



Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code : 669)

MAJOR TRANSACTION

THE PROPOSED ACQUISITION OF COMPANIES COMPRISING THE MILWAUKEE®, AEG® AND DREBO® ELECTRIC POWER TOOLS AND ACCESSORIES BUSINESSES OF ATLAS COPCO AB

Financial Adviser to the Company



The Board is pleased to announce that the Company has on 28th August, 2004 entered into the Stock Purchase Agreement to purchase from the Sellers all the issued and outstanding shares of the Sold Companies which together comprise ATCO's electric power tools and accessories business, currently conducted under the brand names "Milwaukee®", "AEG®" and "DreBo®".

The purchase price for the Business, which will be paid in cash at the closing of the Transaction, is US\$626.6 million (being approximately HK\$4,887.3 million) (consisting of the pre-adjustment purchase price of US\$712.8 million (being approximately HK\$5,559.6 million), reduced by an agreed pre-closing adjustment of US\$86.2 million (being approximately HK\$672.3 million) in respect of a portion of the accrued and unfunded post-retirement liabilities of certain of the Sold Companies and adjustments with respect to related deferred asset accounts and to certain accruals). The purchase price is calculated on the basis of the Sold Companies having no indebtedness or cash and its net tangible assets (excluding, among other things, cash and amounts in respect of pre-agreed adjustments) being US\$285 million (being approximately HK\$2,222.9 million). The parties will prepare and agree final closing statements for the Business immediately after the closing of the Transaction and if the net tangible assets of the Business as shown in such agreed closing statements are less than US\$285 million (being approximately HK\$2,222.9 million), the purchase price will be reduced by the amount of the shortfall. If the net tangible assets of the Business as shown in such agreed closing statements are greater than US\$285 million (being approximately HK\$2,222.9 million), the purchase price will be increased by the amount of such excess.

The Transaction constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will therefore require the approval of Shareholders at the EGM.

The Circular containing, among other things, further details of the Transaction, the financial information of the Company and the Business, and the notice convening the EGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares and debt securities of the Company was suspended with effect from 9:30 a.m. and 9:33 a.m. on 30th August, 2004, respectively, 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 and debt securities of the Company with effect from 9:30 a.m. on 31st August, 2004.

I. INTRODUCTION

The Board is pleased to announce that the Company has on 28th August, 2004 entered into the Stock Purchase Agreement to purchase from the Sellers all the issued and outstanding shares of the Sold Companies which together comprise ATCO's electric power tools and accessories business, currently conducted under the brand names "Milwaukee®", "AEG®" and "DreBo®".

The Transaction constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will therefore require the approval of Shareholders at the EGM.

II. THE STOCK PURCHASE AGREEMENT

Date of Agreement : 28th August, 2004

Parties : 1. ATCO, ACNA and ATHG as Sellers; and
2. The Company, RTG and TTINA as Purchasers.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Sellers and their ultimate beneficial owners are independent of the Company and with each of the Directors, chief executive or substantial shareholders of the Company and its subsidiaries, and each of their respective associates (as defined in the Listing Rules).

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

Assets being acquired

All the issued and outstanding shares of the Sold Companies.

Purchase Price

The purchase price for the Business, which will be paid in cash at the closing of the Transaction, is US\$626.6 million (being approximately HK\$4,887.3 million) (consisting of the pre-adjustment purchase price of US\$712.8 million (being approximately HK\$5,559.6 million), reduced by an agreed pre-closing adjustment of US\$86.2 million (being approximately HK\$672.3 million) in respect of a portion of the accrued and unfunded post-retirement liabilities of certain of the Sold Companies and adjustments with respect to related deferred asset accounts and to certain accruals). The purchase price is calculated on the basis of the Sold Companies having no indebtedness or cash and its net tangible assets (excluding, among other things, cash and amounts in respect of pre-agreed adjustments) being US\$285 million (being approximately HK\$2,222.9 million). The parties will prepare and agree final closing statements for the Business immediately after the closing of the Transaction and if the net tangible assets of the Business as shown in such agreed closing statements are less than US\$285 million (being approximately HK\$2,222.9 million), the purchase price will be reduced by the amount of the shortfall. If the net tangible assets of the Business as shown in such agreed closing statements are greater than US\$285 million (being approximately HK\$2,222.9 million), the purchase price will be increased by the amount of such excess.

The purchase price for the Business has been determined after arm's length negotiations based on various factors including the global market presence, well established and widely recognised brands, earnings potential and growth prospects of the Business. The Directors believe that the terms of the Transaction are fair and reasonable and in the interest of the Shareholders as a whole.

The Company will satisfy the purchase price for the Transaction from internal and external resources available to it.

Conditions

The Stock Purchase Agreement is subject to the satisfaction or waiver of the following conditions (among others):

- neither the Purchasers nor the Sellers have breached any of their respective representations, warranties or covenants, except for such breaches of representations and warranties and covenants that, in the aggregate, are not reasonably likely to have a material adverse effect on the Business;
- relevant US and German anti-trust approvals having been obtained or the applicable waiting periods having expired or terminated;
- the Shareholders having approved the Transaction in accordance with the requirements of the Listing Rules; and
- the Sellers must have paid in full all indebtedness outstanding on the date and shall have obtained a release of all related encumbrances, if any, except to the extent such indebtedness is continued by agreement of the parties and reflected in the purchase price.

Break Fee

In light of the costs and expenses incurred by ATCO in negotiating the Transaction and the potential damage to its reputation if the Transaction does not proceed, the Company has agreed that, in the event the Shareholders do not approve the Transaction at the EGM, it shall pay to ATCO a break fee of US\$20.0 million (representing approximately 3.2% of the purchase price of the Business) within three business days of the EGM. The Company will make an appropriate announcement accordingly.

Termination

The Stock Purchase Agreement may be terminated:

- at any time by mutual written consent of the Company and ATCO; or
- by the Company or ATCO after 31st March, 2005 (or such later date as may be agreed in writing between them), if the Transaction is not consummated on or before such date; provided that a party may terminate the Stock Purchase Agreement if the failure of such consummation is due to the failure of the party wishing to terminate to comply in all material respects with its agreements and covenants contained therein; or
- by the Company, if ATCO shall breach in any respect any of its representations, warranties or obligations under the Stock Purchase Agreement that would constitute a failure of the conditions to the obligations of the Company thereunder and such breach shall not have been timely cured; or
- by the Company, if (i) a material adverse effect on the Business has occurred or (ii) any other event or condition has occurred that would prevent fulfillment of the conditions to the Company's obligations thereunder; or
- by ATCO, if the Company shall breach in any respect any of its representations, warranties or obligations that would constitute a failure of the conditions to its obligations and such breach shall not have been cured in all material respects or if the Company shall breach other specified obligations thereunder.

Closing

Closing of the Transaction is expected to take place at 10:00 a.m. (New York time) on and as of the last business day of the month in which all conditions have been either satisfied or waived, or at such other time and place as the Purchasers and the Sellers shall agree.

Closing of the Transaction is expected to take place on or by 31st December, 2004.

III. INFORMATION ABOUT THE BUSINESS

Description of the Business

METCO is a leading producer and seller of heavy-duty portable electric tools and accessories. It designs and sells over 400 different tool models ranging from drills, Sawzalls® brand reciprocating saws, circular saws, grinders and hammers to tools designed for specific applications such as diamond drill rigs and Steel Hawg cutting systems, as well as over 3,500 accessory products. Most of METCO's products are marketed under the well-established and widely recognized Milwaukee® brand. End users of METCO's products are primarily professional tradesmen, including electricians, plumbers, mechanical contractors, general contractors, metal fabricators, HVAC/sheet metal installers and fabricators, maintenance repair operation professionals, and municipal and utility workers. METCO's geographical focus has historically been North America, but during 2001 and 2002 it launched the Milwaukee® brand in Australia and Europe.

AEG is located in Winnenden near Stuttgart, Germany and is responsible for developing, manufacturing and distributing high-quality handheld power tools and accessories under the AEG® and Milwaukee® brands. AEG is also a leading producer of rotary carbide drill bits under the DreBo® brand. AEG's products are marketed through sales companies in Europe, Asia, Australia and South Africa and are used primarily by professional tradesmen.

Summary financials of the Business

A summary of the unaudited combined results of the Business for the 12 months ended 31st December, 2002 and 2003 (prepared under Swedish GAAP) are as follows:

	2002	12 months ended 31st December		
	US\$ million	HK\$ million (for illustrative purpose only)	2003	HK\$ million (for illustrative purpose only)
Turnover	679.4	5,299.1	707.8	5,520.6
Operating profit	40.3	314.3	37.2	290.1
Profit before tax	35.0	273.0	30.5	237.9
Profit after tax	16.8	131.0	13.4	104.5
Total assets	805.3	6,281.1	877.0	6,840.3
Net assets	518.3	4,042.6	541.6	4,224.3

If these unaudited combined results of the Business had been prepared on the basis of US GAAP, rather than Swedish GAAP, profit before tax for the 12 months ended 31st December, 2002 and 2003 would have been US\$43.0 million (being approximately HK\$335.4 million) and US\$38.8 million (being approximately HK\$302.6 million), respectively, and profit after tax for such periods would have been US\$29.2 million (being approximately HK\$227.8 million) and US\$23.4 million (being approximately HK\$182.5 million), respectively.

Shareholders and investors should note that the above figures are based on underlying financial statements of the Business prepared in accordance with Swedish GAAP and US GAAP which differ in certain material respects from IFRS or HKFRS and care should be taken in interpreting them. An accountants' report in respect of the results and assets and liabilities of the Business prepared in accordance with IFRS will be contained in the Circular.

IV. INFORMATION ABOUT THE COMPANY

Founded in 1985, the Company is a leading and fast-growing supplier of home improvement products, employing approximately 16,300 people worldwide. The Company's global brand portfolio includes RYOBI® power tools, HOMELITE® and RYOBI® outdoor power equipment, ROYAL®, DIRT DEVIL®, REGINA® and VAX® floor care appliances. The Company has enjoyed continuous growth since its listing on the Stock Exchange in 1990, achieving double-digit growth for the past nine years. The Company is also one of the constituent stocks on the Hang Seng HK MidCap Index under the Hang Seng Composite Index, the MSCI Hong Kong Index, the FTSE All-World Hong Kong Index and the FTSE/Hang Seng Asian Cyclical Index. For more information, please visit www.ttigroup.com. (The information that appears on that website does not form part of this announcement.)

V. INFORMATION ABOUT ATCO

ATCO is a global industrial group of companies headquartered in Stockholm, Sweden. In 2003, it had revenues of SEK 44.6 billion (being approximately HK\$45.8 billion), with 98 percent of revenues outside Sweden, and close to 26,000 employees. ATCO develops, manufactures, and markets electric and pneumatic tools, compressed air equipment and generators, construction and mining equipment, assembly systems, and offer related service and equipment rental. More information is available on www.atlascopco-group.com. (The information that appears on that website does not form part of this announcement.)

VI. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors believe that the acquisition of METCO and AEG will enable the Company to enhance its leadership position in the global power tool industry. Through the acquisition of METCO, the Company will acquire the Milwaukee® brand, a well-established and widely recognized US power tool brand focused on professionals. Through the acquisition of AEG, the Company will gain access to the AEG® brand, a well-recognized European power tool brand focused on professionals. In addition, the Directors believe that METCO's engineering and design capability can be leveraged across the Company's existing product portfolio.

In particular, the Transaction will allow the Company to:

- strengthen its market presence in Europe where its products have historically been underrepresented;
- expand the distribution of its products beyond its existing channels by utilizing the Business' network of independent dealers and distributors, thereby diversifying the Company's customer base;
- increase sales of existing products such as pressure washers, air nailers, bench and stationary tools, wet/dry vacs and laser measuring devices by leveraging the METCO and AEG distribution network which did not historically have access to these products;
- compete more effectively with other major global tool manufacturers who offer extensive ranges of higher price point products globally;
- become a leading supplier of power tool accessories, thereby further complementing and strengthening the Company's sourcing activity while solidifying the Company's position in this category, for example in hole saws, reciprocating saws, jig saw blades, professional drill bits; and
- gain access to the Business' design, engineering and manufacturing operations which will provide critical expertise in certain key product categories both in North America and in Europe.

VII. GENERAL

The Transaction constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and will therefore require the approval of the Shareholders at the EGM. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has a material interest in the Transaction who will be required to abstain from voting at the EGM. The executive Directors and their respective associates (as defined in the Listing Rules), beneficially holding a total of 505,732,772 Shares, which represent approximately 37.8% 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 Transaction.

UBS Investment Bank has been appointed as the financial adviser to the Company in respect of the Transaction.

The Circular containing, among other things, further details of the Transaction, the financial information of the Company and the Business, and the notice convening the EGM will be despatched to Shareholders as soon as practicable.

Trading in the Shares and debt securities of the Company was suspended with effect from 9:30 a.m. and 9:33 a.m. on 30th August, 2004, respectively 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 and debt securities of the Company with effect from 9:30 a.m. on 31st August, 2004.

As at the date of this announcement, the Board comprises five Group executive Directors, namely, Mr. Horst Julius Pudwill (Chairman and Chief Executive Officer), Mr. Roy Chi Ping Chung (Managing Director), Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan and Dr. Akio Urakami and three independent non-executive Directors, namely, Mr. Vincent Ting Kau Cheung, Mr. Joel Arthur Schleicher and Mr. Christopher Patrick Langley.

VIII. TERMS USED IN THIS ANNOUNCEMENT

The following terms not defined in the text of this release have the meaning set forth below:

"ACNA"	Atlas Copco North America, Inc., a Delaware corporation and a wholly-owned subsidiary of ATCO
"AEG"	Atlas Copco Electric Tools GmbH, a company organized under the laws of Germany, and currently a wholly-owned subsidiary of ATCO which, upon the closing of the Transaction, will become a wholly-owned subsidiary of the Company
"ATCO"	Atlas Copco AB, a company organized under the laws of Sweden and whose shares are listed on the Stockholm, London and Frankfurt stock exchanges
"ATHG"	Atlas Copco Holding GmbH, a company organized under the laws of Germany and a wholly-owned subsidiary of ATCO
"Board"	the Board of Directors
"Business"	ATCO's electric power tools and accessories businesses, currently conducted through METCO and AEG and certain other ancillary entities of ATCO under the brand names "Milwaukee®", "AEG®" and "DreBo®"
"Circular"	the circular to be despatched to the Shareholders in respect of the Transaction
"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
"Directors"	the directors of the Company
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Transaction
"GAAP"	generally accepted accounting principles
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"METCO"	Milwaukee Electric Tool Corporation, a Delaware corporation, and currently a wholly-owned subsidiary of ATCO which, upon the closing of the Transaction, will become a wholly-owned subsidiary of the Company
"Purchasers"	the Company, RTG and TTINA
"RTG"	Ryobi Technologies GmbH, a company organized under the laws of Germany and a wholly-owned subsidiary of the Company
"Sellers"	ATCO, ACNA and ATHG
"Shares"	ordinary shares of HK\$0.10 each in the capital of the Company
"Shareholders"	holders of Shares
"Sold Companies"	METCO, AEG and certain other ancillary entities of ATCO which together comprise the Business (and which will be further disclosed in the Circular)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Stock Purchase Agreement"	the conditional stock purchase agreement dated 28th August, 2004 made between the Sellers and the Purchasers relating to the Transaction
"Transaction"	the proposed acquisition by the Company of all the issued and outstanding shares of each of the Sold Companies from the Sellers pursuant to the Stock Purchase Agreement, as further described in this announcement
"TTINA"	Techtronic Industries North America, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company
"UBS Investment Bank"	UBS AG, Hong Kong Branch, a corporation deemed to be licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for Type 1, Type 4, Type 6 and Type 9 regulated activities and the financial adviser to the Company in respect of the Transaction
"HK\$" / "SEK"	Hong Kong dollars, the lawful currency of Hong Kong / Swedish Krona, the lawful currency of Sweden
"US"	United States of America
"US\$" / "US\$"	US dollars, the lawful currency of US

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

Hong Kong, 30th August, 2004

Unless otherwise specified, the financial information in this announcement has been converted into Hong Kong dollars, it has been converted at the exchange rates set out below, being the exchange rates prevailing on 27th August, 2004. Such conversions have been made solely for the convenience of readers and should not be construed as a representation that such amounts have been, could have been or could be converted into Hong Kong dollars at such rates or any other rates or at all.

US\$1.00 : HK\$7.7997 SEK1.00 : HK\$1.0270