

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.*



# ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED

## 錦藝紡織科技國際有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 565)**

### ISSUE OF UP TO US\$15,000,000 1.5 PER CENT.

### UNLISTED AND UNSECURED REDEEMABLE CONVERTIBLE BONDS DUE 2007 AND RESUMPTION OF TRADING

On 6 December, 2004, the Company and CSFB entered into the Subscription Agreement in relation to the subscription of Bonds.

Under the Subscription Agreement, among other things, (i) the Company agreed to issue and CSFB agreed to purchase the Original Tranche 1 Bonds with an aggregate principal amount of US\$10,000,000 (equivalent to HK\$78,000,000), (ii) the Company granted to CSFB an option during a limited period, to require the Company to issue the Additional Tranche 1 Bonds in the principal amount of up to US\$5,000,000 (equivalent to HK\$39,000,000) on substantially the same terms as in the Original Tranche 1 Bonds. The Bonds bear interest at the rate of 1.5 per cent. per annum and are due on 6 December, 2007, being the Maturity Date.

Completion of the issue of the Bonds is subject to certain conditions which are set out in the paragraph headed "Conditions" below.

The Bonds are convertible into Shares at a conversion price equal to, at the option of CSFB, either (i) the Fixed Conversion Price; or (ii) the Floating Conversion Price.

Pursuant to the Subscription Agreement, the Company has granted the Tranche 1 Subscription Right to CSFB, pursuant to which CSFB is entitled to subscribe for up to the Tranche 1 Share Allotment Amount at the Tranche 1 Subscription Price. The Tranche 1 Subscription Right is exercisable by CSFB at any time from and including the First Closing Date up to and including the Maturity Date.

Pursuant to the Subscription Agreement, the Company has also granted the Additional Tranche 1 Subscription Right to CSFB, pursuant to which CSFB is entitled to subscribe for up to the Additional Tranche 1 Share Allotment Amount at the Additional Tranche 1 Subscription Price. The Additional Tranche 1 Subscription Right is exercisable by CSFB at any time from and including the Additional Tranche 1 Closing Date up to and including the Maturity Date.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that they are fair and reasonable so far as the Company is concerned.

The Original Tranche 1 Bonds will be issued and the Tranche 1 Subscription Right will be granted pursuant to the Existing General Mandate. If the issue and allotment of Shares pursuant to the full exercise of the Original Tranche 1 Bonds, the issue of the Additional Tranche 1 Bonds, the grant of the Additional Tranche 1 Subscription Right and the issue and allotment of Shares pursuant to the conversion rights and/or exercise of the subscription rights thereof are not within the authority of the Existing General Mandate, the Company will be obliged to seek the approval from Shareholders.

The Company also entered into the Deed of Assignment with respect to the deposit of the subscription money into the Account and grant of security in favour of DB Trustees.

Trading in the Shares was suspended on the Stock Exchange from 2:30 p.m. on 6 December, 2004 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 8 December, 2004.

#### SUBSCRIPTION AGREEMENT

**Date**

6 December, 2004

**Issuer**

The Company

**Form of Bonds**

The convertible bonds shall be issued in one tranche with the Original Tranche 1 Bonds being issued on the First Closing Date.

# Art Textile Technology International Company Limited

The Company has granted an option to CSFB under the Subscription Agreement to require the Company to issue the Additional Tranche 1 Bonds, such option to be exercisable by CSFB during the Additional Option Period.

The Original Tranche 1 Bonds will be issued and the Tranche 1 Subscription Right will be granted pursuant to the Existing General Mandate. If the issue and allotment of Shares pursuant to the full exercise of the Original Tranche 1 Bonds, the issue of the Additional Tranche 1 Bonds, the grant of the Additional Tranche 1 Subscription Right and the issue and allotment of Shares pursuant to the conversion rights and/or exercise of the subscription rights thereof are not within the authority of the Existing General Mandate, the Company will be obliged to seek the approval from Shareholders.

The aggregate principal amount of the Additional Tranche 1 Bonds to be issued pursuant to the exercise of such option by CSFB shall not exceed US\$5,000,000 (equivalent to HK\$39,000,000). The Additional Tranche 1 Bonds shall be issued by the Company within 10 business days after exercise of such option by CSFB.

The Additional Tranche 1 Bonds shall, if issued, be on substantially the same terms as the Original Tranche 1 Bonds set out below save for, among other things, the principal amount, the number of Additional Tranche 1 Bonds and the number of Shares to be issued upon conversion.

## Subscriber of the Bonds

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CSFB and its ultimate beneficial shareholders are independent of the Company and its connected persons (as defined in the Listing Rules).

## Principal amount of Original Tranche 1 Bonds

US\$10,000,000 (equivalent to HK\$78,000,000), payable in cash by CSFB on the First Closing Date.

## First Closing Date

6 December, 2004

## Principal terms of the Bonds

### *Interest*

The Bonds bear interest from the First Closing Date in respect of the Original Tranche 1 Bonds and from the applicable Additional Tranche 1 Closing Date in respect of the Additional Tranche 1 Bonds at the rate of 1.5 per cent. per annum. Interest is payable semi-annually in arrears on 30 June and 31 December in each year, with the first payment of interest being made on 31 December, 2004 in respect of the period from (and including) the First Closing Date to (but excluding) 31 December, 2004.

### *Transferability*

CSFB agrees with the Company that it will not assign or transfer any of the Bonds to any third party other than its subsidiary or holding company or subsidiary of such a holding company without the prior written consent of the Company and, if so required, subject to the prior approval of the Stock Exchange.

The Company will inform the Stock Exchange of any dealings by any connected persons (as defined in the Listing Rules) of the Company or their respective associates (as defined in the Listing Rules) in the Bonds from time to time immediately upon the Company becoming aware of any such dealings.

### *Conversion price*

At the option of CSFB, either at (i) the Fixed Conversion Price; or (ii) the Floating Conversion Price, provided that the conversion price shall not be less than the par value of the Shares on the date of conversion unless permitted by law and in compliance with the Listing Rules.

### *Conversion period*

Bonds may be converted, at the option of CSFB, at any time from and including the First Closing Date (or the Additional Tranche 1 Closing Date in respect of the Additional Tranche 1 Bonds) up to the close of trading on the day falling three weeks prior to the Maturity Date.

### *Conversion shares*

The Original Tranche 1 Bonds (and the Additional Tranche 1 Bonds, if issued) are convertible into new Shares at the option of CSFB at either (i) the Fixed Conversion Price, or (ii) the Floating Conversion Price, in each case at any time during the relevant conversion period (as set out above). Such Shares which fall to be issued on conversion of the Bonds shall rank *pari passu* in all respects with Shares in issue on the date of issue of such Shares pursuant to the conversion.

### *Maturity*

6 December, 2007. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed by the Company at 100 per cent. of the principal amount at maturity.

### *Redemption*

In circumstances such as if the closing price of a Share is less than or equal to a certain price for ten consecutive business days set out in the terms and conditions of the Bonds, the Bonds may be redeemed early for an amount, depending on the closing price and the particular circumstance, between 106 per cent. and 110 per cent. of the principal amount of the Bonds plus accrued interest.

## Conditions

Completion of the Subscription Agreement is conditional on, among other things, the satisfaction of certain conditions, including:

- (i) where required, the obtaining of the approvals from the Shareholders and the Stock Exchange for the issue of the Bonds and the issue and allotment of the new Shares pursuant to the exercise of the Subscription Rights having been obtained one business day before the First Closing Date or the Additional Tranche 1 Closing Date (as the case may be);
- (ii) the execution of the Deed of Assignment and the Additional Tranche 1 Deed of Assignment (as the case may be) on or before the relevant closing date; and
- (iii) the delivery by the Company to CSFB of certain documents specified in the Subscription Agreement by the closing date for the relevant Bonds.

# Art Textile Technology International Company Limited

## Deed of Assignment

On 3 December, 2004, among others, the Company, CSFB and DB Trustees entered into the Deed of Assignment.

Pursuant to the Deed of Assignment, on one business day before the First Closing Date, CSFB will deposit the subscription funds for the Original Tranche 1 Bonds to an account of DB Trustees. The Company will charge the Account and all moneys (including interest) from time to time standing to the credit of the Account, by way of fixed charge, in favour of DB Trustees (who will act as security trustee for CSFB) as continuing security for the payment and discharge of all moneys owing by the Company to CSFB under or pursuant to the Subscription Agreement, the Deed of Assignment and each Original Tranche 1 Bond.

The relevant parties have agreed to enter into the Additional Tranche 1 Deed of Assignment on or before the issue (if applicable) of the Additional Tranche 1 Bonds on similar terms to the Deed of Assignment.

## Subscription Rights

Pursuant to the Subscription Agreement, the Company has granted the Tranche 1 Subscription Right to CSFB, pursuant to which CSFB is entitled to subscribe for up to the Tranche 1 Share Allotment Amount at the Tranche 1 Subscription Price. The Tranche 1 Subscription Right is exercisable by CSFB at any time from and including the First Closing Date up to and including the Maturity Date.

Pursuant to the Subscription Agreement, the Company has also granted the Additional Tranche 1 Subscription Right to CSFB, pursuant to which CSFB is entitled to subscribe for up to the Additional Tranche 1 Share Allotment Amount at the Additional Tranche 1 Subscription Price. The Additional Tranche 1 Subscription Right is exercisable by CSFB at any time from and including the Additional Tranche 1 Closing Date up to and including the Maturity Date.

## General mandate

The maximum number of new Shares which may be issued upon conversion of the Original Tranche 1 Bonds based on the Fixed Conversion Price is 90,919,688 representing approximately 10.37 per cent. and approximately 9.40 per cent. of the existing issued share capital and the enlarged issued share capital respectively.

Upon exercise of the Tranche 1 Subscription Right in full, 17,047,938 new Shares, representing approximately 1.95 per cent. and approximately 1.91 per cent. of the existing issued share capital and enlarged issued share capital respectively, will be issued by the Company.

The actual total number of Shares which may be issued upon full conversion of the Original Tranche 1 Bonds, where applicable, the Additional Tranche 1 Bonds will depend on the amount of the conversion price. If the conversion price falls below a certain amount, the total number of Shares to be issued pursuant to the full exercise of the Original Tranche 1 Bonds, where applicable, the Additional Tranche 1 Bonds and the exercise of the Tranche 1 Subscription Right and, where applicable, the Additional Tranche 1 Subscription Right may exceed the authority of the Existing General Mandate. In such circumstances, the Company would be obliged to seek Shareholders' approval of the issue of such portion of Bonds and Subscription Rights and the Shares to be issued and allotted.

## USE OF PROCEEDS

The net proceeds of approximately US\$9,437,000 (equivalent to approximately HK\$73,608,600) derived from the issue of the Original Tranche 1 Bonds, together with the amount of approximately HK\$14,040,682 which would be received subject to and upon exercise in full of the Tranche 1 Subscription Right, will be used for general working capital purposes, provided that proceeds from the issue of the Bonds shall not be used to pay dividends to its Shareholders, for the purposes of or in relation to any repayment to or reduction of the debt of a related party (as defined under Hong Kong Statement of Standard Accounting Practice 20) or to repurchase Shares. Though the Company currently has no specific plan as to the use of the net proceeds for other purposes save for mentioned above, the Directors consider that the issue of the Bonds gives rise to an opportunity for the Company to raise funds for future development with no immediate effect on the shareholding structure of the Company. The Directors further consider that the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE

As at the date of this announcement, the issued share capital of the Company is HK\$8,765,000 comprising 876,500,000 Shares. Talent Crown Investment Limited is currently the single largest shareholder of the Company, holding 581,910,000 Shares, representing approximately 66.39 per cent. of the existing issued share capital. If the maximum possible number of Shares are issued pursuant to the conversion of the Original Tranche 1 Bonds (based on the Fixed Conversion Price) and the Tranche 1 Subscription Right is exercised in full, 107,967,626 new Shares will be issued, representing approximately 12.32 per cent. and approximately 10.97 per cent. of the existing issued share capital and the enlarged issued share capital respectively. The shareholding interest of Talent Crown Investment Limited in the Company will be diluted correspondingly from approximately 66.39 per cent. to approximately 59.11 per cent.

The following table sets out the existing shareholding structure of the Company, the shareholding structure of the Company upon exercise in full of the conversion rights attaching to the Original Tranche 1 Bonds at the Fixed Conversion Price, the Tranche 1 Subscription Right, the Additional Tranche 1 Bonds at the Fixed Conversion Price and the Additional Subscription Right:

Name of shareholders	Approximate shareholding as at the date of this announcement		Approximate shareholding upon the exercise in full of the conversions rights attaching to the Original Tranche 1 Bonds		Approximate shareholding upon the exercise in full of the conversions rights attaching to the Original Tranche 1 Bonds and the Tranche 1 Subscription Right		Approximate shareholding upon the exercise in full of the conversions rights attaching to the Original Tranche 1 Bonds, the Tranche 1 Subscription Right and the Additional Tranche 1 Bonds		Approximate shareholding upon the exercise in full of the conversions rights attaching to the Original Tranche 1 Bonds and the Additional Subscription Right	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Talent Crown Investment Limited (note)	581,910,000	66.39	581,910,000	60.15	581,910,000	59.11	581,910,000	56.50	581,910,000	56.03
CSFB	-	-	90,919,688	9.40	107,967,626	10.97	153,427,470	14.90	161,951,439	15.60
the Public	294,590,000	33.61	294,590,000	30.45	294,590,000	29.92	294,590,000	28.6	294,590,000	28.37
Total:	876,500,000	100	967,419,688	100	984,467,626	100	1,029,927,470	100	1,038,451,439	100

Note: Talent Crown Investment Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Chen Dong, the deputy chairman of the Company. Mr. Chen Dong is the younger brother of Mr. Chen Jinyan and the son of Mr. Chen Qinzhi, all being executive Directors.

# Art Textile Technology International Company Limited

The above shareholding structure is based on the Fixed Conversion Price. Should CSFB convert the Bonds at the Floating Conversion Price, the number of Shares to be issued upon conversion, and therefore the shareholding structure, will be different. To maintain the listing status of the Shares, the Company will procure that not less than 25 per cent. of the issued Shares, from time to time, will be held by the public. As soon as the Company is aware that the public float falls below 25 per cent. of the issued Shares, it will inform the Stock Exchange and the public immediately and will take, and will procure to take, all possible actions to maintain the public float not less than 25 per cent. of the issued Shares.

## LISTING

No application will be made for the listing of, or permission to deal in, the Bonds and the Subscription Rights on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds or upon exercise of the Subscription Rights.

## GENERAL

Any alterations in the terms of the Subscription Right after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Subscription Right.

The Additional Tranche 1 Bonds may or may not be issued. The Company will issue a further announcement as required by the Listing Rules if any of the Additional Tranche 1 Bonds are issued.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that they are fair and reasonable so far as the Company is concerned. The Directors confirmed that other than (a) the Bonds and the Subscription Rights as stated in the Subscription Agreement; and (b) 42,250,000 outstanding share options granted by the Company pursuant to the share option scheme adopted on 16 August, 2003, there are no other outstanding rights convertible into Shares as at the date of this announcement.

Trading in the Shares was suspended on the Stock Exchange from 2:30 p.m. on 6 December, 2004 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 8 December, 2004.

## DEFINITIONS

Unless otherwise defined herein, capitalised terms used in this announcement shall have the following meanings:

"Account"	an account in the name of the Company held at a bank, which is affiliated to DB Trustees
"Additional Option Period"	being the period commencing from the First Closing Date and ending on the third anniversary of the First Closing Date
"Additional Tranche 1 Bonds"	convertible bonds with an aggregate principal amount of up to US\$5,000,000 (equivalent to HK\$39,000,000) which are to be issued by the Company on substantially the same terms as in the Original Tranche 1 Bonds and are to be purchased by CSFB pursuant to an option granted by the Company to CSFB
"Additional Tranche 1 Closing Date"	each date on which Additional Tranche 1 Bonds are issued (if applicable)
"Additional Tranche 1 Deed of Assignment"	a separate deed of assignment to be entered into between, among others, the Company, CSFB and DB Trustees on or before the issue of the Additional Tranche 1 Bonds
"Additional Tranche 1 Share Allotment Amount"	the number of Shares equal to 15% of the principal amount of the Additional Tranche 1 Bonds divided by the Tranche 1 Base Price
"Additional Tranche 1 Subscription Price"	the subscription price equal to 120 per cent. of the Tranche 1 Base Price at which the Additional Tranche 1 Subscription Right is exercised
"Additional Tranche 1 Subscription Right"	the additional subscription right granted by the Company to CSFB to subscribe for Shares up to the Additional Tranche 1 Share Allotment Amount at the Additional Tranche 1 Subscription Price exercisable from the Additional Tranche 1 Closing Date up to and including the Maturity Date
"Bonds"	Original Tranche 1 Bonds and Additional Tranche 1 Bonds (if applicable)
"business day"	any day on which the Stock Exchange is open for trading in Hong Kong
"Company"	Art Textile Technology International Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"CSFB"	Credit Suisse First Boston (Hong Kong) Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Credit Suisse First Boston (Hong Kong) Limited and its ultimate beneficial shareholders are independent of the Company and its connected persons (as defined under the Listing Rules)
"DB Trustees"	DB Trustees (Hong Kong) Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, DB Trustees (Hong Kong) Limited and its ultimate beneficial shareholders are independent of the Company and its connected persons (as defined in the Listing Rules)
"Deed of Assignment"	the deed of assignment dated 3 December, 2004 entered into between, among others, the Company, CSFB and DB Trustees with respect to the Original Tranche 1 Bonds
"Directors"	directors of the Company
"Existing General Mandate"	the general mandate (to issue or otherwise deal in 20 per cent. of the issued share capital of the Company as at the date of passing the resolution) granted to the Directors by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 24 November, 2004, pursuant to which a maximum of 175,300,000 new Shares may be issued as at the date of this announcement
"First Closing Date"	6 December, 2004, the date on which the Original Tranche 1 Bonds were issued
"Fixed Conversion Price"	HK\$0.8579, representing a premium of about 24.33 per cent. over the closing price of HK\$0.69 per Shares as at 3 December, 2004 (being the trading day immediately prior to the date of the Subscription Agreement) in respect of the Original Tranche 1 Bonds and, where applicable, the Additional Tranche 1 Bonds, subject to adjustment
"Floating Conversion Price"	the conversion price of the Original Tranche 1 Bonds or, as the case may be, the Additional Tranche 1 Bonds into the Shares which is set at 91 per cent. of the average of any four consecutive closing prices per Share as selected by CSFB during the 30 business days immediately prior to the conversion date
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

# Art Textile Technology International Company Limited

“Maturity Date”	6 December, 2007, the date on which the Original Tranche 1 Bonds or as the case may be, the Additional Tranche 1 Bonds mature
“Original Tranche 1 Bonds”	convertible bonds with an aggregate principal amount of US\$10,000,000 due 2007 to be issued by the Company and purchased by CSFB pursuant to the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 6 December, 2004 entered into between the Company and CSFB relating to the subscription of the Bonds and the Subscription Rights
“Subscription Rights”	the Tranche 1 Subscription Right and the Additional Tranche 1 Subscription Right
“Tranche 1 Base Price”	the price equal to the average closing price per Share for the 30 consecutive business days immediately prior to the date of the Subscription Agreement which is being HK\$0.6863
“Tranche 1 Share Allotment Amount”	the number of Shares equal to 15% of the principal amount of the Original Tranche 1 Bonds divided by the Tranche 1 Base Price
“Tranche 1 Subscription Price”	the subscription price equal to 120 per cent. of the Tranche 1 Base Price at which the Tranche 1 Subscription Right is exercised
“Tranche 1 Subscription Right”	the subscription right granted by the Company to CSFB to subscribe for Shares up to the Tranche 1 Share Allotment Amount at the Tranche 1 Subscription Price exercisable from the First Closing Date up to and including the Maturity Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

*Unless otherwise specified in this announcement, US\$1.00 = HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at such a rate or at any other rates or at all.*

By Order of the Board  
**Art Textile Technology International Company Limited**  
**Chen Jinyan**  
Chairman

Hong Kong, 7 December, 2004

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Jinyan, Mr. Chen Qinzhi, Mr. Chen Dong and Ms. Kong Ping; and the independent non-executive directors of the Company are Mr. Lo Kin Chung, Mr. Huang Yongfeng and Mr. Yu Zhong Ming.*

Please also refer to the published version of this announcement in International Herald Tribune dated 8 December 2004.