



Techtronic Industries 1H04 Profit increased by 41.8% to HK\$299 million

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Strong growth continues

Results Highlights

For the six months ended 30th June

	<u>2004</u>	<u>2003</u>	<u>Changes (%)</u>
Turnover (HK\$m)	6,724	4,815	39.7
Gross profit (HK\$m)	2,004	1,295	54.8
Net profit (HK\$m)	299	211	41.8
EPS, basic (HK cents)	22.49	16.28	38.2
DPS, interim (HK cents)	4.500	3.625	24.1
Gross profit margin (%)	29.8	26.9	
Net profit margin (%)	4.4	4.4	

(HONG KONG, 12th August 2004) – **Techtronic Industries Co. Ltd.** (“TTI” / The Group) (stock code: 669, ADR symbol: TTNDY) today reported net profit of HK\$299 million for the six months ended 30th June 2004, representing 41.8% growth over the same period last year. Basic earnings per share increased 38.2% to HK 22.49 cents (2003: HK16.28 cents) The Directors have recommended an interim dividend of HK 4.5 cents

Mr. Horst Julius Pudwill, Chairman and CEO of TTI said, “The Group continued to deliver record results in the first half of 2004, with high double-digit revenue growth across all lines of business and in all geographic markets. We improved our gross margin despite pressure from rising raw materials prices, by further rationalising our operations, leveraging our economies of scale and centralising key group-wide purchasing functions. Net margin was comparable to last year despite higher amortisation on goodwill associated with the purchase of the Royal Appliance Mfg. Co. (Royal).”

Looking into the second half of 2004, Mr. Pudwill comments, “ We have every reason to be confident that the strong growth momentum will be maintained. Despite the economic uncertainties, experience shows that our businesses are largely resilient to changes in housing construction activities. Our expansion momentum will be driven by further product and market diversification. TTI is well positioned to deliver high growth results for 2004.”

Review by operation

Power Equipment Products

Turnover for the power equipment products division increased by a robust 35.9% over the same period of 2003 to HK\$4,712 million, accounting for 70.1% of Group turnover. Operating profits for the division rose by 48.1% to HK\$294 million.

Growth was seen in all key markets and all product segments, as we continued to gain market share. In North America, our well-established Ryobi consumer power tool line continued to deliver strong organic growth, driven by value store-level service programmes with our retail partner and exciting promotions. The RIDGID® professional grade power tools continue to sell well on their merits of innovation, durability and quality.

In Europe, all our major markets recorded strong sales and profit expansion as a result of better brand positioning and introduction of new products. Our new Ryobi branded products launched during the period were well received, increasing our market presence in countries such as the United Kingdom, Germany, France, Spain and Italy.

Floor Care Appliances

Turnover for the floor care appliances division rose by 53.1% over the same period of last year to HK\$1,717 million, accounting for 25.5% of Group turnover. Operating profit added 38.4% to HK\$80 million.

Royal continued making progress as it gained product listings at its major retail customers with new products. Benefiting from its integration with TTI Group, Royal has improved its cost structure in North America and streamlined the product development process. Vax also delivered exceptional revenue growth in its markets as existing inventory was cleared and new models jointly developed with Royal were introduced under the Vax brand. We also continued to strengthen our OEM business, which experienced rapid growth as we provided customers with well-received products and entered into new contracts with two major brand name companies.

Solar Powered, Laser and Electronic Measuring Products

Our solar powered, laser and electronic measuring products business again had an excellent half year. Turnover increased over the same period of 2003 by 30.6% to HK\$ 295 million, accounting for 4.4% of Group turnover. Operating profits recorded HK\$59 million, representing an increase of 42.4%. Sales were driven by an expanded product offering in all categories. Our recent investment in technology is enabling the business to respond more rapidly to the market needs for innovative new products.

Financial review

The Group's working capital position remained healthy. As at 30th June, 2004, net current assets stood at HK\$2.15 billion as compared to HK\$1.62 billion as at 30th June, 2003 and HK\$1.98 billion as at 31st December, 2003. The Group's working capital requirement is normally higher in the first half year as it prepares for the peak shipment period in the second half. As the Group's cash flow generating capacity remains strong, the working capital position is expected to further improve by the end of the year.

The Group was in a net cash position as at 30th June, 2004, as compared to a gearing level of 53.1% reported for the same date last year. The gearing ratio is expressed as a percentage of total net borrowings to total equity. Total borrowings improved from HK\$2.37 billion reported last period to HK\$1.96 billion for the period under review, and no material change in total borrowings when compared to the balance as at 31st December, 2003.

Net interest expenses for the period under review amounted to HK\$37 million, an increase of only HK\$3 million when compared to the same period last year. Interest coverage, expressed as a multiple of profit before interest and tax to total net interest was 10.35 times, an improvement from the 8.17 times reported for the first six months of 2003.

The text of the announcement and results presentation are available at www.ttigroup.com

Investor Presentation Broadcasting

Available at www.ttigroup.com from 9 pm, 12th August (HK Time) for a month until 11th September 2004

About TTI

Founded in 1985, TTI is a leading and fast-growing supplier of home improvement products, employing approximately 16,300 people worldwide. TTI's global brand portfolio includes RYOBI power tools, HOMELITE and RYOBI outdoor power equipment, ROYAL, DIRT DEVIL, REGINA and VAX floor care appliances. The company has enjoyed continuous growth since its listing on the Hong Kong Stock Exchange in 1990, achieving double-digit growth for the past nine years. TTI is also one of the constituent stocks on the Hang Seng HK MidCap Index under the Hang Seng Composite Index, the MSCI Hong Kong Index, the FTSE All-World Hong Kong Index and the FTSE/Hang Seng Asian Cyclical Index. For more information, please visit www.ttigroup.com.

About RIDGID®

RIDGID® is a registered trademark of Ridgid, Inc., part of Emerson Professional Tools, a business of St. Louis-based Emerson (NYSE: EMR)

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RESULTS SUMMARY

CONSOLIDATED INCOME STATEMENT

	<i>For the six months ended 30th June</i>	
	2004	2003
	HK\$' 000	HK\$' 000
Turnover	6,724,115	4,814,649
Cost of sales	(4,720,044)	(3,519,725)
Gross Profit	2,004,071	1,294,924
Other operating income	14,074	33,377
Interest income	22,155	5,361
Selling, distribution, advertising and warranty expenses	(693,737)	(474,426)
Administrative expenses	(762,714)	(496,323)
Research and development costs	(164,759)	(69,842)
Profit from operations	419,090	293,071
Finance costs	(58,702)	(38,990)
Profit before share of results of associates and taxation	360,388	254,081
Share of results of associates	(626)	187
Profit before taxation	359,762	254,268
Taxation	(42,677)	(30,437)
Profit before minority interests	317,085	223,831
Minority interests	(18,227)	(13,008)
Profit for the period	298,858	210,823
Dividend	(118,444)	(65,388)
Earnings per share (HK cents)		
Basic	22.49	16.28
Diluted	21.78	15.91

CONSOLIDATED BALANCE SHEET

	<u>2004</u> <i>As at 30th June</i> <i>HK\$' 000</i>	<u>2003</u> <i>As at 31st December</i> <i>HK\$' 000</i>
Non-current assets		
Property, plant and equipment	863,915	904,356
Goodwill	635,580	652,760
Negative goodwill	(31,023)	(33,175)
Intangible assets	178,669	25,154
Interests in associates	132,124	118,394
Investments in securities	38,608	41,419
Deferred tax assets	300,706	273,937
Other assets	1,195	1,195
Total non-current assets	2,119,774	1,984,040
Current assets		
Inventories	2,539,274	2,491,650
Trade and other receivables	1,579,099	2,197,789
Deposits and prepayments	328,424	293,408
Bills receivable	122,984	36,409
Investments in securities	5,635	5,575
Tax recoverable	1,123	51,274
Trade receivable from associates	40	48
Bank balances, deposits and cash	1,970,998	2,586,075
Total current assets	6,547,577	7,662,228
Current liabilities		
Trade, bills and other payables	(3,427,325)	(4,894,161)
Warranty provision	(183,122)	(208,552)
Trade payable to an associate	(9,319)	(3,230)
Tax payable	(108,165)	(68,114)
Dividend payable	(118,444)	-
Obligations under finance leases - due within one year	(2,988)	(5,485)
Borrowings - due within one year	(549,011)	(497,975)
Total current liabilities	(4,398,374)	(5,677,517)
Net current assets	2,149,203	1,984,711
Total assets less current liabilities	4,268,977	3,968,751
Capital and reserves		
Share capital	(133,663)	(132,497)
Reserves	(2,614,167)	(2,380,387)
Shareholders' fund	(2,747,830)	(2,512,884)
MINORITY INTERESTS	(64,601)	(46,374)
NON-CURRENT LIABILITIES		
Obligations under finance leases - due after one year	(3,148)	(14,261)
Borrowings - due after one year	(1,405,489)	(1,348,497)
Deferred tax liabilities	(47,909)	(46,735)
	(4,268,977)	(3,968,751)

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