



MAJOR TRANSACTION – PROPOSED ACQUISITION OF ROYAL APPLIANCE MANUFACTURING CO. BY WAY OF MERGER

The Board is pleased to announce that the Company, Royal, the Acquiror and Merger Sub have, on 17th December, 2002, entered into the Merger Agreement whereby, the parties have agreed, subject to certain conditions, that at the Effective Time:

- Royal will become an indirect wholly-owned subsidiary of the Company through the merger of Merger Sub with and into Royal as a result of which the separate corporate existence of Merger Sub will cease and Royal will continue as the surviving corporation;
 - each issued and outstanding Royal Common Share (other than (i) any Royal Common Shares held by Royal in its treasury, (ii) any Royal Common Shares owned by Royal and any direct or indirect wholly-owned subsidiary of Royal or owned by the Acquiror or any affiliate of the Acquiror and (iii) any Dissenting Shares) will be converted into the right to receive the Merger Consideration; and
 - each outstanding Royal Stock Option will be extinguished and converted into the right to receive the Option Shares Merger Consideration.
- At the close of business on 13th December, 2002 (i) 12,816,452 Royal Common Shares were issued and outstanding and (ii) 2,758,540 Royal Common Shares were subject to outstanding Royal Stock Options. The outstanding Royal Stock Options are exercisable at an average exercise price of approximately US\$3.98 per share. Assuming that there will be no Dissenting Shares and based on the Merger Consideration and the Option Shares Merger Consideration, the Directors estimate that the total consideration payable by the Company under the Merger will be not more than US\$105.5 million (or HK\$822.9 million). The Company will finance the consideration for the Merger from its internal resources and by bank borrowings.

Royal is a corporation incorporated in the State of Ohio, the US and primarily develops, assembles, sources, and markets vacuum cleaners and other cleaning appliances for home and commercial use under the Dirt Devil® and Royal® brand names, as well as the Telezapper® call-blocking device. The Royal Common Shares have been quoted on NYSE under the symbol "RAM" since 1992. As at 30th September, 2002, the unaudited net tangible assets of Royal was approximately US\$37,716,000 (or HK\$294,184,800). Based on the closing price of US\$5.98 per Royal Common Share as quoted on NYSE on 16th December, 2002 and 12,816,452 Royal Common Shares in issue, the total market capitalisation of Royal (excluding the Royal Stock Options) was approximately US\$76,642,383 (or HK\$597,810,587). Following the Merger, Royal will have no shareholder other than the Acquiror and accordingly, the listing of the Royal Common Shares on NYSE will be withdrawn thereafter.

The Directors believe that the Merger represents a significant step in the Company's worldwide strategy, which began with its acquisitions of the Ryobi® brand for power tools in most of the world's markets, and the Homelite® brand for lawn and garden tools. By integrating forward from its strong position as a high-quality, low-cost original equipment manufacturer (OEM) to become a brand marketing company in key markets worldwide, the Company expects to create additional business opportunities at both the manufacturing and retail distribution levels. The Royal acquisition extends this strategy into floor care, and greatly strengthens the Company's product development, marketing and logistics capabilities in this industry, while adding several respected brand names to its portfolio.

The Merger will enable the Company to integrate and expand the existing product development and supply link between Royal and the Company. Following the Merger, the Company expects to expand its role as a manufacturer of Royal products by using existing production capabilities of the Group. Following the Merger, the Company also intends to pursue potential cross-marketing synergies with the major retailers of its power tool and floor care lines of business in the US and European markets, as well as potential operational synergies in logistics and customer service.

As the estimated total consideration for the Merger represents more than 50% but less than 100% of the latest published unaudited consolidated net tangible assets of the Company for the six months ended 30th June, 2002, the Merger constitutes a major transaction for the Company under the Listing Rules and will require the approval by the Shareholders at the EGM. A circular containing, among other things, further details of the Merger and the notice convening the EGM will be despatched to Shareholders as soon as practicable. The Company and the Directors have confirmed that no Shareholder will be required to abstain from voting on the Merger as required under the Listing Rules.

Trading in the Shares was suspended with effect from 9:30 a.m. on 18th December, 2002 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 19th December, 2002.

I. THE MERGER AGREEMENT

Date of agreement: 17th December, 2002

- Parties:
- Company;
 - Royal;
 - Acquiror, a direct wholly-owned subsidiary of the Company; and
 - Merger Sub, an indirect wholly-owned subsidiary of the Company.

Royal and its shareholders are independent of and not connected with the Directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the Listing Rules). To the best of the Directors' knowledge, neither Royal nor its shareholders hold any Shares at the date of this announcement.

None of the directors of the Group, the Company and its subsidiaries hold any Royal Common Shares or Royal Stock Options at the date of this announcement.

The following is a summary of the principal terms and conditions of the Merger Agreement:

(a) The Merger

As at the Effective Time, by virtue of OGCL, Merger Sub will be merged with and into Royal and the corporate existence of Merger Sub will cease thereafter. Royal will be the surviving corporation in the Merger and the corporate existence of Royal, with all its purposes, objects, rights, privileges, powers, immunities and franchises, will continue and be unaffected by the Merger, subject to paragraph (c) below.

The Merger will become effective at such time as a Certificate of Merger in such form as is required by and executed in accordance with the relevant provisions of the OGCL is duly filed with the Secretary of State of the State of Ohio, the US or at such later date or time as Royal and the Acquiror shall agree and specify in such Certificate of Merger. It is expected that the Merger will become effective at or around the same time as Closing, which is before the end of March, 2003.

(b) Articles of incorporation and By-laws

By virtue of the Merger, the articles of incorporation and code of regulations of Merger Sub shall be the articles of incorporation and code of regulations, respectively of Royal as the surviving corporation until thereafter changed or amended as provided in the Merger Agreement or by applicable law.

The articles of incorporation and by-laws of Merger Sub will become the articles of incorporation and by-laws of Royal as the surviving corporation, since the existing articles of incorporation and by-laws of Royal are suitable for corporations quoted on NYSE and are unduly restrictive for the Acquiror after the Merger. There is no intention to make any major changes to the articles of incorporation and by-laws of Merger Sub or Royal as the surviving corporation after the Merger.

(c) Effect of the Merger on capital stock and stock options

At the Effective Time, by virtue of the Merger:

(i) Cancellation of Royal's treasury stock and Royal-owned stock

Each Royal Common Share that is owned by Royal and any direct or indirect wholly-owned subsidiary of Royal or owned by the Acquiror or an Affiliate of the Acquiror or held in the treasury of Royal shall automatically be cancelled and retired and shall cease to exist, and no consideration will be payable in exchange thereof.

As at 13th December, 2002, 13,102,507 Royal Common Shares were held by Royal in its treasury. Save as aforesaid, no Royal Common Share is owned by Royal or any direct or indirect wholly-owned subsidiary of Royal or owned by the Acquiror or an Affiliate of the Acquiror.

(ii) Conversion of Royal Common Shares

Each issued and outstanding Royal Common Share (other than the Dissenting Shares) shall be converted into the right to receive the Merger Consideration of US\$7.37 in cash.

(iii) Capital stock of Merger Sub

Each common share of Merger Sub issued and outstanding immediately before the Effective Time will be converted into one Royal Common Share.

(iv) Cancellation and retirement of Royal Common Shares

At the Effective Time, all Royal Common Shares (other than shares to be cancelled in accordance with paragraph (i) above and Dissenting Shares) shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such Royal Common Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, without interest, upon surrender of such certificate.

(v) Royal Stock Option Plans

Royal shall take all actions necessary to ensure that, at the Effective Time, each outstanding Royal Stock Option, vested or unvested, exercisable or non-exercisable, shall be extinguished and converted into the right to receive the Option Shares Merger Consideration. Based on the average exercise price of approximately US\$3.98 per share, the Option Shares Merger Consideration will amount to approximately US\$3.39 in cash. The holders of Royal Stock Options have no right to vote on the Merger and there is no alternative compensation arrangement for them.

The Royal Stock Option Plans shall terminate at the Effective Time and the provisions in any other plan, program or arrangement providing for the issuance or grant of any other interest in respect of the capital stock of Royal or any subsidiary of Royal shall be terminated at the Effective Time.

(vi) Dissenting Shares

Dissenting Shares shall not be converted into or represented the right to receive the Merger Consideration, but shall be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to section 1701.85 of the OGCL. Section 1701.85 of the OGCL provides that within 10 days after the approval of the Merger by shareholders of Royal in the manner referred to in paragraph (f) below, any shareholder of Royal (other than holders of Royal Stock Options) who does not vote in favour of the Merger can file a written demand, stating what he or she or it believes to be the fair value of his or her or its Dissenting Shares. If such shareholder and Royal fail to reach agreement as to the fair value of the Dissenting Shares within 30 days after the written demand, either party may apply to the Ohio courts for a determination of the fair value of such Dissenting Shares.

(d) Consideration

At the close of business on 13th December, 2002 (i) 12,816,452 Royal Common Shares were issued and outstanding and (ii) 2,758,540 Royal Common Shares were subject to outstanding Royal Stock Options. The outstanding Royal Stock Options are exercisable at an average exercise price of approximately US\$3.98 per share. The exercise prices of the Royal Stock Options have been pre-determined and are lower than the Merger Consideration. Assuming that there will be no Dissenting Shares and based on the Merger Consideration and the Option Shares Merger Consideration, the Directors estimate that the total consideration payable by the Company under the Merger will not be more than US\$105.5 million (or HK\$822.9 million). Shareholders and potential investors should note that the total consideration payable by the Company may be higher or lower depending on whether there will be any Dissenting Shares and the fair value as agreed by the parties or determined by the Ohio courts (as applicable). The Company will make such further announcement to update Shareholders and potential investors regarding any Dissenting Shares and the final amount payable by the Company under the Merger as soon as such information becomes available.

The Merger Consideration of US\$7.37 per Royal Common Share has been determined with reference to the historical earnings before interest tax depreciation and amortisation of Royal and represents:

- a premium of approximately 23.24% above the closing price of US\$5.98 per Royal Common Share as quoted on NYSE on 16th December, 2002; and
- a premium of 42.25% above the average closing price of US\$5.181 per Royal Common Share as quoted on NYSE for 10 consecutive trading days ending on 16th December, 2002.

The Directors (including the independent non-executive Directors) consider that such premium is fair and reasonable having regard to the brand portfolios of Royal, including the Dirt Devil®, Royal® and Telezapper® brandnames, which are reputable and well established brand names.

Subject to the Merger becoming effective, the Merger Consideration and the Option Shares Merger Consideration (as applicable) will be payable in cash to the holders of Royal Common Shares (other than the Dissenting Shares) and holders of Royal Stock Options (as applicable) as soon as reasonably practicable after the Effective Time and upon the surrender of the certificates of the Royal Common Shares or option certificates for the Royal Stock Options to Royal or its exchange agent.

The Company will finance the consideration for the Merger from its internal resources and by bank borrowings.

(e) Conditions

The Merger Agreement is subject to the satisfaction or waiver by the parties thereto of the following conditions (among others):

- the approval of the Merger by shareholders of Royal in the manner referred to in paragraph (f) below and the approval of the Shareholders at the EGM;
- all consents, approvals and actions of, filings with and notices to any governmental entity required of Royal, the Acquiror, Merger Sub, or any of their subsidiaries to consummate the Merger and the other transactions contemplated by the Merger Agreement, the failure of which to be obtained or taken is reasonably expected to have a material adverse effect on Royal as the surviving corporation and its subsidiaries, taken as a whole, shall have been obtained in form and substance reasonably satisfactory to the Acquiror;

(iii) no judgment, order, decree, statute, law, ordinance, rule or regulation, entered, enacted, promulgated, enforced or issued by any court or other governmental entity of competent jurisdiction or other legal restraint or prohibition (the "Restraints") affecting the Closing or seeking to prohibit the transactions contemplated under the Merger Agreement shall be in effect; provided that the parties asserting this condition shall have used its commercially reasonable efforts to prevent the entry of any such Restraints and to appeal as promptly as possible any such Restraints that may be entered;

(iv) the waiting or similar period (including any extension thereof) applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any applicable foreign anti-trust laws shall have expired or been terminated. Barring unforeseen circumstances, the Directors expect that the waiting period should not be longer than 90 days from the date of the Merger Agreement; and

(v) the Acquiror shall have received evidence, in form and substance reasonably satisfactory to it, that the number of Dissenting Shares shall constitute no greater than 10% of the total number of Royal Common Shares outstanding immediately prior to the Effective Time.

Conditions (i), (iv) and (v) will not be waived by the parties to the Merger Agreement.

(f) Royal Shareholders' approval

As provided in the OGCL and Royal's articles of incorporation, the Merger will be subject to approval by the holders of two-thirds of the outstanding Royal Common Shares attending at a shareholders' meeting of Royal.

Richmont Capital Partners I, L.P. and E. Patrick Nalley, individually and as Trustee of the Eldon P. Nalley U/T/A dated 18th January, 1993, being the holders of an aggregate of 3,989,900 Royal Common Shares (representing approximately 31.13% of all the Royal Common Shares in issue as at 13th December, 2002), have undertaken to the Company to vote in favour of the Merger so long as the board of directors of Royal continues to recommend that shareholders of Royal vote in favour of the Merger.

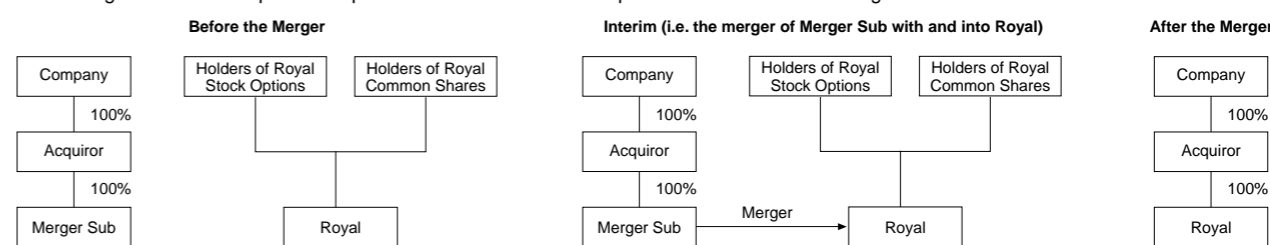
(g) Closing

Closing will take place at 10:00 a.m. on a date to be specified by the parties, which shall be no later than the second business day after satisfaction or waiver (subject to applicable law) of the conditions (excluding conditions (if any) that, by their terms, cannot be satisfied until the date of Closing) set out above, unless another time or date is agreed to by the parties hereto.

It is expected that Closing will take place on or before the end of March, 2003.

II. CORPORATE STRUCTURE OF THE GROUP BEFORE AND AFTER THE MERGER

The following sets out a simplified corporate structure of the Group before and after the Merger:



III. INFORMATION ON THE ACQUIROR AND MERGER SUB

The Acquiror is a corporation incorporated in the State of Delaware, the US on 9th December, 2002 for the purpose of becoming the holding company of Royal after the Merger and is a direct wholly-owned subsidiary of the Company. Merger Sub is a corporation incorporated in the State of Ohio, the US on 6th December, 2002 for the purpose of implementing the Merger in accordance with the requirements of the OGCL and is an indirect wholly-owned subsidiary of the Company. Save for entering into the Merger Agreement and the transactions contemplated thereunder, none of the Acquiror and Merger Sub has carried on any business since their respective dates of incorporation. Other than directors and officers, none of the Acquiror and Merger Sub has any employees.

IV. INFORMATION ON ROYAL

Royal is a corporation incorporated in the State of Ohio, the US and primarily develops, assembles, sources, and markets vacuum cleaners and other cleaning appliances for home and commercial use under the Dirt Devil® and Royal® brand names, as well as the Telezapper® call-blocking device. The Royal Common Shares have been quoted on NYSE under the symbol "RAM" since 1992. Based on the closing price of US\$5.98 per Royal Common Share as quoted on NYSE on 16th December, 2002 and 12,816,452 Royal Common Shares in issue, the total market capitalisation of Royal (excluding the Royal Stock Options) was approximately US\$76,642,383 (or HK\$597,810,587). Following the Merger, Royal will have no shareholder other than the Acquiror and accordingly, the listing of the Royal Common Shares on NYSE will be withdrawn thereafter. The Directors believe the delisting of Royal Common Shares on NYSE will not have any material adverse impact on the Group.

The audited net income before and after tax and the audited net tangible assets of Royal for the two years ended 31st December, 2000 and 31st December, 2001 and the unaudited net income before and after tax and the unaudited net tangible assets/net asset value of Royal for the nine months ended 30th September, 2002 as extracted from the published financial information of Royal, were as follows:

	Nine months ended 30th September, 2002	Year ended 31st December, 2001	Year ended 31st December, 2000
Net income before tax	US\$2,886,000 (or HK\$22,510,800)	US\$14,382,000 (or HK\$112,179,600)	US\$7,464,000 (or HK\$58,219,200)
Net income after tax	US\$1,890,000 (or HK\$14,720,000)	US\$9,324,000 (or HK\$72,727,200)	US\$5,939,000 (or HK\$46,324,200)
Net tangible assets/net asset value	US\$37,716,000 (or HK\$294,184,800)	US\$38,622,000 (or HK\$301,251,600)	US\$31,053,000 (or HK\$242,213,400)

Save for the appointment of new directors to the board of directors of Royal, the Company has no intention to change the board of directors or the senior management or the business of Royal after the Merger.

Royal's business is similar to the Group's existing floor care business. The Directors believe that the Merger paves way for a horizontal integration of the Group's existing floor care business.

V. REASONS FOR AND BENEFITS OF THE MERGER

The Group is principally engaged in the manufacturing and trading of electrical and electronic products mainly in North America and Europe.

The Directors consider that the terms of the Merger Agreement, which have been concluded after arm's length negotiation between the parties on normal commercial terms, are fair and reasonable so far as the Company and its shareholders are concerned.

The Directors believe that the Merger represents a significant step in the Company's world-wide branding strategy, which began with its acquisitions of the Ryobi® brand for power tools in most of the world's markets (further details of which were announced by the Company in June and July, 2000), and the Homelite® brand for lawn and garden tools (further details of which were contained in the interim report of the Company for the six months ended 30th June, 2002). By integrating forward from its strong position as a high-quality, low-cost original equipment manufacturer (OEM) to become a brand marketing company in key markets worldwide, the Company expects to create additional business opportunities at both the manufacturing and retail distribution levels. The Royal acquisition extends this strategy into floor care, and greatly strengthens the Company's product development, marketing and logistics capabilities in this industry, while adding several respected brand names to its portfolio.

The Merger will enable the Company to integrate and expand the existing product development and supply link between Royal and the Company. Following the Merger, the Company expects to expand its role as a manufacturer of Royal products by using existing production capabilities of the Group. Following the Merger, the Company also intends to pursue potential cross-marketing synergies with the major retailers of its power tool and floor care lines of business in the US and European markets, as well as potential operational synergies in logistics and customer service.

VI. GENERAL

As the estimated total consideration for the Merger represents more than 50% but less than 100% of the latest published unaudited consolidated net tangible assets of the Company for the six months ended 30th June, 2002, the Merger constitutes a major transaction for the Company under the Listing Rules and will require the approval by the Shareholders at the EGM. A circular containing, among other things, further details of the Merger and the notice convening the EGM will be despatched to Shareholders as soon as practicable. The Company and the Directors have confirmed that no Shareholder will be required to abstain from voting on the Merger as required under the Listing Rules.

The executive Directors and their respective associates (as defined in the Listing Rules), beneficially holding a total of 201,384,871 Shares, which represent approximately 31.18% of the existing issued share capital of the Company, have indicated that they intend to vote such Shares in favour of the resolution to approve the Merger at the EGM.

Trading in the Shares was suspended from 9:30 a.m. on 18th December, 2002 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on 19th December, 2002.

VII. TERMS USED IN THIS ANNOUNCEMENT

"Acquiror"	RAMC Holdings, Inc., a corporation incorporated in the State of Delaware, the US and a direct wholly-owned subsidiary of the Company
"Affiliate"	in relation to any corporation means another corporation that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first corporation
"Board"	the board of Directors
"Closing"	closing of the Merger Agreement
"Company"	Techtronic Industries Company Limited, a public company limited by shares incorporated in Hong Kong, the Shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"Dissenting Shares"	Royal Common Shares which are outstanding immediately prior to the Effective Time and held by persons who shall have properly demanded payment of the fair cash value of such Royal Common Shares in accordance with section 1701.85 of the OGCL
"Effective Time"	the time on which the Merger becomes effective in accordance with the OGCL
"EGM"	the extraordinary general meeting of the Company to be convened to approve the Merger
"Group"	the Company and its subsidiaries
"Hong Kong"	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
"Merger"	the merger of Merger Sub into Royal upon and subject to the terms and conditions of the Merger Agreement
"Merger Agreement"	the agreement and plan of merger dated as of 17th December, 2002 among Royal, the Company, the Acquiror and Merger Sub
"Merger Consideration"	US\$7.37 in cash for each issued and outstanding Royal Common Share
"Merger Sub"	TIC Acquisition Corp., a corporation incorporated in the State of Ohio, the US and an indirect wholly-owned subsidiary of the Company
"NYSE"	New York Stock Exchange
"OGCL"	Ohio General Corporation Law
"Option Shares Merger Consideration"	a cash amount equal to the product of the excess, if any, of the Merger Consideration minus the exercise price, if any, of each Royal Stock Option multiplied by the aggregate number of Royal Common Shares issuable upon the exercise in full of such Option at the Effective Time
"Royal"	Royal Appliance Manufacturing Co., a corporation in the State of Ohio, the US and whose shares of common stock are listed and traded on NYSE
"Royal Common Shares"	common share, without par value, of Royal
"Royal Stock Option"	each unexercised option, warrant, phantom stock award or other security of Royal (including any stock option granted to directors, consultants and employees of Royal)
"Royal Stock Option Plans"	all incentive plans adopted by Royal for the purpose of granting options, warrants, phantom stock awards or other securities to directors, consultants and employees of Royal
"Shares"	shares of HK\$0.20 each in the capital of the Company
"Shareholders"	holders of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	United States of America
"HK\$" / "US\$"	the lawful currency of Hong Kong / the lawful currency of US

By Order of the Board of
Techtronic Industries Company Limited
Chi Chung Chan
Company Secretary

Hong Kong, 18th December, 2002

Unless otherwise specified, where financial information in this announcement has been converted from US dollars into Hong Kong dollars, it has been converted at the exchange rate of US\$1: HK\$7.8.

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.