



Techtronic Industries Company Limited

(Incorporated in Hong Kong with limited liability)

Announcement of results for the year ended 31st December, 2002

HIGHLIGHTS

	2002	2001	
	HK\$ million	HK\$ million	
Turnover	9,493	6,101	+55.6%
Profit for the year	409	239	+71.1%
Earnings per share – basic	65.73 cents	42.02 cents	+56.4%
Final dividend per share	10.00 cents	7.00 cents	+42.9%

- **Eighth consecutive year of double-digit growth**
- **Successful integration of Homelite operation**
- **Royal acquisition will add new growth platform**

CHAIRMAN'S STATEMENT

I am extremely pleased to present our very strong results for the year, which were achieved in a difficult economic environment. This gloomy context makes TTI's performance especially impressive, with high double-digit growth in revenues and profits supported by the rapid integration of recently acquired businesses and continued strong organic growth from our brands. Our announcement in December of the planned acquisition of Royal Appliances Manufacturing Co. in the United States capped a three-year period in which we have successfully transformed the business, acquiring the brands and creating the economies of scale to compete in global markets.

FINANCIAL RESULTS

Revenues increased by 55.6% to HK\$9.5 billion. This strong growth reflects equally the addition of the Ryobi operations we acquired over the past 18 months in Europe and Australia and of Homelite in January 2002, as well as growth from our existing operations. Profits rose strongly, by 71.1% to HK\$408.8 million. Earnings per share increased 56.4% to HK65.73 cents.

Our finances are strong, despite several acquisitions, with the net debt-to-equity ratio improving from 54.9% in 2001 to net cash, well within our desired level.

DIVIDEND

The Directors recommend a final dividend of HK10 cents per share. Subject to the approval of the shareholders at the Annual General Meeting to be held on 28th May, 2003. The final dividend will be paid to shareholders listed on the register of members of the Company on 20th June, 2003. It is expected that the final dividend will be paid on or about 29th July, 2003. This payment together with the interim dividend of HK 6.0 cents per share paid on 30th September, 2002 makes a total payment of HK16 cents per share for 2002, an increase of 39.1% over that declared in 2001.

BUSINESS REVIEW

Throughout the year, the management teams of our business divisions continued to improve our efficiency of these operations, while working closely with the manufacturing and product development operations in Asia to enhance our ability to meet the demands of customers.

Our growth strategy is built around offering better value products to consumers and this has enabled us consistently to outperform the overall industry. Moreover, we continued to take advantage of the weak economic environment to expand our core businesses through acquisition.

Power Tools and Outdoor Power Equipment

The Power Tools and Outdoor Power Equipment Division had an extremely successful year, as we quickly integrated the businesses we had acquired in late 2001 and early 2002, while continuing to post strong growth from our established operations and making further productivity gains. The turnover for the year rose by 65.2% over 2001 to HK\$7,470 million, accounting for 78.7% of total Group turnover. Operating profits increased by 56.6% to HK\$459 million.

Branded Businesses Ryobi power tools produced very strong results that exceeded our expectations. During 2002, we continued to maintain strong Ryobi brand sales momentum in the United States, doubling the year-on-year growth, based on our marketing slogan of “professional features, affordable price”. At the same time, we restructured and integrated the operations we had more recently acquired and established in Europe and Australasia in August 2001 and in February 2002 respectively, successfully implementing a new product strategy and positioning the Ryobi brand as in North America.

Of particular importance was our success in integrating within a very short time frame the Homelite outdoor power equipment operations that we had acquired in November 2001. As a result, the business contributed to TTI’s bottom-line as well as top-line growth. At the same time, we succeeded in modifying our engines for these products to meet the new standards required by the US Environmental Protection Agency, which opens future opportunities for us. The Group has also benefited from the complementary nature of the Homelite and Ryobi selling seasons, which brings common production and aftermarket service synergies.

Contract Businesses During the year we spared no effort to ensure that we continued to be the supplier of choice to our contract customers by virtue of our ability to meet their particular needs. These customers remain of strategic importance to TTI. Our comprehensive contract manufacturing service and reputation for quality of product, innovative products and service again stood us in good stead.

Floor Care Appliances

The Floor Care Appliances Division continued along its stable growth path. Revenue for the year rose 41.9% over 2001 to HK\$1,662 million, accounting for 17.5% of Group turnover. Operating profits increased by 22.2% to HK\$69 million.

Contract Businesses OEM/ODM business, which formed the major part of our floor care business in 2002, continued to perform well. The United States remains our major market and despite a soft economy, our contract business saw increased volumes. Sales to the majority of our customers increased and were boosted greatly by record shipments of a ground-breaking new product for one customer. In Europe, with its much more fragmented marketplace, we made further headway in cementing key customer relationships.

Branded Businesses Performance of our Vax brand, for which we have distribution in Australia, the UK and parts of Europe, showed overall improvement as new products and business improvement initiatives began to show benefits. The Royal acquisition, pending for completion, will take floor care appliance business to another stage of development, mirroring that in power tools and outdoor power equipment.

Solar Powered Lighting and Electronic Measuring Products

The Division achieved a growth in sales of 38.7% during 2002 to HK\$227 million. Several new designs of solar lights were introduced in mid-year and saw strong demand. A new line of electronic measuring tools also fuelled sales growth. As we kept a tight rein on costs, operating profits rose by an impressive 160.4% to HK\$37 million, making a measurable contribution to the Group's profitability.

OUTLOOK

First half order status is as planned and TTI position going into the full year 2003 is robust. Comparing business currently with the first half of 2002, Management is confident that the Group's strong momentum will continue.

The year 2003 will be one of consolidation within the core businesses in order to lay the foundation for significant future expansion.

The product range of our Ryobi brand power tools will continue to expand, supporting increased sales. Also, TTI will begin to use its reputation for quality, reliability and service to expand its power tool product categories. The opportunities for Homelite are tremendous. There is enormous scope to widen the product range of outdoor power equipment beyond the current area of hand-held petrol-driven tools. Solar powered lighting and electronic measuring products business will carry on its recent successes and continue to expand

its customer base. TTI will continue to invest resources in its important OEM/ODM customer base. A pipeline of new products and are actively engaged in developing for both TTI's own brands as well as on an ODM basis for external customers. Consolidation of manufacturing locations will continue to improve efficiencies and costs, bringing more products in-house and into Asia, and will continue to invest in new product development.

The Royal acquisition, which is subject to Royal's shareholder approval on 22nd April, 2003, will allow TTI to bring to the floor care business the same scale and growth path as in power tools and outdoor power equipment.

TTI's vision is to double our business within the next three years. This will give TTI the purchasing power, the economies of scale in manufacturing and the brand impact to propel TTI to market leadership, not only in the United States, but also in other world markets.

ACQUISITIONS

The Homelite acquisition, for which we entered into an agreement in November 2001, was completed during the year. The consideration was US\$17.1 million (HK\$133.6 million) in cash. In February 2002, the Group acquired the Ryobi power tool and outdoor power equipment business in Australia and New Zealand at a total consideration of AUD\$5.9 million (HK\$23.7 million). The integration and consolidation of these operations were completed.

On 17th December, 2002, the Group entered into an agreement with Royal Appliance Manufacturing Co. to offer all shareholders of the company US\$7.37 (HK\$57.49) per share in cash, representing a total purchase price of approximately US\$105 million (HK\$819 million). The transaction was approved by the Group's shareholders on 31st March, 2003 and subject to Royal's shareholders approval on 22nd April, 2003.

PLACING OF NEW SHARES

On 28th April, 2002, the Group raised approximately HK\$367 million by placing 60 million new shares to independent investors at a price of HK\$6.275 per share. The placing provided the Group with sufficient funding to support its global brands and in a strong financial position to acquire Royal.

LIQUIDITY

As at 31st December, 2002, the Group is in a net cash position as compared to the gearing ratio of 54.9% reported for 2001. Net interest expenses amount to HK\$70.2 million. Despite the increase in operation volume and various acquisitions, net interest expenses is lower than that of 2001 (HK\$76.6 million), reflecting the lower interest rate environment and efficient working capital management. Interest cover, expressed as a multiple of profit before interest and taxation over total net interest expenses was at 7.8 times as compared to 4.4 times in 2001.

Total bank borrowings at 31st December, 2002 amounted to HK\$1.3 billion compared to HK\$893 million for 2001. The increase reflects the medium term loan arranged for the Homelite acquisition together with certain loans taken over during the year from the acquired businesses. Bank balances and cash, however, increased nearly two-fold. The term loans have maturities ranging from three to five years and are all in US Dollars and LIBOR based.

PURCHASE, SALES OR REDEMPTION OF SHARES

Save as the above mentioned placing of new shares, there has been no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited final financial statements for the year ended 31st December, 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 16th June, 2003 to Friday, 20th June, 2003, both days inclusive. In order to qualify for the final dividend to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Secretaries Limited, at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00p.m. on Friday, 13th June, 2003.

PUBLICATION OF ANNUAL RESULTS ON WEBSITE

The financial information required to be disclosed under paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and TTI's website at www.tti.com.hk in due course.

By Order of the Board

Horst Julius Pudwill

Chairman and Chief Executive Officer

Hong Kong

15th April, 2003

RESULTS SUMMARY

For the year ended 31st December, 2002

CONSOLIDATED INCOME STATEMENT

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover		9,492,938	6,101,140
Cost of sales		(7,025,629)	(4,594,011)
Gross profit		2,467,309	1,507,129
Other revenue		69,233	41,396
Selling, distribution and advertising expenses		(795,694)	(516,684)
Administrative expenses		(1,054,148)	(595,698)
Research and development costs		(111,784)	(79,931)
Profit from operations		574,916	356,212
Finance costs		(83,978)	(91,000)
Profit before share of results of associates and taxation		490,938	265,212
Share of results of associates		121	(300)
Profit before taxation		491,059	264,912
Taxation	(2)	(69,986)	(22,940)
Profit before minority interests		421,073	241,972
Minority interests		(12,241)	(3,125)
Profit for the year		408,832	238,847
Dividend Paid		83,755	60,057
Earnings per share	(3)		
Basic		65.73 cents	42.02 cents
Diluted		64.79 cents	41.83 cents

TURNOVER ANALYSES

	2002 HK\$'000	2001 HK\$'000
By principal activity :		
Manufacture and trading of		
Power tools and outdoor power equipment products	7,470,451	4,523,295
Floor care appliances products	1,662,347	1,171,793
Solar powered lighting and electronic measuring products	227,130	163,734
Other products	133,010	242,318
	9,492,938	6,101,140
By geographical market location:		
North America	7,732,107	5,247,979
Europe	1,095,200	589,326
Other countries	665,631	263,835
	9,492,938	6,101,140

CONSOLIDATED BALANCE SHEET

	Notes	2002 HK\$'000	2001 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		846,766	678,629
Goodwill		161,091	83,815
Negative goodwill		(23,923)	(26,722)
Intangible assets		12,858	5,759
Interests in associates		117,265	108,366
Investments in securities		55,447	60,530
Deposit for acquisition of a subsidiary		–	148,200
Deferred tax asset		59,685	21,193
Other assets		1,195	1,195
		1,230,384	1,080,965
Current assets			
Inventories		1,592,034	799,975
Trade and other receivables		1,213,434	598,361
Deposits and prepayments		197,997	309,448
Bills receivable		261,186	331,431
Investments in securities		7,385	4,899
Trade receivable from associate		6,760	2,511
Bank balance, deposits and cash		1,855,491	644,039
		5,134,287	2,690,664
Current liabilities			
Trade and other payables		1,455,259	1,102,700
Bills payable		1,613,634	602,903
Warranty provision		79,315	26,979
Taxation payable		35,929	12,149
Obligations under finance leases and hire purchase contracts – due within one year		7,336	10,263
Bank borrowings – due within one year		781,156	217,060
		3,972,629	1,972,054
Net current assets		1,161,658	718,610
Total assets less current liabilities		2,392,042	1,799,575
Capital and Reserves			
Share capital	(4)	129,143	114,903
Reserves		1,671,745	988,471
		1,800,888	1,103,374
Minority Interests			
		18,917	9,977
Non-current Liabilities			
Obligations under finance leases and hire purchase contracts – due after one year		3,497	8,721
Bank borrowings – due after one year		554,059	675,967
Deferred tax liability		14,681	1,536
		572,237	686,224
		2,392,042	1,799,575

NOTES TO THE FINANCIAL STATEMENTS

1. Adoption of new and revised Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity. These changes have not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

SSAP 15 (revised): Cash flow statements

In the current year, the Group has adopted SSAP15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest paid, received and dividends paid, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows separately. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

SSAP 34: Employee benefits

In the current year, the Group has adopted SSAP 34 Employee Benefits, which introduces measurement rules for employee benefits, including retirement benefit plans.

2. Taxation

	For the year ended	
	2002	2001
	HK\$'000	HK\$'000
The total tax charge comprises:		
Hong Kong Profits Taxation	36,818	18,347
Overseas taxation	33,168	4,593
	69,986	22,940

3. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	For the year ended	
	2002 HK\$'000	2001 HK\$'000
Earnings for the purposes of basic and diluted earnings per shares:		
Profit for the year	408,832	238,847
Weighted average number of ordinary shares for the purposes of basic earnings per share	621,966,346	568,437,155
Effect of dilutive potential ordinary shares:		
Options	9,078,074	2,505,232
Weighted average number of ordinary shares for the purposes of diluted earnings per share	631,044,420	570,942,387

4. Share Capital

	Number of shares		Share capital	
	31.12.2002	31.12.2001	31.12.2002 HK\$'000	31.12.2001 HK\$'000
Ordinary shares of HK\$0.20 each				
Authorised	800,000,000	800,000,000	160,000	160,000
Issued and fully paid:				
At 1st January	574,516,826	561,216,826	114,903	112,243
Issued on share placement	60,000,000	—	12,000	—
Issue of shares during the period	11,200,000	13,300,000	2,240	2,660
	645,716,826	574,516,826	129,143	114,903

The shares issued during the year rank pari passu in all respects with the existing shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at Tianshan & Lushan Room, 5th Floor, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong, on 28th May, 2003 at 9:30 a.m. for the following purposes:

- (1) To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended 31st December, 2002.
- (2) To declare a Final Dividend of HK10 cents per share to shareholders whose names appear on the Register of Members of the Company on 20th June, 2003.
- (3) To elect Directors and fix their remuneration.
- (4) To appoint Auditors and fix their remuneration.
- (5) As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to paragraph (c) below and pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time, shall not exceed 20% of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares of the Company or any class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlement or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

- (6) As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its own shares of HK\$0.20 each, subject to paragraph (b) below and in accordance with all applicable laws and regulations, be and it is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares in the Company to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

- (7) As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT the Directors of the Company be and they are hereby given a general mandate to add all those number of shares of HK\$0.20 each in the capital of the Company which may from time to time be purchased by the Company pursuant to the approval granted under Resolution (6) above (the “Repurchased Shares”) to the general mandate granted under Resolution (5) above, so that the aggregate nominal amount of share capital that may be allotted by the Directors of the Company pursuant to the said general mandate granted under Resolution (5) above shall be the aggregate of (i) 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and (ii) all the Repurchased Shares.”

- (8) As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

“**THAT** the Articles of Association of the Company be hereby amended in the following manner:

- (a) by deleting the existing definition of “clearing house” under Article 2 thereof and replacing with the following new definition of “clearing house”:

“clearing house” shall mean a recognized clearing house as defined under Schedule 1 to the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) as amended from time to time.

- (b) by adding a new Article 91A immediately after Article 91:

91A. If a clearing house or a nominee of a clearing house is a member of the Company, it may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised under the provisions of these Articles shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company.”

By Order of the Board

Chi Chung Chan

Company Secretary

Hong Kong

15th April, 2003

Notes:

1. The Register of Members will be closed from 16th June, 2003 to 20th June, 2003 both days inclusive.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him. A proxy need not be a member. The Company's Articles of Association require the instrument appointing a proxy to be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

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