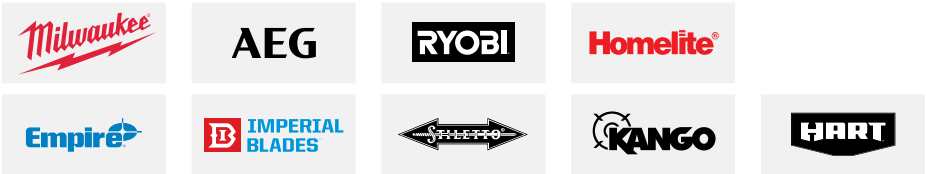


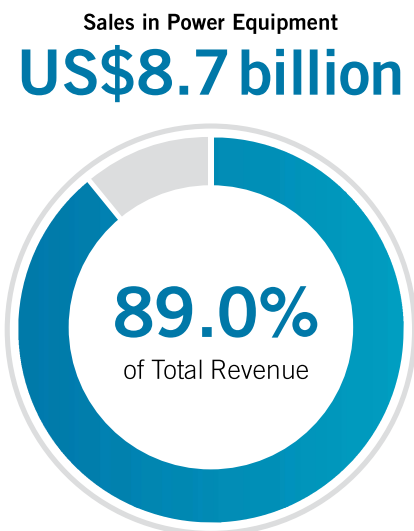
Review of Operations

Power Equipment



MILWAUKEE M18 FUEL SAWZALL Reciprocating Saw w/ ONE-KEY

Our Power Equipment segment delivered sales growth of 28.5% to US\$8.7 billion. During the period, we seized on the opportunity to aggressively invest in our business and grew operating profit 27.3% to US\$844 million.



All geographies and all business units contributed to this tremendous performance. Based on our bold and aggressive investments, we believe MILWAUKEE is the #1 global Professional Tool brand and RYOBI is now the #1 DIY Tool brand worldwide.

MILWAUKEE Professional Business

The 25.8% growth in our flagship MILWAUKEE Professional business was propelled by our innovative new products. In 2020, we expanded our industry leading M18 and M12 cordless product platforms while introducing the breakthrough cordless MX FUEL Equipment System. We also expanded our existing line up of power tool accessories, PACKOUT storage solutions, Personal Protective Equipment (PPE) and mechanics hand tools. These new product introductions, combined with our focus on end user conversions and strong commercial execution, drive the exciting growth momentum of this business.



MILWAUKEE MX FUEL Handheld Core Drill allows you to core with more confidence than ever before. A patented clutch and AUTOSTOP technology deliver a safer handheld coring experience. They provide you with maximum control and prevent over-rotation in case the core drilling machine gets bound up.

Power Tools

Our MILWAUKEE Professional business continued to convert users from traditional power sources including corded, pneumatic, hydraulic and petrol tools to our lithium cordless battery technology. Leading the way is the MILWAUKEE M18 system with 213 tools on the platform, the M12 system with 125 tools and the MX FUEL range with 10 products.

The MILWAUKEE M18 platform continued to launch a series of best in class additions. For example, in the cordless nailing category, our new M18 FUEL Framing Nailers and Staplers all deliver powerful performance, eliminating compressors, hoses and gas cartridges. In addition to expanding into new product categories, we introduced our next generation M18 FUEL SAWZALL Reciprocating Saw.

We also expanded the MILWAUKEE M12 subcompact cordless platform with a series of innovative tools. One of the most successful innovative new products for the company was the exciting M12 FUEL HATCHET 6" Pruning Saw that is widely accepted in the professional landscaping industry.



MILWAUKEE M12 FUEL HATCHET 6" Pruning Saw

delivers unmatched control and access, has the power to cut 3" hardwoods, and delivers up to 120 cuts per charge. This electric pruning saw is designed to meet the ergonomic, performance, and durability needs of landscape maintenance professionals.



MILWAUKEE M18 FUEL 21 Degree Framing Nailer

Storage

The MILWAUKEE PACKOUT storage system continues to expand to meet the professional's growing tool storage, transportation, and organizational needs. New innovations to the system of over 36 interchangeable products include the PACKOUT Customizable Work Surface, PACKOUT 16QT Cooler, M18 PACKOUT Light/Charger and PACKOUT 2-Wheeled Cart.



MILWAUKEE PACKOUT Modular Storage System with M18 PACKOUT Light / Charger

RYOBI

RYOBI is the #1 DIY Tool brand in the world featuring 123 tools, 44 outdoor products, and 15 cleaning products in the ONE+ battery system alone. In 2020, the RYOBI business delivered double-digit growth driven by a stream of new product launches featuring the next generation RYOBI ONE+ HP brushless series. The subcompact design and exceptional performance of these HP brushless tools have enhanced the entire global RYOBI DIY platform. With 18 new ONE+ HP and 7 new 40V HP products launching in early 2021, our RYOBI HP new product pipeline is extremely exciting. We will continue to invest heavily in expanding our global DIY leadership position with these high-end HP brushless products and expect that it will catalyze growth in the DIY arena for years to come.



RYOBI ONE+ HP Family

The RYOBI Outdoor business delivered another year of outstanding results, led by our global leadership of cordless mowers and cordless handheld outdoor equipment. Our range of 19 cordless RYOBI mowers is leading the revolution from the legacy petrol market to our environmentally friendly lithium cordless technology. In 2020, we began building a state-of-the-art manufacturing operation in the USA to produce cordless mowers and support the extensive growth of the RYOBI Outdoor cordless platforms. The RYOBI 40V system now contains 52 innovative products that deliver petrol-like power, from the quiet WHISPER series blowers, to string trimmers, hedge trimmers, chain saws, sprayers, edgers, and many more.



RYOBI 40V HP 8" Brushless Auger



RYOBI 18V ONE+ HP Brushless 4-MODE 1/2" Impact Wrench

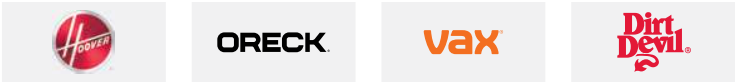
With over 600-ft.-lbs. of breakaway torque and an innovative 4-mode speed control, this tool provides users with the power and flexibility needed from the automotive shop to the jobsite.



RYOBI 18V ONE+ Brushless WHISPER SERIES JET FAN BLOWER

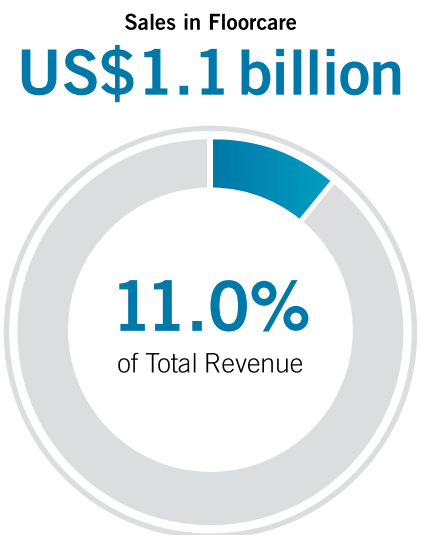
All the power with a fraction of the noise. This blower is winning over consumers as the industry's quietest blower – all while generating power and performance that rivals gas units.

Floorcare



HOOVER ONEPWR HEPA+ Cordless Upright Vacuum

Our Floorcare business accounted for 11.0% of TTI total sales, with sales increasing 23.6% to US\$1.1 billion, while generating US\$24.6 million of operating profit, up 138.0% from 2019.



These results reflect our disciplined efforts to transition our floorcare business from legacy products to our key strategic categories of cordless and carpet washing. In addition, our exit from underperforming geographies and expansion of in-house manufacturing contributed to our strong performance.

We delivered double-digit growth in carpet washing led by the success of our HOOVER POWERDASH, HOOVER SMARTWASH and VAX PLATINUM carpet cleaning product lines. Our success in carpet washing is also driving excellent sales growth in our after-market carpet cleaning formula ranges.

In 2020, our cordless ONEPWR system gained encouraging traction in both the HOOVER and VAX brands. The ONEPWR cordless family now includes 13 products on the same universal battery platform.

The Global Floorcare business is now well positioned to deliver consistently improving sales and financial performance in the future.

VAX PLATINUM SMARTWASH Carpet Cleaner is the UK's first carpet washer with Motion Sense technology; there is no trigger, it automatically washes and dispenses clean water and VAX Antibacterial solution when you push forward and dries when you pull back, effortlessly easy to use.



Financial Review

Financial Results

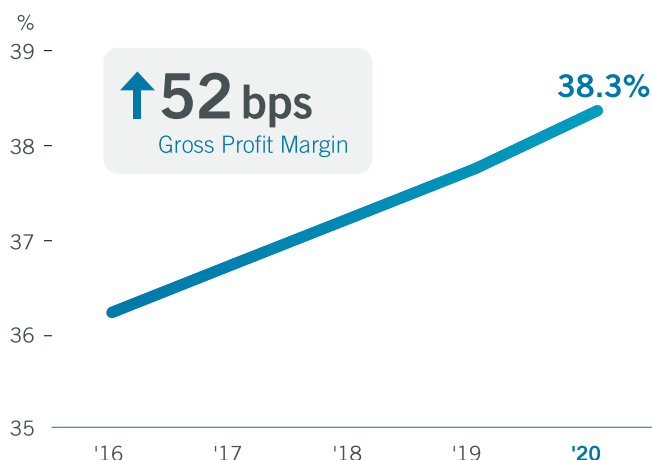
Result Analysis

The Group's revenue for the year amounted to US\$9.8 billion, an increase of 28.0% as compared to US\$7.7 billion in 2019. Profit attributable to Owners of the Company amounted to US\$801 million as compared to US\$615 million in 2019, an increase of 30.2%. Basic earnings per share for the year improved to US43.80 cents as compared to US33.67 cents in 2019.

EBIT amounted to US\$868 million, an increase of 29.0% as compared to US\$673 million in 2019.

Gross Margin

Gross margin improved to 38.3% as compared to 37.7% last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity together with very effective action plans to mitigate the global pandemic environment.



Operating Expenses

Total operating expenses for the year amounted to US\$2,896 million as compared to US\$2,230 million in 2019, representing 29.5% of turnover (2019: 29.1%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum and continual margin improvements.

Investments in product design and development amounted to US\$317 million, representing 3.2% of turnover (2019: 3.0%) reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the year amounted to US\$7 million as compared to US\$12 million in 2019, a reduction of US\$5 million or 38.6%. Interest coverage, expressed as a multiple of EBITDA to total interest was 28.5 times (2019: 19.8 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.0% (2019: 7.0%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$3.9 billion as compared to US\$3.4 billion in 2019. Book value per share was at US\$2.13 as compared to US\$1.85 last year, an increase of 15.1%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2020, the Group's cash and cash equivalents amounted to US\$1,534 million (2019: US\$1,412 million), of which 54.9%, 21.9%, 7.8%, and 15.4% were denominated in US\$, EUR, AUD and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, was at net cash in 2020.

Bank Borrowings

Long term borrowings accounted for 71.4% of total debts (2019: 52.9%).

The Group's major borrowings continued to be in US Dollars. Borrowings are predominantly LIBOR based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Amongst the bank borrowings, fixed rate debts account for 35.6% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US\$3,224 million as compared to US\$2,113 million in 2019. Days inventory increased by 19 days from 101 days to 120 days. The higher inventory days as compared to past years was mainly due to the strategic decision to carry a higher level of inventory to support our service level, considering our high growth momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 48 days as compared to 55 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 47 days as compared to 52 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were 117 days as compared to 104 days in 2019 as the Group managed to leverage the volume and order visibility for better trade terms from suppliers.

Working capital as a percentage of sales was at 14.0% as compared to 14.3% in 2019.

Capital Expenditure

Total capital expenditures for the year amounted to US\$459 million (2019: US\$457 million).

Capital Commitments and Guarantees

As at December 31, 2020, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$104 million (2019: US\$58 million), and there were no material guarantees or off balance sheet obligations.

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2020

- (i) the Group's largest customer and five largest customers accounted for approximately 48.9% and 58.3% respectively of the Group's total revenue; and
- (ii) the Group's largest supplier and five largest suppliers accounted for approximately 7.9% and 20.4% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

Human Resources

The Group employed a total of 48,028 employees as at December 31, 2020 (2019: 33,177) in Hong Kong and overseas. Total staff cost for the year under review amounted to US\$1,584 million (2019: US\$1,337 million).

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improving the quality, competence and skills of all employees. It provides job-related training and leadership development programs throughout the organization. The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Corporate Strategy and Business Model

The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floorcare for consumers, professional and industrial users in the home improvement, infrastructure and construction industries. We are committed to implementing our long term strategic plan that focuses on "Powerful brands, Innovative Products, Operational Excellence and Exceptional People".

We continue to strengthen our portfolio of powerful brands with a focused marketing approach. Brands extension into new product categories and under-represented markets enable us to generate outstanding growth. Geographic expansion will be a highlight of TTI's future, our long term strategy is to aggressively build our business both inside and outside North America and we have spent relentless efforts to expand and establish presence in high potential markets around the world.

Introducing innovative new products is the centerpiece of our long term strategy. We continue to invest in building a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

Our strategy in operational excellence will continue, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.

Our Commitment to ESG

TTI is committed to operating its business in line with Environmental, Social and Governance (ESG) best practices, and to do so in compliance with all applicable laws and regulations. We understand that a large measure of our ability to grow, innovate and prosper depends on our ESG performance. We have a robust risk management system in place which allows us to identify and address issues in an appropriate and timely manner as well as mitigate risk to our business. We have identified legal and regulatory requirements related to ESG practices that have the potential to have a significant impact to our operations and performance. We had no reports of material ESG-related non-compliance in 2020.

In 2020, we continued to develop our Sustainability Strategy and Implementation Plan to align our actions and goals globally with the United Nations Sustainable Development Goals. In terms of governance, the ESG Working Committee with the guidance of the ESG Executive Committee and the Board of Directors has continued to implement our sustainability strategy and monitor activities and ESG performance against our goals.

TTI understands the importance of continuous engagement with our stakeholders to monitor and address their expectations and evolving legal and industry requirements. We have various communication channels with our key stakeholders including employees, customers, shareholders and suppliers. Communication occurs via regular meetings, focus group discussions and training sessions.

Details on our ESG commitments, relevant policies and standards is provided throughout this report. Specific ESG key performance results and initiatives of 2020 are shared on pages 72 to 145.

Purchase, Sale or Redemption of Securities

Other than 2,120,000 shares of the Company purchased on-market for satisfying the awarded shares granted under the Company's share award schemes (details of which will be set out in the Corporate Governance Report to be included in this Annual Report), neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2020. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK82.00 cents (approximately US10.55 cents) per share with a total of approximately US\$193,404,000 for the year ended December 31, 2020 (2019: HK58.00 cents (approximately US7.46 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 24, 2021. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 18, 2021. This payment, together with the interim dividend of HK53.00 cents (approximately US6.82 cents) per share (2019: HK45.00 cents (approximately US5.79 cents)) paid on September 18, 2020, makes a total payment of HK135.00 cents (approximately US17.37 cents) per share for 2020 (2019: HK103.00 cents (approximately US13.26 cents)).

Closure of Register of Members

The register of members of the Company will be closed for the following periods:

To ascertain members' eligibility to attend and vote at the 2021 Annual General Meeting, the register of members of the Company will be closed from May 12, 2021 to May 14, 2021, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2021 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 11, 2021.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 24, 2021 when no transfers of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 21, 2021.