vendor and (ii) are independent of and not acting in concert (as defined in the Takeovers Code) with the Vendor.

### **Placing Shares:**

90 million Shares, representing approximately 6.0% of the Company's existing issued share capital, and approximately 5.7% of the issued share capital of the Company as enlarged by the Subscription.

**Placing Price:**

The Placing Price of HK\$6.73 per Placing Share represents a discount of approximately 4.8% to the closing price of HK\$7.07 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 4.9% to the average closing price of HK\$7.08 per Share as quoted on the Stock Exchange for the last 5 trading days up to the day preceding the Last Trading Day. The net Placing Price is HK\$6.58 per Share being the Placing Price net of expenses.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agents. The Directors (including the independent non-executive Directors) consider the Placing Price to be fair and reasonable.

**Rights of the Placing Shares:**

The Placing Shares are sold free from all third party rights, liens, charges, equities and encumbrances and together with all rights attaching thereto including the right to receive all dividends and distributions declared, made or paid after the Closing Date.

**Conditions of the Placing:**

Completion of the Placing is conditional upon, *inter alia*:

- (i) the Subscription Agreement having been entered into by the Vendor and the Company and each of the conditions to the Subscription Agreement (other than any such conditions which relate to the Placing Agreement becoming unconditional and being completed) being satisfied or waived in accordance with its terms; and
- (ii) there having been, prior to completion of the Placing, no breach of the representations, warranties and undertakings given by the Vendor and by the Company which come to the attention of any of the Placing Agents.

**Completion of the Placing:**

Completion of the Placing shall take place on or before the Closing Date.

**Termination of the Placing Agreement:**

The Placing Agents are entitled (*inter alia*), on the occurrence of certain specified force majeure events, to terminate the Placing Agreement by notice in writing to the Company and the Vendor at any time prior to the Closing Date. The Placing Agents are also entitled to terminate the Placing Agreement in the event of any breach of the warranties, representations or covenants contained in the Placing Agreement or failure to perform any of the Company's or the Vendor's undertakings set out in the Placing Agreement.

**Lock-up Undertaking:**

The Company has undertaken to the Placing Agents under the Placing Agreement that, from the date of the Placing Agreement and for a period of 90 days after the date of the Placing Agreement, it will not, and the Vendor has undertaken to the Placing Agents to procure that the Company will not, issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase

or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depository receipt facility, without the prior written consent of the Placing Agents, other than (i) the sale of the Placing Shares pursuant to the Placing Agreement, (ii) the issue and allotment of new Shares pursuant to the terms of the Subscription Agreement, (iii) Shares to be issued upon exercise of warrants to purchase or subscribe Shares, or upon conversion of convertible bonds and other securities convertible into Shares, in each case, outstanding on the date of the Subscription Agreement, and (iv) Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) issued, offered, allotted, appropriated, modified or granted to employees (including directors) or former employees of the Company, its subsidiaries and/or associated companies or persons related to such employees (including directors) or former employees, directly or indirectly, pursuant to any employee share scheme or arrangement for any one or more employees generally or as required by law.

The Vendor has undertaken to the Placing Agents under the Placing Agreement that, from the date of the Placing Agreement and for a period of 90 days after the date of the Placing Agreement and subject to completion, it will not offer, lend, sell, pledge, contract to sell, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares), or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into by any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depository receipt facility, without the prior written consent of the Placing Agents.

In addition, by a separate deed dated 29 July 2009 made between Mr. Pudwill, Mr. Chung and Cordless in favour of the Placing Agents:

- (i) Cordless has undertaken to the Placing Agents that, for a period of 90 days from the date of the Placing Agreement, it will not, and each of Mr. Pudwill and Mr. Chung has undertaken to the Placing Agents to procure that Cordless will not, without the prior written consent of the Placing Agents, issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares), or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise

dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depository receipt facility; and

- (ii) each of Mr. Pudwill and Mr. Chung has further undertaken to the Placing Agents that, for a period of 90 days from the date of the Placing Agreement, neither he nor any person controlled by him nor any person acting on its behalf, without the prior written consent of the Placing Agents, will offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, either directly or indirectly, any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depository receipt facility, other than the sale of the Placing Shares pursuant to the Placing Agreement.

## **B. SUBSCRIPTION AGREEMENT**

### **Date:**

29 July 2009

### **Parties:**

The Vendor and the Company.

### **Subscription Shares:**

90 million Shares, representing approximately 6.0% of the Company's existing issued share capital or 5.7% of the issued share capital of the Company as enlarged by the Subscription.

The Subscription Shares will be issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2009 subject to a limit of up to 10% of the aggregate nominal amount of the Shares in issue as at the date of passing the resolution at the annual general meeting. The nominal amount of the issued share capital of the Company as at the date of the resolution, i.e. 27 May 2009 was HK\$150,125,215.20 (or 1,501,252,152 Shares).

### **Subscription Price:**

The Subscription Price is HK\$6.73 per Share, which is the same as the Placing Price. The net Subscription Price is HK\$6.58 per Share being the Subscription Price net of expenses. The net proceeds upon completion of the Subscription will be HK\$592 million, being the Subscription Price net of expenses in relation to the Placing. The Company will also pay the costs and expenses of the Subscription.

## Ranking of the Subscription Shares:

The Subscription Shares, when fully paid, will rank *pari passu* with the existing Shares including the right to receive dividends and other distributions declared, made or paid after the date of issue of the Subscription Shares.

## Conditions of the Subscription:

Completion of the Subscription is conditional upon, *inter alia*:

- (a) the completion of the Placing; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all of the Subscription Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

## Completion of the Subscription:

The conditions in the Subscription Agreement are expected to be fulfilled on or before 10 August 2009, or such later date as may be agreed by the Company and the Vendor. Completion of the Subscription shall take place within two days following receipt by the Vendor of written confirmation that the conditions in the Subscription Agreement have been satisfied.

If the Subscription is not completed within 14 days after the date of the Placing Agreement, the Subscription will be subject to compliance with all requirements in relation to connected transactions under the Listing Rules and the completion of the Subscription will be conditional upon the shareholders' approval from the independent shareholders of the Company having been obtained.

## C. SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after completion of the Placing and (iii) immediately after completion of the Placing and the Subscription:

Shareholder	As at the date of this announcement		Immediately after completion of the Placing		Immediately after completion of the Placing and the Subscription	
	Shares	%	Shares	%	Shares	%
The Vendor and parties acting in concert with the Vendor <sup>(1)</sup>	469,732,242	31.3	379,732,242	25.3	469,732,242	29.5
Other Directors <sup>(2)</sup>	3,334,500	0.2	3,334,500	0.2	3,334,500	0.2
Other public Shareholders	1,028,185,410	68.5	1,118,185,410	74.5	1,118,185,410	70.3
<b>TOTAL</b>	<b><u>1,501,252,152</u></b>	<b><u>100.0</u></b>	<b><u>1,501,252,152</u></b>	<b><u>100.0</u></b>	<b><u>1,591,252,152</u></b>	<b><u>100.0</u></b>



*Notes:*

- (1) At the date of this announcement, the Shares of the Vendor and parties acting in concert with the Vendor are held as follows: 169,861,000 Shares are held by Mr. Horst Julius Pudwill as beneficial owner, 186,084,764 Shares are held by Sunning Inc. (which is 100% controlled by Mr. Horst Julius Pudwill), 71,405,948 Shares are held by Dr. Roy Chi Ping Chung as beneficial owner, 37,075,030 Shares are held by Cordless Industries Company Limited (which is 70% controlled by Mr. Horst Julius Pudwill and 30% controlled by Dr. Roy Chi Ping Chung), 4,409,500 Shares are held by Mr. Stephan Horst Pudwill (the son of Mr. Horst Julius Pudwill), 760,000 Shares are held by the spouse of Mr. Horst Julius Pudwill and 136,000 Shares are held by the spouse of Dr. Roy Chi Ping Chung.
- (2) The other Directors comprise Mr. Joseph Galli Jr., Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan, Mr. Vincent Ting Kau Cheung, Mr. Joel Arthur Schleicher, Mr. Christopher Patrick Langley OBE, Mr. Manfred Kuhlmann and Mr. Peter David Sullivan.

#### **D. REASON FOR THE PLACING AND THE SUBSCRIPTION**

The Directors (including the independent non-executive Directors) consider that the Placing and the Subscription represents an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

The net proceeds from the Subscription will amount to approximately HK\$592 million. The Company intends to use such proceeds to repay the existing indebtedness of the Group and for general working capital purposes.

#### **E. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS**

The Company has raised funds in the past 12 months by issue of equity securities comprising of the Convertible Bonds and the Warrants. The net proceeds from the issue of the Convertible Bonds were approximately HK\$1,138.3 million. Upon exercise in full of the Warrants, the net proceeds from the Warrants to the Company are expected to be approximately HK\$285.0 million.

#### **F. GENERAL**

The Company acts as a holding company and its subsidiaries manufacture and trade electrical and electronic products.

#### **G. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Citi”	Citigroup Global Market Asia Limited
“Closing Date”	3 August 2009 or such other date as the Vendor and the Placing Agents shall agree

“Company”	Techtronic Industries Co. Ltd., a public company limited by shares incorporated in Hong Kong, the Shares of which are listed on the Stock Exchange
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the 8.5 per cent. unlisted and unsecured convertible bonds due 2014 in the maximum aggregate principal amount of US\$150,000,000 issued by the Company created by trust deed dated 30 April 2009 and entitling the holders (among other things) to convert such bonds into Shares at a present conversion price of HK\$5.20 per Share
“Cordless”	Cordless Industries Company Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Last Trading Day”	29 July 2009, being the last full day of trading on the Stock Exchange before the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merrill Lynch”	Merrill Lynch Far East Limited
“Mr. Chung”	Roy Chi Ping Chung, Vice Chairman of the Company
“Mr. Pudwill”	Horst Julius Pudwill, Chairman and Chief Executive Officer of the Company
“Placing”	the placing by or on behalf of the Placing Agents and, where appropriate, the purchase as principal by the Placing Agents of the Placing Shares on the terms and subject to the terms referred to in the Placing Agreement
“Placing Agents”	Merrill Lynch, Citi and HSBC
“Placing Agreement”	the placing agreement dated 29 July 2009 made between the Vendor, the Company and the Placing Agents in relation to the Placing
“Placing Price”	HK\$6.73 per Placing Share
“Placing Shares”	an aggregate of 90 million Shares beneficially owned by Mr. Pudwill and to be placed pursuant to the Placing Agreement



“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 90 million new Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 29 July 2009 made between the Company and the Vendor in relation to the Subscription
“Subscription Price”	HK\$6.73 per Subscription Share
“Subscription Shares”	an aggregate of 90 million Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Vendor”	Sunning Inc., a company incorporated in Cayman Islands with limited liability, whose shares are wholly owned by Mr. Pudwill
“Warrants”	the warrants, up to a maximum number of 55,888,500, to be issued by the Company entitling the holders thereof to subscribe for new Shares at an exercise price of HK\$5.10 per Share
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of  
**Techtronic Industries Co. Ltd.**  
**Frank Chi Chung Chan**  
*Company Secretary*

Hong Kong, 30 July 2009

*As at the date of this announcement, the Board of the Company comprises six Group Executive Directors, namely, Mr. Horst Julius Pudwill (Chairman), Dr. Roy Chi Ping Chung JP (Vice Chairman), Mr. Joseph Galli Jr. (Chief Executive Officer), Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan and Mr. Stephan Horst Pudwill, one Non-Executive Director, namely, Mr. Vincent Ting Kau Cheung and four Independent Non-Executive Directors, namely, Mr. Joel Arthur Schleicher, Mr. Christopher Patrick Langley OBE, Mr. Manfred Kuhlmann and Mr. Peter David Sullivan.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*