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**Techtronic Industries Co. Ltd.**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 669)**

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

**Joint Placing Agents**



**Co-Placing Agent**



**CLSA Limited**

On 8 September 2005, 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 96,000,000 existing Shares, to not less than six independent investors at a price of HK\$19.25 per Share. Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for an aggregate of 96,000,000 new Shares at a price of HK\$19.25 per Share.

The Placing Shares (or the Subscription Shares) represent (i) approximately 7.05% of the existing issued share capital of the Company of 1,361,898,652 Shares as at the date of this announcement and (ii) approximately 6.58% of the issued share capital of the Company of 1,457,898,652 Shares as enlarged by the Subscription.

The Placing Price (or the Subscription Price) of HK\$19.25 per Placing Share, represents a discount of approximately 3.75% to the closing price of HK\$20.00 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 3.61% to the average closing price of HK\$19.97 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day.

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\$1,815 million, which will be used to repay the existing indebtedness of the Group and for general working capital purposes and potential acquisitions which the Directors believe will create synergies to the Group. The Company has not entered into any agreement in relation to any potential acquisitions nor has the Company committed itself to any exclusive negotiations with any third party which will lead to the conclusion of such agreement up to the date of this announcement.

Trading in the Shares, the Convertible Bonds and the derivative warrants in respect of the Company on the Stock Exchange was suspended with effect from 2:30 p.m. on 8 September 2005 at the request of the Company pending release of this announcement. Application has been made by the Company for the resumption of trading of the Shares, the Convertible Bonds and the derivative warrants in respect of the Company on the Stock Exchange with effect from 9:30 a.m. on 9 September 2005.

#### **A. PLACING AGREEMENT**

**Date:**

8 September 2005

**Parties:**

The Vendor, the Company and the Placing Agents.

**Placing Agents:**

Merrill Lynch and HSBC together are the Joint Placing Agents. CLSA Limited is the Co-Placing Agent. 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 and whose ultimate beneficial owners 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:**

96,000,000 Shares, representing approximately 7.05% of the Company's existing issued share capital, and approximately 6.58% of the issued share capital of the Company as enlarged by the Subscription.

**Placing Price:**

The Placing Price of HK\$19.25 per Placing Share represents a discount of approximately 3.75% to the closing price of HK\$20.00 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 3.61% to the average closing price of HK\$19.97 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day. The net Placing Price is HK\$18.9131 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.

**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 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 the Convertible Bonds and other securities convertible into Shares, in each case, outstanding on the date of the Subscription Agreement, (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, and (v) Shares (not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of its last annual general meeting) to be issued and allotted for consideration other than cash in connection with an acquisition of a company or a business by the Group pursuant to the general mandate granted to the directors at the annual general meeting of the Company held on 30 May 2005.

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, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible 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, without the prior written consent of the Placing Agents.

In addition, by a separate agreement dated 8 September 2005 entered between Mr. Pudwill, Mr. Chung, Cordless and 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:**

8 September 2005

### **Parties:**

The Vendor and the Company.

### **Subscription Shares:**

96,000,000 Shares, representing approximately 7.05% of the Company's existing issued share capital or 6.58% 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 30 May 2005 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. 30 May 2005 was HK\$135,764,965.20 (or 1,357,649,652 Shares).

### **Subscription Price:**

The Subscription Price is HK\$19.25 per Share, which is the same as the Placing Price. The net Subscription Price is HK\$18.9131 per Share being the Subscription Price net of expenses. The net proceeds upon completion of the Subscription will be HK\$1,815 million, being the aggregate 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 22 September 2005, 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 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	
	<i>Shares</i>	<i>approximate %</i>	<i>Shares</i>	<i>approximate %</i>	<i>Shares</i>	<i>approximate %</i>
The Vendor and parties acting in concert with the Vendor <sup>(1)</sup>	413,651,742	30.37	317,651,742	23.32	413,651,742	28.37
Other Directors <sup>(2)</sup>	3,450,000	0.25	3,450,000	0.25	3,450,000	0.24
Other public Shareholders	944,796,910	69.38	1,040,796,910	76.43	1,040,796,910	71.39
<b>TOTAL</b>	<b>1,361,898,652</b>	<b>100.00</b>	<b>1,361,898,652</b>	<b>100.00</b>	<b>1,457,898,652</b>	<b>100.00</b>

Notes:

- (1) These parties comprise the Vendor, Cordless, Mr. Pudwill, Mr. Chung and their respective spouses, namely, Barbara Pudwill and Li Oi King, who respectively held 185,584,764 Shares, 37,075,030 Shares, 76,554,000 Shares, 113,541,948 Shares, 760,000 Shares and 136,000 Shares directly in the Company as at the date of this announcement.
- (2) The other Directors comprise Patrick Kin Wah Chan, Frank Chi Chung Chan, Vincent Ting Kau Cheung, Christopher Patrick Langley and Joel Arthur Schleicher who respectively held 730,000 Shares, 200,000 Shares, 1,920,000 Shares, 400,000 Shares and 200,000 Shares.

### 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\$1,815 million, of which approximately HK\$907.5 million will be used to repay the existing indebtedness of the Group and approximately HK\$907.5 million for general working capital purposes and potential acquisitions which the Directors believe will create synergies to the Group. The Company has not entered into any agreement in relation to any potential acquisitions nor has the Company committed itself to any exclusive negotiations with any third party which will lead to the conclusion of such agreement up to the date of this announcement.

The Company has not raised any funds on any issue of equity securities in the 12 months immediately preceding the date of this announcement.

### E. GENERAL

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

Trading in the Shares, the Convertible Bonds and the derivative warrants in respect of the Company on the Stock Exchange was suspended with effect from 2:30 p.m. on 8 September 2005 at the request of the Company pending release of this announcement. Application has been made by the Company for the resumption of trading of the Shares, the Convertible Bonds and the derivative warrants in respect of the Company on the Stock Exchange with effect from 9:30 a.m. on 9 September 2005.

### F. 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
“Closing Date”	12 September 2005 or such other date as the Vendor and the Joint Placing Agents (on behalf of the Placing Agents) shall agree
“Co-Placing Agent”	CLSA Limited
“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 US\$140,000,000 zero coupon convertible bonds due 2009 issued by the Company created by trust deed dated 8 July 2004 and entitling the holders (among other things) to convert such bonds into Shares at a present conversion price of HK\$16.56 per Share;
“Cordless”	Cordless Industries Company Limited, a company incorporated with limited liability in Hong Kong whose beneficial interest is owned as to 70% by Mr. Pudwill and 30% by Mr. Chung
“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
“Joint Placing Agents”	Merrill Lynch and HSBC
“Last Trading Day”	7 September 2005, being the last full day of trading of the Shares on the Stock Exchange before the date 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, Group Managing Director 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”	the Joint Placing Agents and the Co-Placing Agent
“Placing Agreement”	the placing agreement dated 8 September 2005 made between the Vendor, the Company and the Placing Agents in relation to the Placing
“Placing Price”	HK\$19.25 per Placing Share
“Placing Shares”	an aggregate of 96,000,000 Shares beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 96,000,000 new Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 September 2005 made between the Company and the Vendor in relation to the Subscription
“Subscription Price”	HK\$19.25 per Subscription Share
“Subscription Shares”	an aggregate of 96,000,000 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 Liberia with limited liability, whose shares are wholly owned by Mr. Pudwill
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 8 September 2005

*As at the date of this announcement, Board is comprised of four executive Directors, namely, Horst Julius Pudwill, Roy Chi Ping Chung, Patrick Kin Wah Chan and Frank Chi Chung Chan; one non-executive Director, namely, Vincent Ting Kau Cheung and three independent non-executive Directors, namely, Christopher Patrick Langley, Joel Arthur Schleicher and Manfred Kuhlmann.*

*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.*

“Please also refer to the published version of this announcement in The Standard.”