



# Techtronic Industries Co. Ltd.

*(Incorporated in Hong Kong with limited liability)*

(Stock Code : 669)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2004

### HIGHLIGHTS

	2004 HK\$' million	2003 HK\$' million	Changes
Turnover	16,304	13,183	+ 23.7%
Profit for the year	938	674	+ 39.1%
Earnings per share – basic	70.11 cents	51.56 cents	+ 36.0%
Final dividend per share	12.50 cents	8.875 cents	+ 40.8%

- Record results
- Tenth consecutive year of double-digit profit growth
- Improved gross and net margins
- Major product launch successes
- Acquisition of Milwaukee and AEG professional power tools and accessories businesses

### CHAIRMAN'S STATEMENT

The Group continues to build a portfolio of world-class brands in all geographic markets and delivered record results during 2004. Well-defined strategies and unique performance capabilities in product innovation, marketing, manufacturing and collaborative partnerships led to our tenth consecutive year of double-digit profit growth.

We are truly excited about the acquisition of the highly respected Milwaukee and AEG professional power tool brands and business as well as the DreBo accessories business, completed in January 2005. This acquisition follows our strategy of building leading brands with robust and comprehensive product lines in our core businesses. Further to our strong organic growth in 2004, the new acquisitions will have a substantial positive impact on the Group's expansion in 2005 and beyond.

TTI possesses unique global strengths that will continue to deliver higher performance in our existing and newly acquired brands. We are confident our approach will continue to produce strong results across all divisions.

## **Our Best Year Ever**

Total Group turnover and net profit reached record levels in 2004. Group turnover was HK\$16.30 billion, an increase of 23.7% over our 2003 fiscal year. Net profit was up by 39.1% to HK\$938 million. Earnings per share increased by 36.0% to HK70.11 cents.

The Group achieved strong organic growth with double-digit increases across all business divisions. Once again, we were able to apply the combined power of strategic product innovation and operational excellence to TTI's stable of well-recognized brands. This included upgrading and expanding our product categories under each brand and adding new product categories within the brands. The introduction of new products coupled with relentless cost containment efforts led to continued improvements in gross and net profit margins despite pressure from rising raw material prices.

The Group is committed to strong financial management practices that enhance long-term shareholder value and enable us to take advantage of attractive market opportunities. Consequently, we once again increased our net cash position during 2004 and produced a record year of generating free cash flow. We retained a high level of liquidity and a strong capital base.

The Group delivered higher performance results in all divisions. Sales in the Power Equipment Products division grew 21.5%. Power tool operations performed well, driven by new product launches such as the Ryobi 18-volt One+ System™, successful promotions in the last quarter and increased contributions from Europe. Our outdoor power equipment business achieved double-digit sales growth on the back of strong sales of Ryobi and Homelite products.

Our Floor Care Appliances division continued to strengthen its proprietary brands. We achieved this by striking a good balance between innovation and consumer price-points across the full range of products such as the Dirt Devil Dynamite Bagless Quick Vac. Our European operations significantly outperformed the industry as a whole, bringing new products to the consumer and steadily building market strength.

Our Laser and Electronic Products division performed extremely well with the strong support of new and innovative products such as the successful Ryobi AIRgrip™ laser level.

The Group continued to strengthen the Original Equipment Manufacturing (OEM) business. Key alliances with major brand-name companies contributed strong growth driven by our commitment to deliver high quality products at the best cost. Additional OEM opportunities were developed with these companies during 2004, which will provide further growth and profitability going forward.

## **Excellent Prospects**

Higher performance demands sound strategies and flawless execution. TTI is structured for continued success in both respects. The Group has the strengths, resources and capabilities to deliver further significant long-term growth by continuing to execute its strategic fundamentals at every level. We remain totally committed to our customers and partners and are continually seeking new ways of strengthening our relationships. We are dedicated to applying innovation to every aspect of our business and to building the leading brands in our targeted categories and key markets.

Our recent strategic acquisitions allow us to further maximize synergies amongst brands leading to improved cost savings and faster speed-to-market of new products. Growth momentum remains robust for 2005 with new product launches to include Milwaukee's revolutionary V28™ power tool line with lithium ion battery technology, RIDGID®'s seven best-in-class professional pneumatic fastening tools, Ryobi's new gasoline-driven pressure washer. We will continue to add depth and breadth to our entire product platform across all divisions. Our expanding portfolio of global brands will break new ground and grow our business into new markets. TTI possesses unique global strengths that will continue to deliver higher performance in our existing and newly acquired brands.

## **DIVIDEND**

The Directors recommend a final dividend of HK12.50 cents per share. Subject to the approval of the shareholders at the Annual General Meeting to be held on 30<sup>th</sup> May, 2005. The final dividend will be paid to shareholders listed on the register of members of the Company on 17<sup>th</sup> June, 2005. It is expected that the final dividend will be paid on or about 29<sup>th</sup> July, 2005. This payment together with the interim dividend of HK4.50 cents per share paid on 30<sup>th</sup> September, 2004 makes a total payment of HK17.00 cents per share for 2004, an increase of 36.0% over that declared in 2003.

## **FINANCIAL RESULTS**

### **Result Analysis**

The Group recorded a 23.7% growth in turnover to HK\$16.30 billion for the year with strong organic growth from all divisions. Net profit increased by 39.1% to HK\$938 million with improved margins of 5.8% (2003: 5.1%).

Earnings per share were HK70.11 cents (2003: HK51.56 cents), an increase of 36.0%. Return on shareholders' funds increased to 27.3% as compared to 26.8% in 2003.

### **Gross Margins**

Gross margin continued to improve, increasing to 30.3% from 29.6% despite higher raw material prices during the year. This reflected the Group's successful and well-balanced strategy to improve margins by continually introducing new products, expanding product categories, capitalizing on the well-recognized brand portfolio, leveraging business volume and economies-of-scale. These initiatives were aided by a highly effective program of ongoing cost improvement at all levels within the Group.

## **BUSINESS REVIEW**

### **Power Equipment Products**

The Power Equipment Products division delivered another year of highly successful results through leading innovation, operational excellence and deepening customer alliances. This dynamic combination provided tremendous growth in all key markets and all product segments as well as market position gains in all brand categories. In power tools, the Ryobi and RIDGID® brands played key roles in growing the power tool and accessory businesses achieving double-digit sales growth in tools and accessories. In outdoor power equipment, the Group made significant progress also attaining double-digit sales growth as it leveraged the power of the Ryobi and Homelite brands in North America and Europe. The Group also continued to strengthen relationships with key customers.

Turnover for the division grew 21.5% to HK\$11.52 billion, accounting for 70.7% of total Group turnover. Operating profits rose by 39.3% to HK\$910 million.

#### *Outlook*

The Group's strategies for growth are working and we are exceptionally well positioned to make further significant progress in 2005 in power tools.

We are looking forward to the fast and effective integration of the Milwaukee and AEG brands into our power tool division. We have already identified major synergies in engineering, manufacturing and supply chain, and moved forward aggressively in these important areas. These powerful brands with their strength in pioneering technology and distribution channel to reach professional contractors will accelerate the growth of our power tool business. The combined effect of these new acquisitions with our powerful new product development engine, which is dedicated to creating new-to-market products, will drive growth in the power tools business across all brands and all categories, including workbench, corded, cordless, hand tools and accessories.

Europe is an attractive market that holds great potential for our brands. We expect to increase our presence by strengthening our product platform and leveraging our sales reach through AEG's existing market position and advantages. AEG delivers added depth in product development and technology specifically targeted for the larger European market. This expanded reach will help capture new market presence in those regions.

Our outdoor power equipment operations are driven by high-profile brands that are preferred by end users. We have established comprehensive product platforms and will continue to add depth and breadth to the entire outdoor equipment product line which already offers one of the widest product range in the market. Going forward, there are significant new products already in development that will enhance our outdoor product line in 2005 and beyond, representing tremendous growth potential. In Europe, the growth outlook is positive with new Ryobi and Homelite product launches in 2005 to include an expanded gasoline and electric lawn-and-garden product line. Investment in our sales force is also expected to strengthen our performance.

### **Floor Care Appliances**

The Floor Care Appliances division recorded an outstanding performance by delivering superior consumer value and maintaining a critical focus on containing costs. Innovation is playing a key role in the success of our proprietary brands, with Dirt Devil making market gains in our important territories of North America and Europe, and Vax significantly improving its position in the UK. With manufacturing now centered in Asia, significant supply chain efficiency gains and cost containment programs are positively impacting margins. Our strategic alliance business also exceeded plan.

Turnover for the division grew 28.1% to HK\$4.08 billion, accounting for 25.0% of total Group turnover. Operating profits rose by 53.2% to HK\$201 million.

#### *Outlook*

Our Floor Care Appliances division exemplifies the combined strength of our core synergies. By enhancing our cost competitiveness and investing in breakthrough innovation, we are well positioned to maintain our trend of strong organic growth. A commitment to harnessing the Group's extensive product engineering and world-class manufacturing capabilities, coupled with its drive to deliver high quality products at the best cost, has opened several new OEM opportunities, which have the potential for becoming long-term partnerships.

### **Laser and Electronic Products**

The Laser and Electronic Products division showcased the strength that innovation and manufacturing efficiency can deliver to the marketplace. The division once again had an excellent year, maintaining its record of steadily increasing contributions to the Group. This was accomplished through aggressive cost containment, increased manufacturing capacity, and the expansion of product offerings in all categories, including laser layout devices, digital measuring tapes, stud sensors, metal detectors, solar lighting and infant-care products, all contributing to the growth in sales. The award-winning launch of the innovative Ryobi AIRgrip™ laser level was just one example of our continuing ability to bring groundbreaking products to the market.

Turnover increased 37.2% to HK\$701 million, accounting for 4.3% of total Group turnover. Operating profits rose by 44.5% to HK\$146 million.

#### *Outlook*

This division has the brands, alliances, technologies and the marketing acumen to maintain growth momentum into the future. In addition, our operational investments will continue to pay strong dividends in productivity and speed-to-market as we expand our product platforms and strengthen ties with our customers.

The laser and digital measuring tool category is expected to deliver excellent future growth as we build on the success of the Ryobi AIRgrip™. We will develop a full product range within this system with particular focus on converged tools. In addition, we will continue to expand into other infant-care product categories and are confident the infant-care products will become another key growth engine for the division.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Shareholders' Funds**

Total shareholders' funds amounted to HK\$3,439 million as at 31<sup>st</sup> December, 2004, representing an increase of over 36.8% from HK\$2,513 million as reported last year. Book value per share, after the increase in the number of shares issued from the exercise of options during the year, rose 34.0% to HK\$2.54 as compared to HK\$1.90 in 2003.

### **Financial Position**

As at 31<sup>st</sup> December, 2004, the Group was in a net cash position of HK\$2,093 million as compared to HK\$740 million in 2003. The Group maintained its high liquidity to meet the cost of the Milwaukee, AEG and DreBo acquisition and the need for additional working capital required after the acquisition. Free cash flow during the year increased from HK\$1.26 billion in 2003 to HK\$1.70 billion, an increase of over 35.4%.

Net interest expense amounted to HK\$86 million as compared to HK\$79 million in 2003. The increase of just 9.0% was moderate given the expanded scale of the Group's operations. The Group will maintain efficient working capital management and capitalize on the relatively low interest rates. Interest cover, expressed as a multiple of profit before interest and tax over total net interest expenses, was 13.2 times as compared to 10.4 times reported in 2003.

### **Bank Borrowings, Notes Issue**

The Group now has a well-balanced and carefully-structured loan portfolio to support its long-term growth strategy and is also able to secure additional financing at favourable terms. Taking advantage of the low interest rate environment, the Group tapped into the capital market with two transactions in 2005 through its wholly-owned entity in the United States. The Group placed US Dollars two hundred million fixed interest rate Notes in two tranches, of US\$150 million for 10 years at 5.44% per annum, and US\$50 million for 7 years at 5.17% per annum, with private investors in the United States. Another US Dollars two hundred million LIBOR-based floating rate transferable term loan was arranged through an elite group of financial institutions for a 3 year period extendable to 5 years. Both issues received overwhelming support and were successfully closed in March 2005. The proceeds were used to refinance existing bank borrowings.

### **Working Capital**

The Group's working capital remained strong with net current assets as at 31<sup>st</sup> December, 2004, of over HK\$3.82 billion, an increase of 92.6% as compared to HK\$1.99 billion in 2003. Current ratio further improved to 1.49 from 1.35 in 2003 and quick ratio was at 1.13 (2003: 0.91).

Inventory level increased by only 11.9% to HK\$2.79 billion, despite a revenue increase of over 23.7%. Raw material and Work in Progress turnover days improved to 17 days as compared to 18 days in 2003. Finished goods turnover days increased by 3 days from 39 days to 42 days as compared to last year. All finished goods were subsequently shipped and delivered in January 2005.

Given the Group's high liquidity, no additional financing of receivables was arranged to contain finance costs. Trade receivables turnover days, therefore, increased from 45 days to 53 days. The Group is comfortable with current inventory and receivables turnover days, but will continue to improve its efficiency in this regard. During the year, the Group did not experience any material bad debts that required writing off.

As operations continued to expand, the Group managed to leverage its volume and secure favourable payment terms from suppliers and expanded financing arrangements through banks to optimise the current low interest rate environment. The Group has therefore been able to extend its trade credits by an additional 7 days as compared to last year.

### **Foreign Exchange Risk Management**

The Group's major borrowings are in US Dollars and HK Dollars. Other than the fixed interest rate Notes in issue during the year, all borrowings are based on LIBOR or Hong Kong best lending rates. As the Group's revenues are mainly in US Dollars, and major borrowings and payments are in either US Dollars or HK Dollars, there is a natural hedge mechanism in place and currency risk exposure is relatively low. However, the Group has strengthened its treasury management functions and will continue to manage its currency and interest rate exposures.

### **Acquisitions**

On 28<sup>th</sup> August, 2004, the Group entered into a Stock Purchase Agreement to purchase from Atlas Copco AB ("ATCO") all of ATCO's electric power tools and accessories business ("the Business") conducted under the brand names "Milwaukee", "AEG" and "DreBo", ("the Sold Companies").

The transaction was approved unanimously by all the shareholders present in person or by proxy at the Company's Extraordinary General Meeting held on 3<sup>rd</sup> January, 2005 and was successfully closed on the same date.

The purchase price for the Business, which was paid in cash at the closing of the transaction, was US\$627 million (approximately HK\$4,887 million), consisting of the pre-adjustment purchase price of US\$713 million (approximately HK\$5,560 million), reduced by an agreed pre-closing adjustment of US\$86 million (approximately HK\$672 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 was calculated on the basis of the Sold Companies having no indebtedness or cash and their net tangible assets (excluding, among other things, cash and amounts in respect of pre-agreed adjustments) being US\$285 million (approximately HK\$2,223 million). The parties are in the process of finalizing the closing statements for the Business and if the net tangible assets of the Business as shown in such agreed closing statements are less than US\$285 million (approximately HK\$2,223 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 (approximately HK\$2,223 million), the purchase price will be increased by the amount of such excess.

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

### **Capital Expenditure**

Capital expenditure during the year under review amounted to HK\$312 million and was in line with the Group's depreciation charges for the year of HK\$317 million.

### **Capital Commitment and Contingent Liabilities**

As at 31<sup>st</sup> December, 2004, the capital commitment not provided for in respect of land in Dongguan, Mainland China amounted to approximately HK\$18 million. Total capital commitment in 2004 amounted to HK\$154 million (2003: HK\$89 million).

As at 31<sup>st</sup> December, 2004, there were no material contingent liabilities or off balance sheet obligations other than trade bills discounted during the ordinary course of business.

### **Charges**

None of the Group's assets are charged or subject to any encumbrance.

## **HUMAN RESOURCES**

As at 31<sup>st</sup> December, 2004, the Group employed a total of 21,549 employees in Hong Kong and overseas (2003: 16,000 employees).

The Group continues to provide job-related training to all levels of staff to improve their skills and competencies as it believes that human capital is vital to its continuous growth and profitability.

The Group also offers competitive remuneration packages, discretionary share options and bonuses to all eligible staff based on individual and Group performances.

## **APPRECIATION**

I would like to thank my fellow directors, management and employees for their efforts during the year. The unmatched talent and dedication of our employees worldwide is a major factor in our success. I also thank our customers and other business partners, whose continued support is key to the achievement of our full potential. I am confident that TTI will continue generating strong returns for our shareholders through our sound strategies that unleash higher levels of performance.

## **INVESTOR RELATIONS AND COMMUNICATIONS**

The Group understands the importance of maintaining effective communication with our shareholders and the investment community. Regular meetings with analysts and institutional shareholders were conducted to promote investor relations and communications. The Company also maintains a website ([www.ttigroup.com](http://www.ttigroup.com)) which is updated on a timely basis to ensure all parties receive our latest corporate information.

## **PURCHASE, SALES OR REDEMPTION OF SHARES**

There has been no purchase, sales or redemption of shares of the Company by the Company or any of its subsidiaries during the year.

## **AUDIT COMMITTEE**

The Audit Committee is chaired by an independent non-executive director and all of the Committee members are independent non-executive directors. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules. 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 31<sup>st</sup> December, 2004.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

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 in Appendix 14 to the Listing Rules, which was in force prior to 1<sup>st</sup> January, 2005, throughout the year ended 31<sup>st</sup> December, 2004.

The Code of Best Practice has been replaced by the Code on Corporate Governance Practices and Corporate Governance Report (Appendices 14 and 23 of the Listing Rules) on 1<sup>st</sup> January, 2005. Compliance of the new Code by the Company will be required commencing from the year ending 31<sup>st</sup> December, 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 13<sup>th</sup> June, 2005 to Friday, 17<sup>th</sup> June, 2005, 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, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00p.m. on Friday, 10<sup>th</sup> June, 2005.

Dividend warrants will be despatched on or around 29<sup>th</sup> July, 2005 subject to shareholders' approval of payment of the final dividend having been obtained at the Annual General Meeting.

## **PUBLICATION OF ANNUAL RESULTS ON WEBSITE**

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

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held at The Ritz-Carlton, Hong Kong on 30<sup>th</sup> May, 2005. The notice of Annual General Meeting will be published in the South China Morning Post and Hong Kong Economic Times and despatched to shareholders of the Company on or about 28<sup>th</sup> April, 2005.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board of Directors of the Company comprises four executive directors, namely Mr. Horst Julius Pudwill, Mr. Roy Chi Ping Chung, Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan, two non-executive directors, namely Dr. Akio Urakami and Mr. Vincent Ting Kau Cheung, and three independent non-executive directors, namely Mr. Joel Arthur Schleicher, Mr. Christopher Patrick Langley and Mr. Manfred Kuhlmann.

By Order of the Board

**Horst Julius Pudwill**

*Chairman and Chief Executive Officer*

Hong Kong, 7<sup>th</sup> April, 2005

## RESULTS SUMMARY

For the year ended 31<sup>st</sup> December, 2004

### CONSOLIDATED INCOME STATEMENT

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	(2)	<b>16,304,140</b>	13,182,808
Cost of sales		<b>(11,363,394)</b>	(9,284,759)
Gross profit		<b>4,940,746</b>	3,898,049
Other operating income		<b>39,688</b>	39,575
Interest income		<b>52,772</b>	16,743
Selling, distribution, advertising and warranty expenses		<b>(1,916,812)</b>	(1,574,549)
Administrative expenses		<b>(1,551,024)</b>	(1,246,615)
Research and development costs		<b>(338,962)</b>	(268,244)
Profit from operations	(3)	<b>1,226,408</b>	864,959
Finance costs		<b>(138,880)</b>	(95,731)
Profit before share of results of associates and taxation		<b>1,087,528</b>	769,228
Share of results of associates		<b>(845)</b>	(987)
Profit before taxation		<b>1,086,683</b>	768,241
Taxation	(4)	<b>(108,829)</b>	(66,811)
Profit before minority interests		<b>977,854</b>	701,430
Minority interests		<b>(40,314)</b>	(27,457)
Profit for the year		<b>937,540</b>	673,973
Dividends	(6)	<b>178,998</b>	113,251
Earnings per share (HK cents)	(7)		
Basic		<b>70.11</b>	51.56
Diluted		<b>68.16</b>	50.37

## CONSOLIDATED BALANCE SHEET

	As at 31st December	
	2004	2003
	HK\$'000	HK\$'000
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	884,618	904,356
Goodwill	653,504	652,760
Negative goodwill	(28,868)	(33,175)
Intangible assets	232,881	25,154
Interests in associates	160,442	118,394
Investments in securities	27,193	41,419
Deferred tax assets	329,711	273,937
Other assets	1,195	1,195
	<b>2,260,676</b>	<b>1,984,040</b>
Current assets		
Inventories	2,787,059	2,491,650
Trade and other receivables	2,762,156	2,197,789
Deposits and prepayments	382,421	293,408
Bills receivable	256,836	36,409
Investments in securities	–	5,575
Tax recoverable	872	51,274
Trade receivables from associates	1,247	48
Bank balances, deposits and cash	5,452,057	2,586,075
	<b>11,642,648</b>	<b>7,662,228</b>
Current liabilities		
Trade and other payables	2,885,506	2,084,198
Bills payable	3,719,108	2,809,963
Warranty provision	241,375	208,552
Trade payable to an associate	21,593	3,230
Tax payable	105,092	68,114
Obligations under finance leases		
– due within one year	6,266	5,485
Borrowings – due within one year	840,450	497,975
	<b>7,819,390</b>	<b>5,677,517</b>
Net current assets	<b>3,823,258</b>	<b>1,984,711</b>
Total assets less current liabilities	<b>6,083,934</b>	<b>3,968,751</b>
<b>Capital and Reserves</b>		
Share capital	135,230	132,497
Reserves	3,303,436	2,380,387
	<b>3,438,666</b>	<b>2,512,884</b>
<b>Minority Interests</b>	<b>82,032</b>	<b>46,374</b>
<b>Non-current Liabilities</b>		
Obligations under finance leases		
– due after one year	8,989	14,261
Convertible bonds	1,071,993	–
Borrowings – due after one year	1,446,292	1,348,497
Deferred tax liabilities	35,962	46,735
	<b>2,563,236</b>	<b>1,409,493</b>
	<b>6,083,934</b>	<b>3,968,751</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

In 2004, HKICPA has issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1<sup>st</sup> January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31<sup>st</sup> December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

Certain comparative figures have been reclassified to conform with the current year’s presentation.

### 2. Segment Information

	Turnover		Segment results	
	2004 HK\$’000	2003 HK\$’000	2004 HK\$’000	2003 HK\$’000
By principal activity :				
Manufacture and trading of				
Power Equipment Products	11,523,924	9,486,308	910,230	653,385
Floor Care Appliances	4,078,995	3,185,336	201,269	131,351
Laser and Electronic Products	701,221	511,164	145,865	100,973
	<b>16,304,140</b>	13,182,808	<b>1,257,364</b>	885,709
Amortization of goodwill			(35,263)	(25,056)
Release of negative goodwill to income			4,307	4,306
Contribution to profit from operations			<b>1,226,408</b>	864,959
By geographical market location:				
North America	13,205,612	10,905,833	1,082,567	762,628
Europe and Other Countries	3,098,528	2,276,975	174,797	123,081
	<b>16,304,140</b>	13,182,808	<b>1,257,364</b>	885,709
Amortization of goodwill			(35,263)	(25,056)
Release of negative goodwill to income			4,307	4,306
Contribution to profit from operations			<b>1,226,408</b>	864,959

### 3. Profit from Operations

	<b>2004</b>	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortization on property, plant and equipment	<b>316,509</b>	303,846
Amortization of intangible assets	<b>8,692</b>	7,252
Amortization of goodwill	<b>35,263</b>	25,056
Release of negative goodwill to income	<b>(4,307)</b>	(4,306)

### 4. Taxation

	<b>2004</b>	2003
	HK\$'000	HK\$'000
The total tax charge comprises:		
Hong Kong Profits Tax	<b>93,207</b>	76,180
Overseas Tax	<b>67,102</b>	44,799
Deferred Tax	<b>(51,480)</b>	(55,991)
Deferred Tax result from increase in tax rate	–	1,823
	<b>108,829</b>	66,811

Hong Kong Profits Tax is calculated at the rate of 17.5% on the estimated assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

### 5. Share Subdivision

On 28<sup>th</sup> May, 2004, ordinary resolutions were passed by the shareholders of the Company to approve the increase (the “Increase”) in the authorized share capital of the Company to HK\$240,000,000 and the subdivision (the “Share Subdivision”) of each issued and unissued shares of HK\$0.20 in the authorized share capital into two ordinary shares of HK\$0.10 each. The Increase and the Share Subdivision became effective on 28<sup>th</sup> and 31<sup>st</sup> May, 2004 respectively.

### 6. Dividends

The 2003 final dividend declared at HK 17.75 cents per existing share is adjusted to HK 8.875 cents per Subdivided share.

## 7. Earnings per Share

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

	2004 HK\$'000	2003 HK\$'000
Earnings for the purposes of basic and diluted earnings per share :		
Profit for the year	<b>937,540</b>	673,973
Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>Note 1</i> )	<b>1,337,198,995</b>	1,307,261,026
Effect of dilutive potential ordinary shares:		
Share options	<b>38,266,686</b>	30,652,466
Convertible bonds ( <i>Note 2</i> )	–	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share ( <i>Note 1</i> )	<b>1,375,465,681</b>	1,337,913,492

*Note 1: The weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share for the year ended 31<sup>st</sup> December, 2003 have been adjusted for the Share Subdivision on 31<sup>st</sup> May, 2004.*

*Note 2: The computation of diluted earnings per share does not assume the conversion of convertible bonds since the exercise price of the convertible bonds was higher than the average market price of the shares of the Company throughout the period.*

**24/F, CDW Building, 388 Castle Peak Road, N.T., Hong Kong Tel: (852) 2402 6888  
Fax: (852) 2413 5971 Website : [www.ttigroup.com](http://www.ttigroup.com)**

Please also refer to the publish version of this announcement in the South China Morning Post.