Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code : 669)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2005

Highlights

	2005 *HK$'million*	2004 *HK$'million* (As restated)	Changes
Turnover	**22,358**	16,304	**+37.1%**
EBITDA	**1,989**	1,488	**+33.6%**
Profit for the year	**1,019**	926	**+10.0%**
Earnings per share – basic	**73.53 cents**	69.28 cents	**+6.1%**
Final dividend per share	**12.60 cents**	12.50 cents	**+0.8%**

- **Record turnover and profit performance**
- **Primary brands achieved double digit growth in aggregate**
- **Milwaukee and AEG achieved double digit growth**
- **Innovative new products generated incremental business**

CHAIRMAN'S STATEMENT

2005 was another record year for the Group in both turnover and profits. Our strategies of leading brands, powerful customer partnerships, innovation, and global operational efficiencies provided the platform for our core business growth. The acquisition delivered double digit organic turnover expansion and profit contribution to the Group. This solid foundation and our scale enabled us to respond to market fluctuations and competitive challenges in an effective and flexible manner, keeping our long-term goals on track.

Group turnover was HK$22.36 billion, an increase of 37.1% over fiscal year 2004. Importantly, our primary brands delivered double digit growth in aggregate and gross profit margins improved to 31.0% from 30.3% in 2004, despite rising material costs. Net profit was up by 10.0% to HK$1,019 million, though acquisition restructuring and increased acquisition related interest expenses had negative effects on margins. Basic earnings per share increased 6.1% to HK73.53 cents.

During the year, we initiated the integration of Milwaukee® and AEG® professional power tools into TTI, strengthening our power tool portfolio in terms of brands, products and customers. The ongoing integration process will generate future marketing synergies and cost savings as the acquisition benefits from the Group's lower operational costs and scale advantages. Our commitment to operational excellence delivered financial leverage through process advances and cost reduction initiatives.

DIVIDEND

The Directors recommend a final dividend of HK12.6 cents per share. Subject to the approval of the shareholders at the Annual General Meeting to be held on 22nd May, 2006. The final dividend will be paid to shareholders listed on the register of members of the Company on 16th June, 2006. It is expected that the final dividend will be paid on or about 28th July, 2006. This payment together with the interim dividend of HK6.00 cents per share paid on 30th September, 2005, makes a total payment of HK18.6 cents per share for 2005.

BUSINESS REVIEW

Power Equipment Products

The Power Equipment Products business delivered record turnover with a growth of 49.1% to HK$17.18 billion, accounting for 76.9% of total Group turnover. Operating profits grew 35.9% to HK$1,237 million. The strong growth in 2005 from both primary brands in the core business and the Milwaukee® and AEG® acquisition exceeded our served industry growth. Core organic growth was driven by the strong demand for our brands but offset by the lower OEM and private label businesses.

We had strong underlying end user demand for our products during the year. Innovative products were the drivers in power tools, including the Milwaukee® V28™ lithium-ion power tools, RIDGID®'s new line of pneumatic tools, and the expansion of the One+™ line under the Ryobi® brand.

In North America, Milwaukee® is the brand of choice among industrial and professional contractors. The innovative V28™ lithium-ion battery power tools took the industry by storm. Demand for the products increased throughout the year, though higher turnover was constrained in 2005 by the battery manufacturer's limited capacity. The Group has already expanded the battery production to meet the growing demand and expanding product platform.

The Group added breadth to the RIDGID® professional power tool line moving beyond electric portable and bench / stationary tools, with a new line of best-in-class professional pneumatic fastening tools. RIDGID® has further strengthened its position among professional users and continues as a success story in the creation of a professional power tool brand in North America.

Ryobi® is a preferred power tool brand by DIYers worldwide. In North America, the unique system of interchangeable tools and batteries, the One+System™, has proved to be a huge success. New products were added to the line and system tool packages were marketed successfully in 2005. In addition, a new website was constructed and launched to build greater awareness by consumers and the mainstream consumer media.

The Ryobi® branded One+System™ was launched into select DIY retailer partners in Europe during late 2005 and exhibited initial signs of success. Across the DIY channels in Europe, Ryobi® has benefited from the consumer demand for innovative and well performing value tools.

In Europe, the Milwaukee® and AEG® brands have expanded the Group's distribution into the industrial and professional contractor channels. Milwaukee®'s market position in Europe is benefiting from the launch of the revolutionary V28™ lithium-ion power tools. The AEG® brand, well respected throughout Europe, is undergoing a product range expansion for upgraded tools with competitive price points and newer technology.

The outdoor power equipment business also expanded with successful product introductions within existing categories and by entering new market categories. In North America, existing and new product introductions under Ryobi® and Homelite® continued to resonate with consumers in our outdoor power equipment division. We gained market position in the key petrol powered categories of trimmers, blowers, pruners, and chain saws while capturing new market share with our successful Ryobi® entries into log splitters, cultivators and pressure washers. The new Ryobi® petrol powered pressure washer, introduced in the first quarter 2005, exceeded turnover targets. The innovative product is practical, with a user-friendly design and was the cornerstone in the Group's expansion in this incremental growth category for 2006.

The outdoor business delivered positive growth across Europe but faced supply-chain challenges at the start of the season for the new petrol powered and electric powered products. The Ryobi® program is an important element to the DIY channel as it complements the power tool program and provides scale with our business with the key retail partners. Product development is beginning to benefit from global product platform initiatives and resources.

Floor Care Appliances

The Floor Care Appliances business continued to perform well despite lower OEM sales, material cost pressures, and price competition. Turnover increased 11.0% to HK$4.53 billion, accounting for 20.2% of the Group's total turnover. Operating profits were down 0.7% to HK$200 million.

The results showed solid organic performance in our own branded business despite extreme price sensitivity in the North American retail market. The positive results were driven by a continuing flow of new products, which allowed the Dirt Devil® and Vax® brands to expand product listings in key retailers. Our own branded business continued to increase market position and deliver value to customers in both North America and Europe. Significant cost containment initiatives such as broadening the sourcing parameters, driving product redesigns and consolidating manufacturing in line with the OEM decline have helped to balance the cost pressures on the business.

Several important new product launches during the year buoyed turnover. Strategically, new products accounted for 30% of the turnover for the business in 2005. The Dynamite®, which is half the weight of a full size upright vacuum, was developed to match consumer lifestyles based on market research. The launch surpassed turnover objectives and has created a product platform for future growth. The revitalization of the cordless Broom Vac® and the popular VISION bagless upright vacuum contributed strong performances capturing market share and excellent retail placement.

Dirt Devil® also exhibited its brand strength by remaining a leading brand in highly competitive Germany and initiating expansion progress across Europe. We have also moved aggressively to capitalize on opportunities at higher retail price points in the North American upright category with the introduction of a new generation of Vax® vacuum cleaners in the second half of 2005.

In the UK, Vax® has moved up to the number two position, despite a contracting and competitive market. The dynamic performance in the UK was driven by new product introductions, a dedication to cost control and our focus on strong partner relationships. Vax® continued to maximize the synergies with Dirt Devil® for successful product development in the UK and Australia.

The OEM side of this business is going through a shift in customer base, which is a result of our strategy to increase our own branded business. In the second half of 2005, we experienced an accelerated reduction in our OEM turnover. This transition will continue through 2006 and is expected to rebound in 2007 with significant new projects that have been initiated with complementary customers.

Laser and Electronic Products

The Laser and Electronic Products business achieved profit margin improvement through cost reduction efforts despite a 6.5% drop in turnover to HK$656 million, accounting for 2.9% of total Group revenue. Operating profits decreased 4.6% to HK$139 million. Our major investments in manufacturing automation, plastic injection molding and blow molding delivered significant gains in our cost position, helping to offset raw material and labor increases.

After three years of high growth, the business was impacted by competition in both laser measurement and solar light markets. Throughout the year, we remained focused on creating growth opportunities with our new product development efforts. For the laser leveling platform, we continued to build on the revolutionary AIRgrip™ technology and introduced the MultiTASKit™ under the Ryobi® brand in September. The MultiTASKit™ includes the MultiTASKit™ body, which houses the AIRgrip™ vacuum technology, and four attachments that are designed to make home repairs and projects a one-person job. The high profile introduction and aggressive promotion of our laser levels helped establish Ryobi® brand as a leader in laser measurement tools.

OUTLOOK

We believe our consistent performance is a result of a disciplined approach to deliver the core strategies: leading brands, customer partnerships, innovation, and operational leadership. We have positive growth prospects built on the new products introduced in the second half of 2005 and the array of innovative products to be introduced in 2006.

Our culture of innovation is showcased in our power tools business and will continue to drive future growth. The Group's enhanced R & D capabilities following the Milwaukee® and AEG® integration are adding breadth and depth to our product platform. The lithium-ion cordless power tool category is a growth platform that is gaining market acceptance and TTI is both the technology leader and first to market. The integration of the acquisition is progressing well focusing on production transfer, product development, supply chain management and operational efficiency. The synergies and cost improvement benefits expected from the integration will have a positive impact on margin in the second half of 2006 and beyond.

The Power Equipment Products business is strategically positioned to further develop the Ryobi® program of better outdoor products and leverage the strength of the brand in the DIY channel. As with petrol pressure washers, the brand will be tested and used on a broad range of outdoor products that will deliver incremental business. Homelite® is a value brand in its key categories and its powerful brand recognition can be expanded into new product categories which we plan to do as early as the second half of 2006.

Business challenging year in 2005 with improved efficiency, better product platform planning, and powerful consumer brands in large markets. We are positioned to continue to drive brand growth with new innovative products and by expanding within the existing customer base in North America, plus geographic expansion in Europe. Several major new product platforms have launched in the first half of 2006, including the Dirt Devil® Reaction® in North America, which delivers "no loss of suction" with a dual cyclonic filtration system. Dirt Devil® in Europe is launching a revolutionary new bacteria killing vacuum and bag system that is in response to the increasing health concerns of end users.

The Laser and Electronic Products business had exhibited exponential growth over the past few years due to industry leading innovation with products that captured the imagination of end users. Going forward, we expect growth to slow down from a higher base and because of keener competition in this category. In face of a tough outlook, we will maintain our focus on delivering unique, solution-driven products and continue to invest in enhancing our manufacturing expertise. The expansion and added capabilities of our manufacturing investments will deliver increased opportunities for new product development and ODM partnerships.

In 2006, our focus will remain on the investments — in our people, our facilities, our R&D, our brands and our future — because these will strengthen the foundation for sustainable long-term financial performance. We have clear, effective strategies, and we believe that our focus on aligning our four strategies will continue to deliver superior value to our shareholders, our partners, our employees and our customers.

ACQUISITION

The Group completed the purchase from Atlas Copco AB ("ATCO") all of ATCO's electric power tools and accessories business ("the Business") conducted under the brand names "Milwaukee®" and "AEG®" as well as "DreBo®" accessories businesses, ("the Acquired Companies"), with unanimous approval by all the shareholders present in person or by proxy at the Company's Extraordinary General Meeting on 3rd January, 2005.

The purchase price for the Business, which was paid in cash at the closing of the transaction, was US$627 million (approximately HK$4,887 million), consisting of the pre-adjustment purchase price of US$713 million (approximately HK$5,560 million), reduced by an agreed pre-closing adjustment of US$86 million (approximately HK$672 million) in respect of a portion of the accrued and unfunded post-retirement liabilities of certain of the Acquired Companies and adjustments with respect to related deferred asset accounts and to certain accruals. The purchase price was calculated on the basis of the Acquired Companies having no indebtedness or cash and their net tangible assets (excluding, among other things, cash and amounts in respect of pre-agreed adjustments) being US$285 million (approximately HK$2,223 million). On 31st October, 2005, the Group and ATCO concluded that there will be no adjustments to the purchase price and the acquisition completed.

The acquisition strengthens the Group's brand profile, product offerings and distribution network in the global power tool industry, particularly in the US and European markets.

The Group is moving forward with its integration plans to reap the synergistic benefits in engineering, manufacturing and the supply chain for our operations. Leveraging the strengths of the combined business, the Group will be able to compete more effectively in the global power tool industry and to further enhance its leadership position.

NEW SHARES PLACEMENT

On 8th September, 2005, the Group placed an aggregate of 96 million shares to independent investors at a price of HK$19.25 per share. The new shares placed represent approximately 7.05% of the issued share capital of the Company of 1,361,898,652 shares at the date of placement and approximately 6.58% of the issued capital of the Company of 1,457,898,652 shares as enlarged by the placement.

The net proceeds approximated to HK$1,815 million have been used to repay existing debts and for general working capital purposes and potential acquisitions which the Group believes will create synergies.

FINANCIAL RESULTS

Result Analysis

The Group reported a 37.1% growth in turnover to HK$22.36 billion for the year as compared to HK$16.30 billion reported last year. Net profit amounted to HK$1,019 million, an increase of 10.0% on HK$926 million reported in 2004.

EBITDA increased by 33.6% to HK$1.99 billion. Included in the EBITDA was a non-recurring restructuring charge of HK$62 million. Excluding this non-recurring charge, EBITDA as a % to turnover was at 9.2%, improved from 9.1% in 2004.

Basic earnings per share were at HK73.53 cents per share after accounted for the dilution effect of the placement of 96 million new shares on 8th September 2005 as compared to HK69.28 cents per share in 2004, as restated.

Gross Margins

Gross margin continued to improve to 31.0% as compared to 30.3% reported last year despite continual pricing pressure on raw materials during the year. The improvement was the result of favorable product portfolio, introduction of new products from current and newly acquired business and continuous cost improvement programs at all levels within the Group.

Selling, Distribution, Advertising and Warranty Expense

Selling, distribution, advertising and warranty expenses efficiency improved from 11.8% of turnover in 2004 to 11.3% for the period under review. The improvements were contributed by the cost synergies created from the integration of the newly acquired operations and further rationalization of the Group's cost structure.

The Group's own brand business now accounted for 80.0% of total turnover as compared to 72.2% reported last year. This is in line with the Group's long-term strategy to increase its own brand business.

Research and Development Expenses

Product innovation remains the Group's major focus to sustain the growth momentum and to enhance profitability. In 2005, the Group invested HK$492 million, representing 2.2% of turnover, as compared to HK$339 million, or 2.1% of turnover in 2004.

Administrative Expenses

Administrative expenses increased by HK$892 million to HK$2,443 million, representing 10.9% of 2005 turnover as compared to 9.5% in 2004. The increase was mainly due to the full year consolidation of the Milwaukee, AEG and Drebo operation in 2005, which were less efficient than the Group's existing business. Included in the expenses were non-recurring restructuring charges as we begin the relocation and integration of the Milwaukee and AEG production operations to the Group's China plants. The charges amounted to HK$62.4 million in 2005. The relocation and integration will create additional savings and synergies which will commence to accrue from 2006 onwards, and will result in improvement of margins in relation to such products transferred and overall efficiency and cost improvements within the Group.

Taxation

Effective tax rate for the year was 13.0% compared to 10.1% in 2004 as a result of the profits generated from higher tax jurisdiction and acquisition. The Group will continue to focus on improving tax efficiencies.

Bank Borrowings

The Group continues to maintain a well balanced and carefully structured loan portfolio to support its long-term growth strategy and is also able to secure additional financing at favorable terms. Taking advantage of the low interest rate environment, the Group tapped into the capital market with two transactions in first quarter 2005 through its wholly owned entity in the United States. The Group placed US$200 million fixed interest rate Notes in two tranches, of US$150 million for 10 years at 5.44% per annum, and US$50 million for 7 years at 5.17% per annum, with private investors in the United States. Another US$200 million LIBOR-based floating rate transferable term loan was arranged through an elite group of financial institutions for a 3-year period extendable to 5 years. Both issues received overwhelming support and were successfully placed in March 2005. The proceeds were used to refinance existing bank borrowings.

Foreign Exchange Risk Management

The Group's major borrowings including the ones issued during the period are in US Dollars and HK Dollars. Other than the fixed interest rate Notes, all borrowings are either LIBOR or Hong Kong best lending rates based. As the Group's major revenues are in US Dollars, there is a natural hedge mechanism in place and currency exposure is relatively low. To enhance overall risk management for its expansion, the Group had already strengthened its treasury management capability and will closely monitor and manage its currency and interest rate exposure.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to HK$6,112 million as at 31st December, 2005, representing an increase of over 77.0% from HK$3,454 million as reported last year. Book value per share, after the share placement and options exercised during the year increased from HK$2.55 per share to HK$4.18 per share.

Financial Position

As at 31st December, 2005, the Group's net gearing expressed as a percentage of total net borrowing to equity attributable to shareholders of the Company was at 68.3% (2004 as restated: 32.1%). The change was a result of the Milwaukee, AEG and Drebo acquisitions which was fully funded by both internal resources and borrowing.

Net interest expenses amounted to HK$293 million, an increase of HK$195 million as compared to same period last year, as a result of additional borrowings for acquisition, expanded operation and the effective interest expense, a non-cash item, on the liability component of the convertible bonds in accordance with HKAS39. Interest coverage, expressed as a multiple of EBIT to total net interest remained at a healthy level of 5.0 times (2004 as restated: 11.6 times).

Working Capital

The Group's net current assets increased by over HK$1.06 billion to HK$4.89 billion as compared to last year. Current ratio further improved to 1.66 from 1.49 in 2004.

Total inventory value increased by HK$1.18 billion as a result of the acquisition completed at the beginning of the year. Average inventory days improved by 4 days from 59 days to 55 days and average finished goods inventory days improved from 42 days to 38 days. Raw material and work in progress turnover days remained stable at 17 days. The effect of the inventory re-alignment program by the Group's major customers had no negative impact on the inventory level as the Group managed a very flexible and efficient procurement and manufacturing operation.

Trade receivables turnover period improved by 7 days from 53 days to 46 days. The Group did not experience any material bad debts that required writing off in 2005.

Trade and other payable days were at 53 days as compared to 56 days last year.

Capital Expenditure

Capital expenditure for the year amounted to HK$597 million. Excluding the land acquired for the China plant expansion, the capital expenditure during the year on operating assets was in line with the group's capital appropriation guidelines.

Capital Commitment and Contingent Liability

As at 31st December, 2005, total capital commitment amounted to HK$269 million (2004: HK$154 million) and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

HUMAN RESOURCES

The Group employed a total of 22,053 employees (2004: 21,549 employees) in Hong Kong and overseas. The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve 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.

PURCHASE, SALES OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

An Audit Committee was established in 1999, and on 11th April, 2006 the Board adopted written terms of reference for the role and function of the Audit Committee, now published on the Group's website, www.ttigroup.com. The role and function of the Audit Committee is to assist the Board to ensure that an effective system of internal control and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations is in place, and to oversee the integrity of the financial statements of the Group.

The Audit Committee is comprised of the three independent non-executive directors, and is chaired by Mr. Joel Arthur Schleicher. All members of the Audit Committee have professional, financial or accounting qualifications.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with senior management of the Group and the Group's external auditors, Messrs. Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31st December, 2005. The Board of Directors of the Company (the "Board") acknowledges its responsibility for the preparation of the accounts of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group confirms that it has complied with all material provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, save that:

1. The roles of Chairman and the Chief Executive Officer are both performed by Mr. Horst Julius Pudwill. The Group does not currently propose to separate the functions of Chairman and Chief Executive Officer, as both the Board and senior management of the Group has significantly benefited from the leadership, support and experience of Mr. Pudwill.

2. The Board formally adopted written procedures on 11th April 2006 to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. This supplemented and enhanced the prior practice of the Board of delegating signing authority on a case-by-case basis for each significant agreement entered into by the Group. The work of the Audit Committee will include reviewing on an ongoing basis the Group's internal controls and the delegation and reporting procedures between the Board and senior management.

3. None of the directors is appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of TTI. Under Article 103 of the Articles of Association of TTI, one third of the Board must retire by rotation at each Annual General Meeting and, if eligible, offer themselves for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Group confirms that, after specific enquiry with each Director, all Directors have confirmed compliance with the Model Code. The Board has also adopted a code of conduct, on terms no less onerous than the Model Code, that applies to securities transactions of all relevant employees who may be in possession of unpublished price-sensitive information in relation to the Group's shares, and which is now published on the Group's website, www.ttigroup.com.

PUBLICATION OF ANNUAL RESULTS ON WEBSITE

The financial information required to be disclosed under paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and TTI's website at www.ttigroup.com in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 12th June, 2006 to Friday, 16th June, 2006, both days inclusive. In order to qualify for the final dividend to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Secretaries Limited, at Level 25, Three Exchange Place, 1 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 9th June, 2006.

Dividend warrants will be despatched on or around 28th July, 2006 subject to shareholders' approval of payment of the final dividend having been obtained at the Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at The Ritz-Carlton, Hong Kong on 22nd May 2006. The notice of Annual General Meeting will be published in the South China Morning Post and Hong Kong Economic Times and depatched to shareholders of the Company on or about 28th April, 2006.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Horst Julius Pudwill, Mr. Roy Chi Ping Chung, Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan, 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 and Mr. Manfred Kuhlmann.

APPRECIATION

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

By Order of the Board
Horst Julius Pudwill
Chairman and Chief Executive Officer

Hong Kong, 12th April, 2006

RESULTS SUMMARY

For the year ended 31st December, 2005

CONSOLIDATED INCOME STATEMENT

	Notes	**2005 HK$'000**	2004 HK$'000 (As restated)	**2005 US$'000**	2004 US$'000 (As restated)
Turnover	(2)	**22,358,387**	16,304,140	**2,866,460**	2,090,274
Cost of sales		**(15,416,176)**	(11,363,394)	**(1,976,433)**	(1,456,845)
Gross profit		**6,942,211**	4,940,746	**890,027**	633,429
Other income		**46,630**	39,688	**5,978**	5,088
Interest income		**60,368**	52,772	**7,739**	6,766
Selling, distribution, advertising and warranty expenses		**(2,537,555)**	(1,916,812)	**(325,328)**	(245,745)
Administrative expenses		**(2,443,035)**	(1,551,024)	**(313,208)**	(198,850)
Research and development costs		**(492,234)**	(338,962)	**(63,107)**	(43,457)
Finance costs	(3)	**(353,041)**	(150,064)	**(45,262)**	(19,239)
Profit before share of results of associates and taxation		**1,223,344**	1,076,344	**156,839**	137,992
Share of results of associates		**(6,463)**	(845)	**(829)**	(108)
Profit before taxation		**1,216,881**	1,075,499	**156,010**	137,884
Taxation	(4)	**(157,714)**	(108,829)	**(20,220)**	(13,952)
Profit for the year	(5)	**1,059,167**	966,670	**135,790**	123,932
Attributable to:					
Equity holders of the parent		**1,018,984**	926,356	**130,638**	118,764
Minority interests		**40,183**	40,314	**5,152**	5,168
		1,059,167	966,670	**135,790**	123,932
Dividends paid		**251,469**	178,998	**32,240**	22,948
Earnings per share (HK/US cents)	(6)				
Basic		**73.53**	69.28	**9.43**	8.88
Diluted		**69.75**	66.87	**8.94**	8.57

CONSOLIDATED BALANCE SHEET

	2005 HK$'000	2004 HK$'000 (As restated)	2005 US$'000	2004 US$'000 (As restated)
ASSETS				
Non-current assets				
Property, plant and equipment	**1,755,025**	879,846	**225,003**	112,801
Lease prepayment	**65,829**	4,772	**8,440**	612
Goodwill	**3,943,935**	653,504	**505,633**	83,783
Negative goodwill	**–**	(28,868)	**–**	(3,701)
Intangible assets	**1,461,453**	232,881	**187,366**	29,857
Interests in associates	**189,453**	160,442	**24,289**	20,569
Available-for-sale investments	**13,363**	–	**1,713**	–
Investments in securities	**–**	27,193	**–**	3,486
Deferred tax assets	**646,758**	329,711	**82,918**	42,271
Other assets	**2,195**	1,195	**281**	153
	8,078,011	2,260,676	**1,035,643**	289,831
Current assets				
Inventories	**3,971,216**	2,787,059	**509,130**	357,315
Trade and other receivables	**3,265,355**	2,762,156	**418,635**	354,123
Deposits and prepayments	**513,062**	382,421	**65,777**	49,028
Bills receivable	**431,121**	256,836	**55,272**	32,928
Tax recoverable	**68,544**	872	**8,788**	112
Trade receivables from associates	**1,310**	1,247	**168**	160
Bank balances, deposits and cash	**4,046,122**	5,452,057	**518,734**	698,982
	12,296,730	11,642,648	**1,576,504**	1,492,648
Current liabilities				
Trade and other payables	**3,590,699**	2,885,506	**460,346**	369,937
Bills payable	**550,964**	510,144	**70,636**	65,403
Warranty provision	**338,211**	241,375	**43,360**	30,946
Trade payable to an associate	**21,946**	21,593	**2,814**	2,768
Tax payable	**116,624**	105,092	**14,952**	13,473
Obligations under finance leases – duewithin one year	**18,107**	6,266	**2,321**	803
Discounted bills with recourse	**2,101,171**	3,208,964	**269,381**	411,406
Unsecured borrowings – due within one year	**673,277**	840,450	**86,317**	107,750
	7,410,999	7,819,390	**950,127**	1,002,486
Net current assets	**4,885,731**	3,823,258	**626,377**	490,162
Total assets less current liabilities	**12,963,742**	6,083,934	**1,662,020**	779,993
CAPITAL AND RESERVES				
Share capital	**146,172**	135,230	**18,740**	17,337
Reserves	**5,966,167**	3,318,586	**764,895**	425,461
Equity attributable to equity holders of the parent	**6,112,339**	3,453,816	**783,635**	442,798
Minority interests	**120,670**	82,032	**15,471**	10,517
Total equity	**6,233,009**	3,535,848	**799,106**	453,315

	2005 HK$'000	2004 HK$'000 (As restated)	2005 US$'000	2004 US$'000 (As restated)
NON-CURRENT LIABILITIES				
Obligations under finance leases				
– due after one year	**125,467**	8,989	**16,086**	1,152
Convertible bonds	**1,078,307**	1,051,257	**138,244**	134,777
Unsecured borrowings				
– due after one year	**4,225,411**	1,446,292	**541,719**	185,422
Retirement benefit obligations	**786,337**	–	**100,812**	–
Deferred tax liabilities	**515,211**	41,548	**66,053**	5,327
	6,730,733	2,548,086	**862,914**	326,678
	12,963,742	6,083,934	**1,662,020**	779,993

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1st January, 2005 and for goodwill and negative goodwill previously recognised and brought forward as at 1st January, 2005. The principal effects of the application of transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$166,245,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

In the current year, the Group has also applied HKAS 21 The Effects of Changes in Foreign Exchange Rates which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1st January, 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made. In the current year, the Group acquired a foreign operation, and goodwill arose on the acquisition of that foreign operation has been translated at the closing rate at 31st December, 2005. This change in accounting policy has had no material effect on results for the current year.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")
In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1st January, 2005. A corresponding adjustment to the Group's retained earnings of HK$28,868,000 has been made.

Share-based Payments
In the current year, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group has not applied HKFRS 2 with respect to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 had vested before 1st January, 2005 in accordance with the relevant transitional provisions.

Financial Instruments
In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible loan notes
The principal impact of HKAS 32 on the Group is in relation to convertible loan notes issued by the Company that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative profit for 2004 has also been restated in order to reflect the increase in effective interest on the liability component.

Classification and measurement of financial assets and financial liabilities
The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39

By 31st December, 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in equity securities are classified as "investment securities"or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. From 1st January, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale investments" or "loans and receivables", "Financial assets at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result of this change in accounting policy, the investments in securities of HK$ 27,193,000 as at 1st January, 2005 have been reclassified as available-for-sale investments.

Derivatives and hedging
From 1st January, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

There are three types of hedge relationships under HKAS 39, including fair value hedges, cash flow hedges and net investment hedges. The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from 1st January, 2005 onwards, deemed such derivatives as held for trading. The adoption of HKAS 39 has had no material effect on the Group's retained profits.

Derecognition
HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1st January, 2005 onwards. As a result, the Group's bill receivables discounted with full recourse which were derecognised prior to 1st January, 2005 have not been restated. As at 31st December, 2005, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of HK$136,773,000 have been recognised on the balance sheet date. This change in accounting policy has had no material effect on results for the current year.

Owner-occupied Leasehold Interest in Land
In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively.

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (Originally stated)	Adjustments	As at 31st December, 2004 (As restated)	Adjustments	As at 1st January, 2005 (As restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items					
Impact of HKAS 17:					
Property, plant and equipment	884,618	(4,772)	879,846	–	879,846
Lease prepayment	–	4,772	4,772	–	4,772
Impact of HKFRS 3:					
Derecognition of negative goodwill	(28,868)	–	(28,868)	28,868	–
Impact of HKAS 32 and HKAS 39:					
Investments in securities	27,193	–	27,193	(27,193)	–
Available-for-sale investments	–	–	–	27,193	27,193
Convertible bonds	(1,071,993)	20,736	(1,051,257)	–	(1,051,257)
Deferred tax liabilities	(35,962)	(5,586)	(41,548)	–	(41,548)
Other assets and liabilities	3,745,710	–	3,745,710	–	3,745,710
Total effects on assets and liabilities	3,520,698	15,150	3,535,848	28,868	3,564,716
Share capital	135,230	–	135,230	–	135,230
Convertible bonds equity reserve	–	26,334	26,334	–	26,334
Retained profits	2,421,327	(11,184)	2,410,143	28,868	2,439,011
Other reserves	882,109	–	882,109	–	882,109
Minority interests	–	82,032	82,032	–	82,032
Total effects on equity	3,438,666	97,182	3,535,848	28,868	3,564,716
Minority interests	82,032	(82,032)	–	–	–

The Group has not early applied the new standards and interpretations that have been issued but are not yet effective at 31st December, 2005. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

2. Segment Information

INCOME STATEMENT

For the year ended 31st December, 2005

	Power Equipment Products	Floor Care Appliances	Laser and Electronic Products	Eliminations	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER					
External sales	**17,176,671**	**4,525,858**	**655,858**	**–**	**22,358,387**
Inter-segment sales	**187,074**	**25,718**	**221,922**	**(434,714)**	**–**
Total	**17,363,745**	**4,551,576**	**877,780**	**(434,714)**	**22,358,387**

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment result	**1,237,379**	**199,786**	**139,220**	**–**	**1,576,385**
Finance costs					**(353,041)**
Share of results of associates					**(6,463)**
Profit before taxation					**1,216,881**
Taxation					**(157,714)**
Profit for the year					**1,059,167**

INCOME STATEMENT

For the year ended 31st December, 2004

	Power Equipment Products *HK$'000*	Floor Care Appliances *HK$'000*	Laser and Electronic Products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000* (As restated)
TURNOVER					
External sales	11,523,924	4,078,995	701,221	–	16,304,140
Inter-segment sales	189,277	9,907	109,532	(308,716)	–
Total	11,713,201	4,088,902	810,753	(308,716)	16,304,140

Inter-segment sales are charged at prevailing market rates.

	Power Equipment Products *HK$'000*	Floor Care Appliances *HK$'000*	Laser and Electronic Products *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000* (As restated)
RESULT					
Segment result	910,230	201,269	145,865	–	1,257,364
Amortisation of goodwill					(35,263)
Release of negative goodwill to income					4,307
Finance costs					(150,064)
Share of results of associates					(845)
Profit before taxation					1,075,499
Taxation					(108,829)
Profit for the year					966,670

	Turnover		**Contribution to results from ordinary activities before taxation**	
	2005 ***HK$'000***	2004 *HK$'000*	**2005** ***HK$'000***	2004 *HK$'000* (As restated)
By geographical market location:				
North America	**17,122,079**	13,205,612	**1,385,239**	1,082,567
Europe and Other Countries	**5,236,308**	3,098,528	**191,146**	174,797
	22,358,387	16,304,140	**1,576,385**	1,257,364
Amortisation of goodwill			**–**	(35,263)
Release of negative goodwill to income			**–**	4,307
Finance cost			**(353,041)**	(150,064)
Share of results of associates			**(6,463)**	(845)
Profit before taxation			**1,216,881**	1,075,499

3. Finance Costs

	2005 ***HK$'000***	2004 *HK$'000* (As restated)
Interests on:		
Bank loans and overdrafts wholly repayable within five years	**137,747**	86,759
Obligations under finance leases	**8,142**	708
Fixed interest rate notes	**180,102**	49,190
Effective interest expense on convertible bonds	**27,050**	13,407
	353,041	150,064

4. Taxation

	2005	2004
	HK$'000	*HK$'000*
The total tax charge comprises:		
Hong Kong Profits Tax	**64,456**	93,207
Overseas Tax	**168,814**	67,102
Deferred Tax	**(75,556)**	(51,480)
	157,714	108,829

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

5. Profit for the Year

	2005	2004
	HK$'000	*HK$'000*
		(As restated)
Profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation on property, plant and equipment	**471,178**	316,380
Release of lease prepayment	**1,402**	129
Amortisation of intangible assets	**47,084**	8,692
Amortisation of goodwill	**–**	35,263
Release of negative goodwill to income	**–**	(4,307)

6. Earnings per Share

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

	2005	2004
	HK$'000	*HK$'000*
		(As restated)
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to equity holders of the parent for the purpose of basic earnings per share	**1,018,984**	926,356
Effect of diluted potential ordinary shares:		
Interest on convertible bonds	**22,316**	11,061
Profit attributable to equity holders of the parent for the purpose of diluted earnings per share	**1,041,300**	937,417
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,385,789,675**	1,337,198,995
Effect of dilutive potential ordinary shares:		
Share options	**41,186,410**	38,266,686
Convertible bonds	**65,922,585**	26,296,987
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,492,898,670**	1,401,762,668

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