
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Techtronic Industries Company Limited (the “Company”), you should at once hand this circular with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code: 669)

**PROPOSALS INVOLVING
RE-ELECTION OF DIRECTORS,
GRANT OF GENERAL MANDATES
TO ISSUE NEW SHARES
AND
TO REPURCHASE SHARES,
ADOPTION OF THE 2007 SHARE OPTION SCHEME,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening the annual general meeting of the Company (the “Annual General Meeting”) to be held at Harbour Room, Level 3, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on 29th May 2007 at 9:30 a.m, at which, among other things, the above proposals will be considered is set out on pages 26 to 31 of this circular.

Whether or not you propose to attend the Annual General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting if you so wish.

4th May 2007

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2007 Share Option Scheme”	the share option scheme proposed to be adopted at the Annual General Meeting, principal terms and the rules of which are set out in Appendix III to this circular
“Annual General Meeting”	the annual general meeting of the Company to be held at Harbour Room, Level 3, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on 29th May 2007 at 9:30 a.m.
“Articles of Association”	the articles of association of the Company
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“business day”	a day (excluding Saturday) on which banks are open for general banking business in Hong Kong
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Techtronic Industries Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Convertible Bonds”	the zero coupon convertible bonds due 2009 in the aggregate principal amount of US\$140.00 million (approximately HK\$1,092.00 million) issued by the Company
“Directors”	the directors of the Company
“Employee”	any employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity, including any executive director of any member of the Group or any Invested Entity
“Expired Share Option Schemes”	all share option schemes (including, but not limited to, Scheme B and Scheme C) previously adopted by the Company, and which have been terminated or expired before the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which the Group holds an equity interest
“Latest Practicable Date”	30th April 2007, being the latest practicable date prior to the printing of this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Notice”	the notice of Annual General Meeting set out on pages 26 to 31 of this circular
“Participant”	<ul style="list-style-type: none">(i) any eligible person, being:<ul style="list-style-type: none">(a) an Employee;(b) a non-executive director and any independent non-executive director or officer of any member of the Group and of any controlling shareholder;(c) a Seconded;(d) a shareholder of any member of the Group or Invested Entity or controlling shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or by any controlling shareholder who, in the opinion of the Directors, has contributed to the development of the business of any member of the Group or controlling shareholder;(e) business partner, agent, consultant or representative of any member of the Group or of any controlling shareholder;(f) supplier of goods or services to any member of the Group or to any controlling shareholder or any director or employee of any such supplier;(g) customer of any member of the Group or of any controlling shareholder or any director or employee of any such customer;(h) person or entity that provides research, development or other technological support or any advisory, consultancy or professional services to any member of the Group or to any controlling shareholder or any director or employee of any such entity; and(ii) a trust for the benefit of any eligible person mentioned above or his immediate family members and/or a company controlled by such person and/or by his immediate family members
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 6 as set out in the Notice
“Scheme B”	the share option scheme adopted by the Shareholders on 25th May 2001 and terminated on 28th March 2002 by the Company

DEFINITIONS

“Scheme C”	the share option scheme adopted by the Shareholders on 28th March 2002, which expired on 27th March 2007
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Options”	the share options granted under the relevant share option schemes adopted by the Company, entitling holders thereof to subscribe for new Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code: 669)

Group Executive Directors:

Mr. Horst Julius Pudwill
(Chairman and Chief Executive Officer)

Dr. Roy Chi Ping Chung JP
(Vice Chairman)

Mr. Patrick Kin Wah Chan
Mr. Frank Chi Chung Chan
Mr. Stephan Horst Pudwill

Registered Office:

24th Floor
CDW Building
388 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

Non-executive Director:

Mr. Vincent Ting Kau Cheung

Independent Non-executive Directors:

Mr. Joel Arthur Schleicher
Mr. Christopher Patrick Langley OBE
Mr. Manfred Kuhlmann

4th May 2007

To the Shareholders and

for information only, to the holders of the Share Options and Convertible Bonds

Dear Sir or Madam,

**PROPOSALS INVOLVING
RE-ELECTION OF DIRECTORS,
GRANT OF GENERAL MANDATES
TO ISSUE NEW SHARES
AND
TO REPURCHASE SHARES,
ADOPTION OF THE 2007 SHARE OPTION SCHEME,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposals involving the re-election of Directors, the grant of general mandates to issue new Shares and repurchase the Shares, the adoption of the 2007 Share Option Scheme and the amendments to the Articles of Association.

LETTER FROM THE BOARD

FINAL DIVIDEND AND BOOK CLOSURE (RESOLUTION NO. 2 OF THE NOTICE)

The Board has recommended a final dividend for the year ended 31st December 2006 of HK12.60 cents per Share and if such dividend is approved by the Shareholders at the Annual General Meeting, it is expected to be paid on or about 5th July 2007 to those Shareholders whose names appear on the register of Shareholders on 29th May 2007.

The register of members of the Company will be closed from 25th May 2007 to 29th May 2007, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 23rd May 2007.

RE-ELECTION OF DIRECTORS (RESOLUTION NO. 3 OF THE NOTICE)

As at the Latest Practicable Date, the Board comprised five Group Executive Directors, namely, Mr. Horst Julius Pudwill (Chairman and Chief Executive Officer), Dr. Roy Chi Ping Chung JP (Vice Chairman), Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan and Mr. Stephan Horst Pudwill, one Non-executive Director, namely, Mr. Vincent Ting Kau Cheung and three Independent Non-executive Directors, namely, Mr. Joel Arthur Schleicher, Mr. Christopher Patrick Langley OBE and Mr. Manfred Kuhlmann.

Pursuant to article 103 of the Articles of Association, Dr. Roy Chi Ping Chung JP, Mr. Christopher Patrick Langley OBE and Mr. Manfred Kuhlmann and pursuant to article 94 of the Articles of Association, Mr. Stephan Horst Pudwill shall retire from office at the Annual General Meeting and they being eligible, will offer themselves for re-election at the Annual General Meeting. Details of the Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

GENERAL MANDATE TO ISSUE NEW SHARES AND REPURCHASE SHARES (RESOLUTIONS NOS. 5 AND 7 OF THE NOTICE)

At the annual general meeting of the Company held on 22nd May 2006, general mandates were granted by the Company to the Directors to exercise the powers of the Company to issue new Shares and repurchase Shares. Such mandates will lapse at the conclusion of the Annual General Meeting. The Directors, therefore, propose to seek your approval of two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding, (i) in the case of an allotment and issue of Shares for cash, 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the resolution; and (ii) in the case of an allotment and issue of Shares for a consideration other than cash, 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the resolution (less any Shares allotted and issued for cash) and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of passing the Repurchase Resolution.

The Directors have no present intention to issue new Shares or repurchase Shares pursuant to the mandates proposed to be granted to them at the Annual General Meeting.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES (RESOLUTION NO. 6 OF THE NOTICE)

At the annual general meeting of the Company held on 22nd May 2006, a general mandate was given by the Company to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the Annual General Meeting. The Directors, therefore, propose to seek your approval of the Repurchase Resolution to be proposed at the Annual General Meeting. An explanatory statement as required under the Listing Rules to provide the requisite information of the Repurchase Resolution is set out in Appendix I to this circular.

ADOPTION OF THE 2007 SHARE OPTION SCHEME (RESOLUTION NO. 8 OF THE NOTICE)

Scheme B was adopted on 25th May 2001, which was terminated on 28th March 2002 upon the adoption of Scheme C, which itself expired on 27th March 2007. The Directors confirmed that no further Share Options have been offered or granted under the Expired Share Option Schemes since the dates of their respective termination or expiration, however, the provisions of the Expired Share Option Schemes shall remain in full force and effect in other respects.

In view of the expiration of Scheme C and in order to enable the Group to grant Share Options to selected participants as incentives or rewards for their contributions to the Group, the Directors propose to recommend to Shareholders at the Annual General Meeting to approve the adoption of the 2007 Share Option Scheme. As at the Latest Practicable Date, the Company has no unexpired share option scheme other than the Expired Share Option Schemes.

It is proposed that, subject to the approval of the Shareholders for the adoption of the 2007 Share Option Scheme at the Annual General Meeting, and subject to the approval of the Stock Exchange, the 2007 Share Option Scheme will take effect on the date of its adoption at the Annual General Meeting. Operation of the 2007 Share Option Scheme will commence after all conditions precedent have been fulfilled.

The Directors consider that in order to enable the Group to attract and retain Employees of appropriate qualifications and with the necessary experience to work for the Group, it is important that the Group should continue to provide such Employees with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group.

The Directors further consider that in order to enable the Group to motivate Participants (other than the Employees) to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationships with such Participants whose contributions are or will be beneficial to the long term growth of the Group, it is important that the Group should be permitted to provide them, where appropriate, with an additional incentive by also offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group. By offering the Share Options to the Participants (other than the Employees) upon such terms as may be permitted under the 2007 Share Option Scheme, such Participants may exercise their Share Options at any time within the option period (where applicable, subject to any terms of the grant of such Share Options) to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to them for advancing their performance.

LETTER FROM THE BOARD

It is therefore proposed that the 2007 Share Option Scheme for the benefit of the Participants be adopted at the Annual General Meeting. A summary of the principal terms of the 2007 Share Option Scheme is set out in Appendix III to this circular.

As at the Latest Practicable Date, there were 1,466,458,652 Shares in issue. The particulars of the Share Options granted under the Expired Share Option Schemes are set out below:

Number of Share Options originally granted	Percentage of the Share Options originally granted in the issued share capital as at the Latest Practicable Date	Number of Share Options exercised	Percentage of the Share Options exercised in the issued share capital as at the Latest Practicable Date	Number of Share Options lapsed	Percentage of the Share Options lapsed in the issued share capital as at the Latest Practicable Date	Number of Share Options outstanding as at the Latest Practicable Date	Percentage of the Share Options outstanding in the issued share capital as at the Latest Practicable Date
126,353,000	8.62%	52,325,000	3.57%	2,809,000	0.19%	71,219,000	4.86%

Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the 2007 Share Option Scheme, the number of Shares that may be issued pursuant to the 2007 Share Option Scheme will be 146,645,865 Shares, being approximately 10% of the Company's issued share capital as at the Latest Practicable Date.

In respect of the operation of the 2007 Share Option Scheme, the Company will comply with all relevant requirements under Chapter 17 of the Listing Rules.

The Company has not appointed any parties as trustees of the 2007 Share Option Scheme.

Value of Options

The Directors consider that it is not appropriate to state the value of all Share Options that can be granted under the 2007 Share Option Scheme, as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the subscription price, option period, lock up period (if any), performance targets set (if any) and other relevant variables. The Directors believe that any calculation of the value of the Share Options as at the Latest Practicable Date would be based on a great number of speculative assumptions and would therefore not be meaningful and could be misleading to the Shareholders.

Conditions of the Adoption of the 2007 Share Option Scheme

The adoption of the 2007 Share Option Scheme is subject to the following conditions:

- (i) the Shareholders passing an ordinary resolution to approve the 2007 Share Option Scheme at the Annual General Meeting; and

LETTER FROM THE BOARD

- (ii) the Stock Exchange granting approval for the 2007 Share Option Scheme and the subsequent granting of options thereunder, the listing of and permission to deal in the Shares in the Company to be issued and allotted pursuant to the exercise of the Share Options in accordance with the terms and conditions of the 2007 Share Option Scheme.

Application will be made to the Stock Exchange for obtaining the approval abovementioned.

Responsibility Statement

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION (RESOLUTION 9 OF THE NOTICE)

In view of the implementation of the total abolition of the requirement for issuers on the Main Board of the Stock Exchange to publish announcements in newspapers for the purpose of the Listing Rules which, preceding by a transitional period starting from 25th June 2007, will become fully effective on 25th June 2008 and that the Company currently maintains its own website (being www.ttigroup.com) for the purpose of disseminating corporate information (including without limitation, announcements, circulars, financial information and other corporate governance information), the Directors propose to make certain amendments to the Articles of Association by way of a special resolution to provide the Company with greater flexibility in disseminating corporate information, while ensuring the dissemination method will comply with all relevant requirements of the Listing Rules, the Companies Ordinance and other applicable laws.

Accordingly, a special resolution will be proposed at the Annual General Meeting to amend the existing Articles of Association. The proposed amendments are set out as resolution no. 9 in Appendix IV to this circular.

ANNUAL GENERAL MEETING

Notice has been set out on pages 26 to 31 of this circular.

There is enclosed a form of proxy for use at the Annual General Meeting. A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote instead of him. Whether or not you intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting if you so wish.

LETTER FROM THE BOARD

PROCEDURE FOR DEMANDING A POLL

Pursuant to article 74 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member of members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (v) by the chairman of the meeting of any director in circumstances where voting by poll is required by the rules promulgated from time to time by the designated stock exchange on which the Company is listed or as the laws of such jurisdiction applicable to the Company may require.

RECOMMENDATION

The Board considers that the proposals mentioned above, including the proposals for the re-election of Directors, the grant of general mandates to issue new Shares and repurchase the Shares, the adoption of the 2007 Share Option Scheme and the amendments to the Articles of Association, are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the memorandum and Articles of Association of the Company and a draft of the 2007 Share Option Scheme will be available for inspection during normal business hours on any week days (except public holidays) at the registered office of the Company at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong up to and including 29th May 2007 and will also be available for inspection at the Annual General Meeting.

Yours faithfully,
For and on behalf of
Techtronic Industries Company Limited
Chi Chung Chan
Company Secretary

This appendix serves as an explanatory statement, as required under Rule 10.06(b) of the Listing Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the Repurchase Resolution. This appendix also constitutes the memorandum required under Section 49BA(3) of the Companies Ordinance.

(1) REPURCHASE PROPOSAL

Resolution no. 6 to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to repurchase Shares representing up to a maximum of 10% of the issued share capital of the Company as at the date of the passing of the Repurchase Resolution.

The Shares that may be purchased by the Company pursuant to the Repurchase Resolution have to be fully paid up Shares. As at the Latest Practicable Date, the number of Shares in issue was 1,466,458,652. Subject to the passing of the Repurchase Resolution and on the assumption that no additional Shares will be issued and/or repurchased between the Latest Practicable Date and the Annual General Meeting, the Company would be allowed under the mandate to repurchase a maximum of 146,645,865, representing approximately 10% of the issued share capital of the Company.

The Directors believe that the Repurchase Resolution is in the interest of the Company and its Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and there have been occasions when Shares were trading at a substantial discount to their underlying net asset value. Repurchases of Shares may enhance the Company's net asset value per Share and earnings per Share. In these circumstances, the ability of the Company to repurchase Shares can be beneficial to those Shareholders who retain their investment in the Company since their possible percentage interest in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company.

(2) FUNDING OF REPURCHASES

Repurchases of Shares would be financed entirely from the Company's available cashflow or working capital facilities. Any repurchases of Shares will be made out of funds of the Company legally available for such purpose in accordance with its memorandum and Articles of Association and the laws of Hong Kong, including profits otherwise available for distribution. Under the Companies Ordinance, a company's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts for the year ended 31st December 2006 in the event that the Repurchase Resolution was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Resolution to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(3) UNDERTAKING OF DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

(4) DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell Shares to the Company under the Repurchase Resolution in the event that the Repurchase Resolution is approved by the Shareholders.

The Company has not been notified by any connected persons of the Company that they have a present intention to sell any Shares, nor that they have undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Resolution is approved by the Shareholders.

(5) EFFECT OF TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Resolution, a shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Horst Julius Pudwill together with his spouse and his controlled corporations were beneficially interested in 301,029,294 Shares (excluding Share Options) representing approximately 20.53% of the issued share capital of the Company and Dr. Roy Chi Ping Chung 許 together with his spouse were beneficially interested in 113,677,948 Shares (excluding Share Options and excluding the 37,075,030 Shares held by Cordless Industries Company Limited, which is a company beneficially owned by Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung 許 and which Shares, were included in the shareholdings of Mr. Horst Julius Pudwill's controlled corporations as aforesaid) representing approximately 7.75% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Resolution, the shareholdings of Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung 許, together with their respective spouse and controlled corporations, in the Company would be increased to approximately 22.81% and 8.61% of the issued share capital of the Company respectively, which would constitute an aggregate shareholding of approximately 31.42% of the issued share capital of the Company. In the opinion of the Directors, an increase in such an aggregate shareholding shall give rise to an obligation on the part of both of Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung 許, whom shall be considered as parties acting in concert pursuant to the Takeovers Code, to make a mandatory offer in accordance with rule 26 of the Takeovers Code. The Directors have, at present, no intention to exercise the power to repurchase Shares to such extent which would result in Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung 許 and parties acting in concert with them becoming obliged to make a mandatory offer pursuant to rule 26 of the Takeovers Code. Furthermore, the Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 25%.

(6) MARKET PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months are as follows:

	Prices of Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2006		
April	14.40	14.20
May	14.00	13.75
June	11.35	10.80
July	11.80	10.20
August	11.50	9.00
September	12.18	10.42
October	11.86	10.84
November	12.60	10.02
December	10.80	9.80
2007		
January	12.24	10.04
February	12.40	10.64
March	10.98	9.01
April	11.38	9.00

(7) PURCHASES OF SHARES MADE BY THE COMPANY

No purchase of Shares has been made by the Company during the last six months prior to the date of this circular, whether on the Stock Exchange or otherwise.

The Directors have no present intention to exercise the power to purchase the Shares under the Repurchase Resolution in the event that the Repurchase Resolution is approved by the Shareholders to such extent as to result in the amount of Shares held by the public being reduced to less than 25%.

Details of Directors proposed to be re-elected at the Annual General Meeting are as follows:

Dr. Roy Chi Ping Chung JP — Vice Chairman, Group Executive Director

Dr. Roy Chi Ping Chung JP, aged 54, a co-founder of the Company, previously the Group Managing Director since 1985, has been appointed as the Vice Chairman of the Company with effect from 18th April 2007. Dr. Chung will continue in his capacity as a Group Executive Director and is responsible for the corporate and business management of the Group. He holds a Master of Science Degree in Engineering Business Management from the University of Warwick, United Kingdom.

Possessing nearly 30 years of solid experience in the electrical appliances and electronics industries, Dr. Chung holds a strong interest in these business sectors and actively participates in nurturing the growth of these industries and developing the next generation of industry leaders. Dr. Chung was awarded an Honorary Doctorate Degree by the University of Newcastle in New South Wales, Australia in 2006. He was also appointed as Justice of Peace by the Hong Kong SAR Government effective on 1st July 2005 and won the Hong Kong Young Industrialists Award in 1997. Dr. Chung is an active member of many Government commissions. He is currently a non-official member of the Committee on Economic Development and Economic Cooperation with the Mainland — Commission on Strategic Development and a member of the Home Affairs Bureau — Sports Commission. He also serves as the Vice Chairman of the Federation of Hong Kong Industries and the Chairman of Electronics/Electrical Appliances Industry Advisory Committee of the Hong Kong Trade Development Council. He is also the Deputy Council Chairman of Hong Kong Polytechnic University (2002–2007) and Council Member of Vocational Training Council. Dr. Chung is also an independent non-executive director of Kin Yat Holdings Limited and Daka Designs Limited. Save as disclosed herein, Dr. Chung had not held any directorship in any other listed companies during the three years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Dr. Chung had personal interests of 113,541,948 Shares, family interests of 136,000 Shares, corporate interests of 37,075,030 Shares owned via Cordless Industries Company Limited (a company which Dr. Chung is a shareholder holding 30% of the issued share capital), and had personal interests in Share Options to subscribe for 13,824,000 Shares. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Shares and Share Options, Dr. Chung does not have any other interest (within the meaning of Part XV of the SFO) in the Shares of the Company. Save as disclosed herein, Dr. Chung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract between the Company and Dr. Chung. He is not appointed for a specific term since he is subject to retirement by rotation and re-election in accordance with the Articles of Association. The director's remuneration payable to Dr. Chung as an executive Director of the Company will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the Company's performance. For the year ended 31st December 2006, Dr. Chung received director's emoluments in the amount of approximately HK\$8,453,000.

Save for the information disclosed above, the Board and Dr. Chung have indicated that there is no other information to be disclosed pursuant to any of the requirements under rule 13.51(2)(h) to (v) of the Listing Rules.

There are no other matters that need to be brought to the attention to the Shareholders.

Mr. Christopher Patrick Langley OBE — Independent Non-executive Director

Mr. Christopher Patrick Langley OBE, aged 62, was appointed as an independent non-executive Director in May 2001. Mr. Langley does not hold any position in other members of the Group. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Langley is also an independent non-executive director of Dickson Concepts (International) Limited and Winsor Properties Holdings Limited and a non-executive director of Lei Shing Hong Limited, and was an independent non-executive director of The Wharf (Holdings) Limited (retired in May 2005), all of which are companies listed on the Stock Exchange. Mr. Langley was also a non-executive director of Wing Tai Holdings Limited, which is listed on the Singapore Stock Exchange, until he retired in October 2006. Save as disclosed herein, Mr. Langley had not held any directorship in any other listed companies during the three years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Langley had personal interests of 500,000 Shares and had personal interests in Share Options to subscribe for 200,000 Shares. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Shares and Share Options, Mr. Langley does not have any other interest (within the meaning of Part XV of the SFO) in the Shares of the Company. Mr. Langley does not have any relationship with any other director's, senior management or substantial or controlling shareholders of the Company.

There is no service contract between the Company and Mr. Langley. He is not appointed for a specific term since he is subject to retirement by rotation and re-election in accordance with the Articles of Association. The director's remuneration payable to Mr. Langley, which includes basic director's fee, committee membership fee and Board or committee meeting attendance fee, will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the prevailing market conditions in respect of directors' fee for independent non-executive directors. For the year ended 31st December 2006, Mr. Langley received a director's remuneration in the amount of approximately HK\$592,000.

Save for the information disclosed above, the Board and Mr. Langley have indicated that there is no other information to be disclosed pursuant to any of the requirements under rule 13.51(2)(h) to (v) of the Listing Rules.

There are no other matters that need to be brought to the attention to the Shareholders.

Mr. Manfred Kuhlmann — Independent Non-executive Director

Mr. Manfred Kuhlmann, aged 62, was appointed as an independent non-executive Director in September 2004 and does not hold any position in other members of the Group. Mr. Kuhlmann was a General Manager of Dresdner Bank AG Hong Kong Branch during the period from 1994 to 1998 and was a General Manager of Dresdner Bank AG Dubai before his retirement in August 2004. Mr. Kuhlmann was a graduate of Banking Academy, Hamburg and has extensive experience in the finance and banking industry. Recently, he joined a European based private equity/alternative investment firm as a partner. Save as disclosed herein, Mr. Kuhlmann had not held any directorship in any other listed companies during the three years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Kuhlmann had personal interests in Share Options to subscribe for 100,000 Shares. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Share Options, Mr. Kuhlmann does not have any other interest (within the meaning of Part XV of the SFO) in the Shares of the Company. Mr. Kuhlmann does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract between the Company and Mr. Kuhlmann. He is not appointed for a specific term since he is subject to retirement by rotation and re-election in accordance with the Articles of Association. The director's remuneration payable to Mr. Kuhlmann, which includes basic director's fee, committee membership fee and Board or committee meeting attendance fee, will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the prevailing market conditions in respect of directors' fee for independent non-executive directors. For the year ended 31st December 2006, Mr. Kuhlmann received a director's remuneration in the amount of approximately HK\$592,000.

Save for the information disclosed above, the Board and Mr. Kuhlmann have indicated that there is no other information to be disclosed pursuant to any of the requirements under rule 13.51(2)(h) to (v) of the Listing Rules.

There are no other matters that need to be brought to the attention to the Shareholders.

Mr. Stephan Horst Pudwill — Group Executive Director

Mr. Stephan Horst Pudwill, aged 30, joined the Group in 2004 and was appointed as an Executive Director in May 2006. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic opportunities within the Group. Mr. Pudwill presently serves on the board of directors for A&M Electric Tools GmbH, headquartered in Germany and which is part of the Group.

Mr. Pudwill holds a Bachelor of Arts degree from the University of British Columbia. Prior to joining the Group, Mr. Pudwill held managerial positions at Daimler Chrysler AG where he was charged with product marketing and strategic planning for the Mercedes-Benz car group. Save as disclosed herein, Mr. Pudwill had not held any directorship in any other listed companies during the three years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Pudwill had personal interests of 4,054,500 Shares and had personal interests in Share Options to subscribe for 100,000 Shares. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Shares and Share Options, Mr. Pudwill does not have any other interest (within the meaning of Part XV of the SFO) in the Shares of the Company.

Mr. Pudwill is a son of Mr. Horst Julius Pudwill, the Chairman and the Chief Executive Officer of the Company. Save as disclosed herein, Mr. Pudwill does not have any other relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract between the Company and Mr. Pudwill. He is not appointed for a specific term since he is subject to retirement by rotation and re-election in accordance with the Articles of Association. The director's remuneration payable to Mr. Pudwill as an executive Director of the Company will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the Company's performance. For the year ended 31st December 2006, Mr. Pudwill received a director's emoluments in the amount of approximately HK\$1,707,000.

Save for the information disclosed above, the Board and Mr. Pudwill have indicated that there is no other information to be disclosed pursuant to any of the requirements under rule 13.51(2)(h) to (v) of the Listing Rules.

There are no other matters that need to be brought to the attention to the Shareholders.

This Appendix sets out further information of the 2007 Share Option Scheme and also summarise the rules of the 2007 Share Option Scheme but does not form part of nor is it intended to be, part of the 2007 Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the 2007 Share Option Scheme. The Directors reserve the right at any time prior to the Annual General Meeting to make such amendments to the 2007 Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material respect with the summary in this Appendix.

2007 SHARE OPTION SCHEME — SUMMARY OF TERMS

The following is a summary of principal terms of the 2007 Share Option Scheme proposed to be approved by a resolution of the Shareholders at the Annual General Meeting, notice of which is set out on pages 26 to 31 of this circular. The terms of the 2007 Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where applicable.

Definitions:

“Adoption Date”	the date on which the 2007 Share Option Scheme was conditionally approved by the Shareholders;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the 2007 Share Option Scheme, or (where the context so permits) the personal representatives of such Participant;
“Invested Entity”	an entity in which the Group holds any equity interest;
“Option Agreement”	the offer and acceptance letter between the Company and the Grantee evidencing the terms and conditions of a Share Option;
“Option Period”	the period during which a Share Option is expressed to be exercisable; and
“Vesting”	an Option becoming exercisable and “Vest” and “Vested” shall be construed accordingly.

(a) Purpose of the 2007 Share Option Scheme

The purpose of the 2007 Share Option Scheme is to enable the Company to grant Share Options to selected participants as incentives or rewards for their contributions to the Group or any Invested Entity.

(b) Who may join and basis of eligibility

The Board may, at its discretion and on such terms as it may think fit, grant an employee, a Director, a secondee, and any shareholder of any member of the Group or Invested Entity or controlling shareholder or any holder of any securities issued by any member of the Group, business partner, supplier, customer or advisers of the Group (being the Participants), a Share Option as it may determine in accordance with the terms of the 2007 Share Option Scheme.

The basis of eligibility of any participant to the grant of any Share Option shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Duration and Administration

The 2007 Share Option Scheme will be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which period no further Share Options will be offered or granted. The 2007 Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties. The Board shall, subject to the rules of the 2007 Share Option Scheme and the Listing Rules, have the right and at its discretion and based on such factors as it shall consider relevant to:

- (i) interpret and construe the provisions and terms and conditions of the 2007 Share Option Scheme and the Share Options;
- (ii) grant Share Options to those Participants whom it shall select from time to time;
- (iii) determine the date of the grant of Share Options;
- (iv) determine the number of Shares to be subject to each Share Option;
- (v) determine the terms and conditions of each Share Option, including:
 - (a) the subscription price;
 - (b) the Option Period, which shall not be greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the Adoption Date, not more than 10 years from the grant date);
 - (c) the minimum period, if any for which the Share Option must be held before it vests;
 - (d) performance, operating and financial targets and other criteria, if any, to be satisfied before the Share Option can be exercised;
 - (e) the amount, if any, payable on application or acceptance of the Share Option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
 - (f) the period, if any, during which Shares allotted and issued upon exercise of the Share Option shall be subject to restrictions on dealings, and the terms of such restrictions; and
 - (g) the notification period, if any, to be given to the Company of any intended sale of Shares allotted and issued upon exercise of the Share Option;
- (vi) approve the form of Option Agreements;

- (vii) prescribe, amend and rescind rules and regulations relating to the 2007 Share Option Scheme;
- (viii) subject to the other provisions of the 2007 Share Option Scheme, make appropriate and equitable adjustments to the terms and conditions of any Option Agreement, including extending the Option Period (provided that it shall not be greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the Adoption Date, not more than 10 years from the grant date) and waiving or amending (in whole or in part) any conditions to which Share Options are subject; and
- (ix) to make such other decisions or determinations as it shall deem appropriate in the administration of the 2007 Share Option Scheme.

(d) Share Options to be offered within 10 Years

The Board will be entitled at any time within ten (10) years after the Adoption Date and subject to such conditions as the Board may think fit make an Offer to any Participant as the Board may in its absolute discretion select.

(e) Terms and Conditions

The Board may grant Share Options on such terms and subject to such conditions as it thinks fit and may specify those circumstances, if any, in which such terms and conditions shall be waived or treated as waived. The Board may, in its absolute discretion, determine that Share Options will be subject to performance targets that must be achieved before Share Options can be exercised.

(f) Offer and Acceptance

An offer of an Option must be accepted within twenty-one (21) days from the date of the Offer, provided that no such Offer shall be open for acceptance after the tenth (10th) anniversary of the Adoption Date or after the 2007 Share Option Scheme has been terminated in accordance with its provisions. Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for the purposes of trading Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within the prescribed time period, it will be deemed to have been irrevocably declined.

(g) Offers made to Directors, Chief Executive, Substantial Shareholders and their respective Associates

Insofar as the Listing Rules require and subject to the terms of the 2007 Share Option Scheme, where any Offer proposed to be made to a Director or a Chief Executive or a Substantial Shareholder of the Company or any of his, her or its associates (as defined by the Listing Rules) must be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the proposed Grantee of Share Options in question).

(h) Subscription Price for Share Options

The subscription price payable on the exercise of a Share Option shall be a price determined by the Board at its absolute discretion at the time of its grant and may be fixed at different prices for different periods during the Option Period, provided that it shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (ii) the average of the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant; or
- (iii) the nominal value of the Shares.

(i) Transfer

A Share Option shall be personal to the Grantee and shall not be sold, transferred, assigned, charged, mortgaged or encumbered by the Grantee nor shall the Grantee create any interest in favour of any third party over or in relation to any Share Option, unless under the circumstances permitted by the 2007 Share Option Scheme.

(j) Option Period

Subject to the due compliance with the Listing Rules and all applicable laws and other regulations and with the terms of the 2007 Share Option Scheme, a Share Option may be exercised at any time during the Option Period, provided that:

- (i) if the Grantee of a Share Option is an Employee and ceases to be an Employee by reason of his or her death before exercising the Share Options in full and none of the events referred to in paragraph (k)(iv) below as ground for termination of his or her employment by the Group or the Invested Entity arises, his or her personal representative(s) may exercise the Share Option (to the extent not already exercised) within a period of twelve (12) months thereafter, failing which it will lapse;
- (ii) if the Grantee of a Share Option is an Employee and ceases to be an Employee for any other reason, his or her Share Option may be exercised within three (3) months following the date of such cessation, which date shall be the last actual working date with the Group or the Invested Entity, whether salary is paid in lieu of notice or not;
- (iii) in the event of a general offer (other than by way of scheme of arrangement referred to below) being made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Share Option, the Grantee (or his or her legal personal representatives) shall be entitled to exercise the Share Option in full (to the extent not already exercised) at any time within one (1) month of the notice given by the offeror to acquire the remaining Shares;

- (iv) in the event of a general offer by way of scheme of arrangement being made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his or her personal representatives) may thereafter (but before such time as shall be notified by the Company) exercise the Share Option (to the extent not already exercised) to its full extent or to the extent specified in such notice;
- (v) in the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than four (4) business days prior to the proposed Shareholders' meeting) exercise the Share Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise; and
- (vi) other than a scheme of arrangement referred to in paragraph (j)(iv) above, in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the subscription price in respect of the relevant Share Option (such notice to be received by the Company not later than four (4) business days prior to the proposed meeting) exercise the Share Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and registered the Grantee as holder thereof.

(k) Lapse of Share Options

Subject to the discretion of the Board to extend the Option Period, an Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (j)(i) or (j)(ii);
- (iii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph (j)(vi);

- (iv) where the grantee of an option is an Employee, the date on which he or she ceases to be an Employee by reason of the termination of his or her employment on grounds including, but not limited to, that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or has become bankrupt or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty;
- (v) the date of the commencement of the winding up of the Company;
- (vi) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to the Share Option in breach of the 2007 Share Option Scheme;
- (vii) the expiry of the period referred to in paragraphs (j)(iii) and (j)(iv) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring shares in the offer, the relevant period within which Share Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date; or
- (viii) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the Share Option, unless otherwise resolved to the contrary by the Board.

(I) Cancellation of Share Options

Any cancellation of any Share Options which has been duly granted in accordance with the 2007 Share Option Scheme but not exercised or lapsed in accordance with the terms of the 2007 Share Option Scheme shall be conditional upon the approval of the Board and the Grantee concerned.

(m) Maximum Number of Shares Available for Subscription

(i) Overriding Limit

Subject to the Listing Rules, the overall limit on the number of Shares under options from time to time under the 2007 Share Option Scheme and any other schemes must not, in aggregate, exceed 30 per cent. of the Shares in issue from time to time. No Share Options may be granted under the 2007 Share Option Scheme or any other schemes if this will result in this overriding limit being exceeded.

(ii) Mandate Limit

Subject to the Overriding Limit and to paragraphs (m)(iii) and (m)(iv) below, the total number of Shares available for issue or transfer in satisfaction of all options which may be granted under the 2007 Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 10 per cent. of the Shares in issue as at the Adoption Date.

(iii) Refreshing of Mandate Limit

Subject to the Overriding Limit and to paragraph (m)(iv), the Company may refresh the Mandate Limit at any time subject to Shareholders' approval by ordinary resolution in general meeting. However, the Mandate Limit as refreshed must not exceed 10 per cent of the Shares in issue as at the date of the aforesaid Shareholders' approval (the "**Refreshed Limit**") or such other limits imposed by the Stock Exchange. Share Options previously granted under the 2007 Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, exercised or lapsed in accordance with such schemes) will not be counted for the purpose of calculating the Refreshed Limit.

(iv) Grant of Share Options Limit

Subject to the Overriding Limit, the Company may also seek separate Shareholders' approval by ordinary resolution in general meeting for granting Share Options beyond the Mandate Limit provided that the Share Options in excess of the Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought.

(v) Limit for each Participant

The total number of Shares issued and to be issued upon exercise of Share Options granted and to be granted to each Participant or Grantee (including exercised, cancelled and outstanding Share Options) in any twelve (12)-month period up to the date of offer shall not exceed 1 per cent. of the Shares in issue at the date of grant (the "**Individual Limit**"). Any further grant of Share Options in excess of the Individual Limit must be subject to Shareholders' approval by ordinary resolution in general meeting with such Participant or Grantee and his, her or its associates abstaining from voting. The number and terms (including the Subscription Price) of the Share Options to be granted to such Participant or Grantee must be fixed before the date of the relevant Shareholders' meeting and the date of the relevant Board meeting for proposing the Offer should be taken as the date for the purpose of calculating the Subscription Price.

(n) Grant to Substantial Shareholders and Independent Non-executive Directors

Where any Offer proposed to be made to a Substantial Shareholder or an independent non-executive Director of the Company or any of his, her or its associates would result in the total number of Shares issued and to be issued upon exercise of all Share Options already granted and to be granted to such person in the twelve (12) month period up to and including the date of offer:

- (i) representing in aggregate over 0.1 per cent. of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of offer, in excess of HK\$5 million,

then such offer and any acceptance thereof must be subject to approval of the Shareholders in general meeting taken on a poll and all connected persons (as defined in the Listing Rules) of the Company must abstain from voting in favour at such general meeting. In addition, Shareholders' approval as described above is also required for any change in the terms of the Share Options already granted to a Grantee who is a substantial shareholder or an independent non-executive Director of the Company or any of his, her or its associates.

(o) Ranking of Shares

Shares shall be allotted and issued upon the exercise of a Share Option subject to all the provisions of the memorandum and Articles of Association of the Company from time to time in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which Shares are allotted to a Grantee pursuant to a Share Option or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members.

(p) Reorganization of Capital Structure

(i) In the event of any alteration in the capital structure of the Company whilst any Share Option remains exercisable, whether by way of capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company, such corresponding alterations (if any) shall be made to:

- (a) the number and/or nominal amount of Shares subject to outstanding Share Options; and/or
- (b) the Subscription Price of each outstanding Share Option; and/or
- (c) the Overriding Limit and the Mandate Limit,

as the Company's auditors shall certify in writing to the Board to be in their opinion to be fair and reasonable, provided that:

- (a) any such alterations shall give a Grantee on exercise of his Share Options the same proportion of the issued Shares to which he would have been entitled if he were to have exercised such Share Options immediately prior to the event giving rise to the adjustment; and
 - (b) no such alteration will be made if the effect of it would be to require a Share to be issued at less than its nominal value.
- (ii) In respect of any such alterations, other than any made under a capitalisation issue, the Company's auditors shall also confirm to the Board in writing that such alterations satisfy the requirements of Rule 17.03(13) of the Listing Rules and the note thereto.

- (iii) The capacity of the Company's auditors in this paragraph (p) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Company's auditors shall be borne by the Company.

(q) Alteration of the 2007 Share Option Scheme

The 2007 Share Option Scheme may subject to the Listing Rules be altered in any respect by resolution of the Board except that the provisions of the Scheme as to:

- (i) the purposes of the 2007 Share Option Scheme;
- (ii) the definitions of "Participant" and "Grantee" and the basis for determining their eligibility;
- (iii) the limits on the number of Shares which may be issued under the 2007 Share Option Scheme and the individual limit for each Participant; and
- (iv) the provisions of paragraphs 4.2(v)(b), 5.1, 6, 8, 9, 10.1 to 10.5, 11.1, 11.2, 14.3, 15 and 16.1 in the full 2007 Share Option Scheme document,

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in general meeting (with all Grantees, prospective Grantees and their associates abstaining from voting), provided that no such alteration shall operate to affect adversely the terms of issue of any Share Options granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares and provided further that any alteration to the terms and conditions of the 2007 Share Option Scheme which are of a material nature or any change to the terms of Share Options granted must be approved by the Shareholders at a general meeting, except where such alterations take effect automatically under the existing terms of the 2007 Share Option Scheme. Any change to the authority of the Board in relation to any alteration to the terms of the 2007 Share Option Scheme must be approved by the Shareholders at a general meeting. In addition, any alteration to the terms of the 2007 Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(r) Termination

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the 2007 Share Option Scheme and in such event no further Share Options will be offered or granted but in all other respects the provisions of the 2007 Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such termination and not exercised at the date of termination shall remain valid.



Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code: 669)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at Harbour Room, Level 3, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on 29th May 2007 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 2006.
2. To declare a final dividend of HK12.60 cents per share for the year ended 31st December 2006 to shareholders whose names appear on the Register of Members of the Company on 29th May 2007.
3. To re-elect Directors and to authorise the Board of Directors of the Company to fix the Directors' remuneration.
4. To re-appoint Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

As special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions, as indicated below:

ORDINARY RESOLUTIONS

5. **"THAT:**
 - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the share capital of the Company and to make or grant offers, agreements and options (including bonds, notes, warrants, debentures and securities convertible into shares of the Company) which would or might require the exercise of such powers be and it is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, notes, warrants, debentures and securities convertible into shares of the Company) which would or might require the exercise of such powers during and 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 (as hereinafter defined); or (ii)

the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any bonds, notes, debentures and securities which are convertible into shares of the Company; or (iii) the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue of options to subscribe for, or rights to acquire, shares of the Company; or (iv) an issue of shares by way of scrip dividends pursuant to the articles of association of the Company from time to time, shall not exceed:

- (A) in the case of an allotment and issue of shares for cash, 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution; and
- (B) in the case of an allotment and issue of shares for a consideration other than cash, 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution (less any shares allotted and issued pursuant to sub-paragraph (A) above),

provided that any shares to be allotted and issued pursuant to the approval in paragraph (a) above shall not be issued at a discount of more than 5% to the Benchmarked Price (as hereinafter defined) of the shares, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Benchmarked Price” shall be a price which is the higher of:

- (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange (as hereinafter defined) on the date of signing of the agreement to which the transaction relates; and
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet for the five trading days immediately preceding the earliest of:
 - (A) the date of signing of the agreement to which the transaction relates;
 - (B) the date on which the relevant transaction is announced; or
 - (C) the date on which the price of the shares of the Company to be issued pursuant to the transaction is fixed;

“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 the articles of association of the Company or any applicable laws to be held; and

- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting;

“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 overseas shareholders or fractional entitlement or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong); and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.”

6. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the share capital of the Company on the Stock Exchange (as hereinafter defined) or on any other exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally 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 passing 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 the articles of association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.”

7. **“THAT** conditional upon the passing of the ordinary resolutions numbered 5 and 6 in the notice convening the annual general meeting of the Company at which this resolution is proposed, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered 6 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the said resolution numbered 5.”
8. **“THAT** conditional upon The Stock Exchange of Hong Kong Limited granting the approval for the 2007 Share Option Scheme referred to in the circular despatched to the shareholders on the same day as the notice convening the annual general meeting of the Company, the terms of which are set out in the printed document marked “A” now produced to the meeting and for the purpose of identification signed by the Chairman hereof and subject to such amendments to the 2007 Share Option Scheme as The Stock Exchange of Hong Kong Limited may request, the 2007 Share Option Scheme be and is hereby approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the 2007 Share Option Scheme, notwithstanding that they or any of them may be interested in the same.”
9. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

SPECIAL RESOLUTION

“THAT the Articles of Association of the Company be and are hereby amended by:

- (a) with respect to Article 2,
deleting the existing definition of “newspaper” in its entirety;
- (b) with respect to Article 27,
 - (i) deleting the words “notice to be inserted once in The Hongkong Government Gazette and once at least in an English language newspaper (in English) and in a Chinese language newspaper (in Chinese)”; and
 - (ii) replacing it with “notifying such person in the prescribed manner (if any) as the rules promulgated from time to time by the designated stock exchange on which the Company is listed or as the laws of such jurisdiction applicable to the Company may require”;
- (c) with respect to Article 67A,
 - (i) deleting the words “Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in at least one English language newspaper and one Chinese language newspaper in Hong Kong”; and

- (ii) replacing it with “Notice of the date, time and place of the rearranged meeting shall, if practicable, also be given to any member in the prescribed manner (if any) as the rules promulgated from time to time by the designated stock exchange on which the Company is listed or as the laws of such jurisdiction applicable to the Company may require”;
- (d) with respect to Article 171,
 - (i) deleting the existing paragraph (iv); and
 - (ii) replacing it with “(iv) by publishing it in the prescribed manner (if any) as the rules promulgated from time to time by the designated stock exchange on which the Company is listed or as the laws of such jurisdiction applicable to the Company may require”; and
- (e) with respect to Article 182,
 - (i) deleting the words “by advertisement in an English language newspaper (in English) and in a Chinese language (in Chinese) newspaper as he shall deem appropriate” and replacing it with “in the prescribed manner (if any) as the rules promulgated from time to time by the designated stock exchange on which the Company is listed or as the laws of such jurisdiction applicable to the Company may require”; and
 - (ii) deleting the words “the advertisement appears or” in the last line of the paragraph.”

By order of the Board
Chi Chung Chan
Company Secretary

Hong Kong
4th May 2007

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.
2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy, together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the registered office of the Company at 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the members so wish. In such event, the instrument appointing proxy shall be deemed to be revoked.

4. The register of members of the Company will be closed from 25th May 2007 to 29th May 2007, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 23rd May 2007.
5. The Directors standing for re-election under Resolution no. 3 are Dr. Roy Chi Ping Chung JP, Mr. Christopher Patrick Langley OBE, Mr. Manfred Kuhlmann and Mr. Stephan Horst Pudwill.
6. A circular containing the information regarding, inter alia, the Directors proposed to be re-elected, the general mandates to issue new shares and to repurchase shares of the Company, the adoption of the 2007 Share Option Scheme and the amendments to the Articles of Association has been sent to the members of the Company.

As at the date hereof, the Board comprised five Group Executive Directors, namely, Mr. Horst Julius Pudwill (Chairman and Chief Executive Officer), Dr. Roy Chi Ping Chung JP (Vice Chairman), Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan and Mr. Stephan Horst Pudwill, one Non-executive Director, namely, Mr. Vincent Ting Kau Cheung, and three Independent Non-executive Directors, namely, Mr. Joel Arthur Schleicher, Mr. Christopher Patrick Langley OBE and Mr. Manfred Kuhlmann.