TECHTRONIC INDUSTRIES CO. LTD.
創 科 實 業 有 限 公 司
(incorporated in Hong Kong with limited liability)
(Stock code: 669)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2009

Highlights

	2009 HK$' million	2008 HK$' million	**2009 US$' million**	2008 US$' million	**Changes**
Turnover	**23,985**	26,615	**3,075**	3,412	**-9.9%**
EBITDA	**1,784**	1,278	**229**	164	**+39.6%**
EBIT	**978**	565	**125**	72	**+73.2%**
Profit attributable to Owners of the Company	**491**	175	**63**	22	**+180.7%**
Basic earnings per share (HK/US cents)	**31.87**	11.64	**4.09**	1.49	**+173.8%**
Dividend per share (HK/US cents)	**7.50**	6.00	**0.96**	0.77	**+25.0%**

- **Profit attributable to Owners of the Company up by 180.7%**
- **EBIT increased by 73.2%**
- **Execution of our Strategic Drivers improved our market and cost positions**
- **New products drove sales**
- **Free cash flow remained strong**
- **Gearing reduced from 89.9% to 68.7%**

BUSINESS HIGHLIGHTS

Profit gains from enhanced productivity

The TTI Group successfully managed the business in a challenging global economic environment as reflected by improvements in profits and market share. Our full year profit attributable to Owners of the Company of HK$491 million in 2009 was an increase of 180.7% over the prior year. We believe this performance shows our fundamentals are among the strongest in our industry. Execution of our four Strategic Drivers combining Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence has guided us to improved value creation and marketplace dominance.

Sales were HK$24.0 billion for the full year, representing a 9.9% decrease from the HK$26.6 billion in 2008. Foreign currency translation negatively impacted sales by 1%. The Group's Profit attributable to Owners of the Company for the year increased by 180.7% to HK$491 million. This positive performance was achieved partially as a result of a strong second-half through aggressive cost-containment initiatives, new product development programs and the timely completion of our Strategic Repositioning Plan. Earnings per share increased by 173.8% to HK31.87 cents over the prior year.

Innovation by challenging old ideas

What makes TTI unique is our commitment and passion to be number one. This is demonstrated by our Powerful Brand portfolio which is the preferred choice for our customers, partners and end-users. In order to maintain our leadership position, TTI has become not just a manufacturer of high-quality products, but a company dedicated to market innovation.

This demands an unrelenting commitment to our robust process that creates products that energize our Powerful Brands and deliver great value to our customers and end-users. It is through new product development that we strengthen our market position, stimulate demand and expand our core business.

Our innovation begins with a process to repeatedly challenge established concepts to exceed our customers' expectations. Thorough consumer research and analysis of buyer behavior, provides us with a better understanding of their needs. Using this knowledge to position and target each TTI brand underpins the success of our new product launches and enhances demand for the product category.

Our proven ability to systematically introduce such innovation allows us to forge ahead in the market place.

DIVIDEND

The Directors have recommended a final dividend of HK4.50 cents per share for the year ended December 31, 2009 (2008: HK3.00 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on May 28, 2010. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 30, 2010. This payment, together with the interim dividend of HK3.00 cents per share (2008: HK3.00 cents) paid on September 29, 2009, makes a total payment of HK7.50 cents per share for 2009 (2008: HK6.00 cents).

REVIEW OF OPERATIONS

The Group's own brand business accounted for 83.5% of total turnover (2008: 85.2%). North America continued to be our largest market, representing 75.5% (2008: 73.8%) of the Group's revenue. Europe accounted for 20.1% (2008: 22.2%) of the Group's total sales.

Power Equipment

In 2009, Power Equipment sales were at HK$17.0 billion accounting for 70.8% of the Group turnover. Power Equipment sales were down 8.4% for the year, a strong performance compared to higher industry declines. Sales improved in the second half, with a sales decline of 5.4% compared to a decline of 11.4% in the first half.

Consumer power equipment sales were held to a low single-digit decline in North America supported by strength in new products and accessories. In the period, Ryobi® achieved the position of market leader in North American consumer power tools benefiting from our commitment to products, marketing, and our best-in-class in-store sales teams. Professional and Industrial Power Equipment countered contracting residential and industrial construction demand in North America and Europe through new products and targeted marketing programs, achieving an improvement in the rate of sales decline in the second half of the year.

In North America, Milwaukee® built on its leadership position in industrial Lithium-ion cordless tools by expanding its M12™ and M18™ Lithium-ion platforms with further application-specific tools. Consumer power tools benefited from new Ryobi® One+ System® products and the introduction of Painting Systems, Tile Saws, and TEK4™ small cordless tools.

Outdoor Products delivered positive growth as new product launches in generators, pressure washers, electric tools and a complete range of accessories supported sales. Ryobi® trimmers and wheeled products using our innovative, lightweight 4-cycle engine and a range of Ryobi® One+ System® portable tools incorporating the One+ System® Ryobi® power tool cordless battery system were both introduced in the second half to a strong consumer response. Sales growth in the second half almost reached double-digit.

In Europe we have taken concrete steps to improve our performance. New ranges of Milwaukee® M12™ and M18™ and hyper-green Ryobi® Lithium cordless power tools were successfully introduced. The AEG®

brand power tools were re-launched in its new orange design, accompanied by intensive marketing. All categories benefited from further development of key retail and distribution partnerships.

Floor Care and Appliances

In 2009, Floor Care and Appliances sales were at HK$7.0 billion accounting for 29.2% of the Group turnover. Floor Care and Appliances sales improved in the second half with a sales decline of 8.1% vs a decline of 18.9% in the first half of the year. Full year sales declined by 13.4% compared to the same period last year.

Hoover® continued to gain market share in North America as its high performance T-Series was launched across retailers in the second half with broad consumer acceptance. The retrenching of Dirt Devil® was completed in the second half and the business will benefit from its new and refreshed product range. Costs were lowered by leveraging the Group's purchasing scale, harnessing manufacturing operating efficiencies in Mexico and China, and by driving ongoing cost reduction programs.

In Europe, the Vax® and Dirt Devil® businesses continued to gain market share supported by new products, aggressive promotions, and expansion of our distribution channels. Dirt Devil® maintained the number one position in unit volume in Germany and Vax® further expanded its market position, holding the number 2 share position in the UK.

POSITIVE OUTLOOK

TTI emerged from 2009 in an even stronger competitive position.

Gross margin increased last year through the success of our new product innovations and better cost base after completing a global reorganization combined with the implementation of strict cost control. Our geographic expansion is on track with Australia, Asia Pacific, Latin America, Europe and the Middle East already demonstrating gains over 2009. Local sales and marketing organizations already in place will benefit from our new product road maps, Powerful Brands, and global supply chain.

Visible demand patterns coupled with our strong balance sheet, industry leading products and brands, best-in-class manufacturing platform and a proven management team, already gives us considerable confidence for success in 2010.

It is in times of economic turbulence that decisive leadership and Exceptional People can really make a difference and turn challenge into opportunity. I am delighted with the way our nearly 17,000 employees and associates worldwide have responded with professionalism and commitment in the past year. TTI has emerged stronger, leaner, more responsive to its customers, more profitable and better positioned for sustainable growth.

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's turnover for the year amounted to HK$24.0 billion, 9.9% lower than the HK$26.6 billion reported in 2008. Profit attributable to Owners of the Company amounted to HK$491 million as compared to HK$175 million reported in 2008. Basic earnings per share for the year improved to HK31.87 cents as compared to HK11.64 cents in 2008.

EBITDA amounted to HK$1.8 billion, an increase of 39.6% as compared to HK$1.3 billion reported in 2008.

Gross Margin

Gross margin improved to 31.3% as compared to 30.8% reported last year. The margin gain was the result of our Strategic Driver of Operational Excellence encompassing cost reduction programs in product value re-engineering, lean manufacturing initiatives, and purchasing efforts to benefit from lower raw material prices. The launch of higher-value new products also contributed to the gross margin gain.

Operating Expenses

Total operating expenses for the year amounted to HK$6.6 billion as compared to HK$6.9 billion reported in 2008. As part of our Operational Excellence Strategic Driver to deliver best cost, we reduced non-strategic SG&A in 2009 which allowed us to offset higher promotional expenditure for new product introductions and R&D. Our global platform approach is improving product development process efficiency and R&D productivity as we managed R&D expense at 2.1% of turnover (2008: 1.7%).

The Group will continue to invest in the design and development of high quality, innovative products and marketing concepts as it believes this is critical to maintaining long-term growth momentum. This has been best demonstrated by the fact that despite manufacturing costs increasing, gross margin of the Group continues to improve.

Net interest expenses for the year amounted to HK$550 million as compared to HK$430 million reported in 2008, an increase of 27.9%. The increase was mainly due to the Group having issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of US$150,000,000 during the year. Interest coverage, expressed as a multiple of EBITDA to total interest was 3.2 times (2008: 2.8 times).

During the year, there were tax credits of HK$71 million which translated to an effective tax rate of -14.6%. The Group will leverage its global operations to further improve overall tax efficiencies.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to HK$8.1 billion as compared to HK$6.8 billion in 2008. Book value per share was at HK$5.08 as compared to HK$4.56 as reported last year.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivable which is without recourse in nature) to equity attributable to equity holders, was at 68.7% as compared to 89.9% last year. The Group remains confident that gearing will improve further after the successful implementation of the Strategic Repositioning Plan and initiatives to deliver focused and stringent working capital management.

During the year, 90,000,000 ordinary shares were placed at the price of HK$6.73 per share through a share placement arrangement ("Share Placement") with a view to enhance the capital base of the Company. The new shares represented 6% of the issued share capital of the Company prior to the Share Placement. A net amount of HK$590 million, after deducting all related expenses of the Share Placement was received.

The net proceeds were used to reduce borrowings and to provide additional working capital for the Company. These New Shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on July 29, 2009 and rank pari passu with other shares in issue in all respects.

Bank Borrowings

The Group's major borrowings continued to be in US Dollars and in HK Dollars. Other than the fixed rate notes and the 5-year 8.5% Coupon Convertible Bonds, borrowings are predominantly LIBOR or Hong Kong best lending rates 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.

During the year, the Group issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principle amount of US$150,000,000, approximately HK$1,170,000,000 ("Convertible Bonds 2014") and 55,888,500 warrants ("Warrants 2012"). Unless previously redeemed, converted or purchased and cancelled, Convertible Bonds 2014 will be redeemed at its principal amount on the maturity date on April 30, 2014.

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HK$5.20 per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014. Warrants 2012 are exercisable at any time from April 30, 2010 to April 30, 2012 at an exercise price of HK$5.10 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company.

Working Capital

Total inventory increased from HK$4.5 billion in 2008 to HK$4.8 billion in 2009. The number of days inventory increased by 11 days from 62 days to 73 days. Inventory level was higher at the end of 2009 in preparation for the shipments in the first quarter of 2010. The Group will focus in reducing the inventory level and improve inventory turns.

Trade receivable turnover days were at 62 days as compared to 45 days as reported last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 54 days. 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 extended by 7 days from 52 days reported in 2008 to 59 days in 2009.

The Group's current ratio improved from 1.10 times in 2008 to 1.25 times and quick ratio also improved to 0.81 from 0.68 in 2008.

Capital Expenditure

Total capital expenditures for the year amounted to HK$697 million including HK$80 million related to the new China Industrial Manufacturing and Innovation Campus.

Capital Commitments and Contingent Liabilities

As at December 31, 2009, total capital commitments amounted to HK$83 million (2008: HK$259 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 encumbrance.

Major Customers and Suppliers

For the year ended December 31, 2009

(i) the Group's largest customer and five largest customers accounted for approximately 38.4% and 54.4% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 3.7% and 14.9% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

According to the knowledge of the Directors, 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 16,772 employees (2008: 19,354 employees) in Hong Kong and overseas. Total staff cost for the year under review amounted to HK$3.0 billion (2008: HK$3.0 billion).

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.

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 Company and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2009. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company confirms that it has complied with all the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 of the Listing Rules throughout the year ended December 31, 2009, except none of the directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one third of the Board must retire by rotation at each annual general meeting of the Company and, if eligible, offer themselves for re-election.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiries with all its Directors, the company confirms that during the year all its Directors have complied with the required standards as set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 26, 2010 to May 28, 2010, both days inclusive. 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on May 25, 2010.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 28, 2010. The notice of the annual general meeting will be published and dispatched to the shareholders of the Company in accordance with the requirement under the articles of association of the Company and the Listing Rules on or about April 27, 2010.

APPRECIATION

I thank my fellow directors for their continued support, advice and thoughtful approach to corporate governance and oversight. We also sincerely appreciate the continuous support of our shareholders, employees, suppliers, customers, and strategic partners.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, April 16, 2010

As at the date of this announcement, the Board comprises six group Executive Directors, namely Mr Horst Julius Pudwill (Chairman), Dr Roy Chi Ping Chung JP (Vice Chairman), Mr Joseph Galli Jr (Chief Executive Officer), 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 four Independent Non-executive Directors, namely Mr Joel Arthur Schleicher, Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann and Mr Peter David Sullivan.

This results announcement is published on the websites of the Company (www.ttigroup.com) and the HKExnews website (www.hkexnews.com.hk).

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

	Notes	**2009 HK$'000**	2008 HK$'000	**2009 US$'000 (Note 17)**	2008 US$'000 (Note 17)
Turnover	*2*	**23,984,646**	26,615,319	**3,074,955**	3,412,220
Cost of sales		**(16,489,195)**	(18,408,582)	**(2,113,999)**	(2,360,075)
Gross profit		**7,495,451**	8,206,737	**960,956**	1,052,145
Other income	*3*	**120,306**	72,311	**15,424**	9,271
Interest income		**15,781**	47,129	**2,023**	6,042
Selling, distribution, advertising and warranty expenses		**(3,337,076)**	(3,447,929)	**(427,830)**	(442,042)
Administrative expenses		**(2,785,092)**	(3,007,629)	**(357,063)**	(385,593)
Research and development costs		**(513,414)**	(442,838)	**(65,822)**	(56,774)
Finance costs	*4*	**(565,500)**	(477,069)	**(72,500)**	(61,163)
Profit before restructuring and relocation costs, share of results of associates, goodwill impairment and taxation		**430,456**	950,712	**55,188**	121,886
Restructuring and relocation costs	*5*	**-**	(717,971)	**-**	(92,048)
Goodwill impairment	*6*	**-**	(78,000)	**-**	(10,000)
Share of results of associates		**(987)**	(3,077)	**(127)**	(394)
Profit before taxation		**429,469**	151,664	**55,061**	19,444
Taxation credit	*7*	**62,684**	40,171	**8,036**	5,150
Profit for the year	*8*	**492,153**	191,835	**63,097**	24,594
Other comprehensive income (loss)					
Exchange differences on translation of foreign operations		**68,769**	(209,729)	**8,816**	(26,888)
Reclassification adjustment for the cumulative exchange differences included in profit or loss on disposal of a subsidiary		**85**	-	**11**	-
Other comprehensive income (loss) for the year		**68,854**	(209,729)	**8,827**	(26,888)
Total comprehensive income (loss) for the year		**561,007**	(17,894)	**71,924**	(2,294)
Profit for the year attributable to					
Owners of the Company		**490,658**	174,807	**62,905**	22,411
Minority interests		**1,495**	17,028	**192**	2,183
		492,153	191,835	**63,097**	24,594

	Notes	2009 HK$'000	2008 HK$'000	2009 US$'000 (Note 17)	2008 US$'000 (Note 17)
Total comprehensive income attributable to					
Owners of the Company		**559,502**	(34,894)	**71,731**	(4,474)
Minority interests		**1,505**	17,000	**193**	2,180
		561,007	(17,894)	**71,924**	(2,294)
Earnings per share (HK/US cents)	*9*				
Basic		**31.87**	11.64	**4.09**	1.49
Diluted		**31.70**	11.64	**4.06**	1.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

	Notes	**2009 HK$'000**	2008 HK$'000	**2009 US$'000 (Note 17)**	2008 US$'000 (Note 17)
ASSETS					
Non-current assets					
Property, plant and equipment	*10 & 14*	**2,480,579**	2,354,914	**318,023**	301,912
Lease prepayments		**275,578**	283,573	**35,331**	36,356
Goodwill		**4,064,484**	4,071,585	**521,088**	521,998
Intangible assets		**2,607,035**	2,446,548	**334,235**	313,660
Interests in associates		**195,649**	206,328	**25,083**	26,452
Available-for-sale investments		**22,701**	17,058	**2,911**	2,187
Deferred tax assets		**575,524**	637,361	**73,785**	81,713
		10,221,550	10,017,367	**1,310,456**	1,284,278
Current assets					
Inventories		**4,766,222**	4,522,366	**611,054**	579,791
Trade and other receivables	*11*	**4,449,644**	3,515,583	**570,467**	450,716
Deposits and prepayments		**517,382**	732,400	**66,331**	93,897
Bills receivable		**267,752**	238,092	**34,327**	30,525
Tax recoverable		**141,446**	313,172	**18,134**	40,150
Trade receivables from associates		**13**	109	**2**	14
Foreign currency forward contracts		**18,485**	53,576	**2,370**	6,869
Interest rate swap		**3,428**	-	**439**	-
Held-for-trading investments		**75,677**	3,451	**9,702**	442
Bank balances, deposits and cash		**3,322,753**	2,392,931	**425,994**	306,786
		13,562,802	11,771,680	**1,738,820**	1,509,190
Current liabilities					
Trade and other payables	*12*	**3,856,835**	3,777,793	**494,466**	484,333
Bills payable		**720,550**	152,759	**92,378**	19,584
Warranty provision		**385,903**	426,578	**49,475**	54,689
Trade payable to an associate		**5,307**	1,407	**680**	180
Tax payable		**75,793**	284,256	**9,717**	36,443
Foreign currency forward contracts		**7,158**	-	**918**	-
Restructuring provision		**9,020**	145,426	**1,156**	18,644
Obligations under finance leases					
- due within one year		**21,119**	16,815	**2,708**	2,156
Discounted bills with recourse		**2,566,158**	2,462,611	**328,995**	315,719
Unsecured borrowings					
- due within one year		**3,004,346**	3,089,852	**385,172**	396,135
Convertible bonds		**-**	100,805	**-**	12,924
Bank overdrafts		**214,756**	263,732	**27,533**	33,811
		10,866,945	10,722,034	**1,393,198**	1,374,618
Net current assets		**2,695,857**	1,049,646	**345,622**	134,572
Total assets less current liabilities		**12,917,407**	11,067,013	**1,656,078**	1,418,850

	Notes	2009 HK$'000	2008 HK$'000	2009 US$'000 (Note 17)	2008 US$'000 (Note 17)
Capital and Reserves					
Share capital	*13*	**159,125**	150,125	**20,401**	19,247
Reserves		**7,922,837**	6,689,010	**1,015,748**	857,568
Equity attributable to Owners of the Company		**8,081,962**	6,839,135	**1,036,149**	876,815
Minority interests		**109,808**	108,303	**14,078**	13,885
Total equity		**8,191,770**	6,947,438	**1,050,227**	890,700
Non-current Liabilities					
Obligations under finance leases					
- due after one year		**69,826**	60,265	**8,952**	7,726
Unsecured borrowings					
- due after one year		**2,596,144**	2,870,703	**332,839**	368,038
Convertible bonds		**950,202**	-	**121,821**	-
Retirement benefits obligations		**737,267**	768,236	**94,521**	98,492
Deferred tax liabilities		**372,198**	420,371	**47,718**	53,894
		4,725,637	4,119,575	**605,851**	528,150
		12,917,407	11,067,013	**1,656,078**	1,418,850

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

<u>New and revised HKFRSs affecting presentation and disclosure only</u>

HKAS 1 (revised 2007) "Presentation of Financial Statements"
(effective for annual periods beginning on or after January 1, 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 2).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk by including the maturity analysis of issued financial guarantee contracts and derivative financial liabilities.

The Group has not early applied the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classificiation of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after July 1, 2009.
[2] Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
[3] Effective for annual periods beginning on or after January 1, 2010.
[4] Effective for annual periods beginning on or after February 1, 2010.
[5] Effective for annual periods beginning on or after July 1, 2010.
[6] Effective for annual periods beginning on or after January 1, 2011.
[7] Effective for annual periods beginning on or after January 1, 2013.

The application of HKFRS 3 (Revised) Business Combinations may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, lesses were required to classify leasehold land as operating leases and present item as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial performance and financial position of the Group.

2. Segment Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from January 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s operating segments as compared with the primary segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

In prior years, segment information reported externally was analysed on the basis of the types of good sold, which is the same for the segment information reported to the CODM, the Group’s Chief Executive Officer. The principal categories of goods supplied are Power Equipment and Floor Care and Appliances. The Group’s operating and reportable segments under HKFRS 8 are therefore as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor products accessories for consumer, trade, professional and industrial users. The products are available under the Milwaukee®, AEG®, Ryobi® and Homelite® brand, plus original equipment manufacturer (“OEM”) customers.

2. Floor Care and Appliances – sales of floor care products and floor care accessories under the Hoover®, Dirt Devil® and Vax® brand, plus OEM customers.

Information regarding the above segments is reported below.

Segment turnover and results

The following is an analysis of the Group's turnover and results by operating segment for the year under review:

For the year ended December 31, 2009

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	**16,984,394**	**7,000,252**	**-**	**23,984,646**
Inter-segment sales	**13,827**	**173,611**	**(187,438)**	**-**
Total	**16,998,221**	**7,173,863**	**(187,438)**	**23,984,646**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	**847,053**	**148,903**	**-**	**995,956**
Finance costs				**(565,500)**
Share of results of associates				**(987)**
Profit before taxation				**429,469**
Taxation credit				**62,684**
Profit for the year				**492,153**

Segment profit represents the profit earned by each segment without allocation of share of results of associates and finance costs. This is the measure reported to the Group's Chief Executive Officer, for the purposes of resource allocation and performance assessment.

Segment turnover and results
For the year ended December 31, 2008

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover				
External sales	18,534,426	8,080,893	-	26,615,319
Inter-segment sales	12,054	165,756	(177,810)	-
Total	18,546,480	8,246,649	(177,810)	26,615,319

Inter-segment sales are charged at prevailing market rates.

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Result				
Segment results before restructuring and relocation costs and goodwill impairment	1,169,889	257,892	-	1,427,781
Goodwill impairment	-	(78,000)	-	(78,000)
Restructuring and relocation costs	(433,231)	(284,740)	-	(717,971)
Segment results	736,658	(104,848)	-	631,810
Finance costs				(477,069)
Share of results of associates				(3,077)
Profit before taxation				151,664
Taxation credit				40,171
Profit for the year				191,835

Turnover from major products
The following is an analysis of the Group's turnover from its major products:

	2009 HK$'000	2008 HK$'000
Power Equipment	**16,984,394**	18,534,426
Floor Care and Appliances	**7,000,252**	8,080,893
Total	**23,984,646**	26,615,319

Geographical information

The Group's turnover from external customers by geographical location, determined base on the location of the customer by geographical location are detailed below:

	2009	2008
	HK$'000	HK$'000
North America	**18,111,933**	19,633,523
Europe	**4,826,088**	5,918,039
Other countries	**1,046,625**	1,063,757
Total	**23,984,646**	26,615,319

Information about major customer

During the years ended December 31, 2009 and 2008, the Group's largest customer contributed total turnover of HK$9,029,694,000 (2008: HK$9,589,332,000), of which HK$8,921,949,000 (2008: HK$9,349,812,000) was under the Power Equipment segment and HK$107,745,000 (2008: HK$239,520,000) was under the Floor Care and Appliances segment. There is no other customer contribution more than 10% of the total turnover.

3. Other Income

Other income in 2009 mainly comprises of the fair value gain on held-for-trading investments, fair value gain on foreign currency forward contracts, gain on disposal of property, plant and equipment, claims and reimbursements from customers and vendors and fair value gain on interest rate swap.

Other income in 2008 mainly comprised of claims and reimbursements from customers and vendors.

4. Finance Costs

	2009	2008
	HK$'000	HK$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**330,076**	322,960
Obligations under finance leases	**6,120**	10,145
Fixed interest rate notes	**175,653**	156,025
Effective interest expense on convertible bonds	**86,426**	2,506
Total borrowing costs	**598,275**	491,636
Less: amounts capitalised	**(32,775)**	(14,567)
	565,500	477,069

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.9% (2008: 7.4%) per annum to expenditure on qualifying assets.

5. Restructuring and Relocation Costs

	2009 HK$'000	2008 HK$'000
Restructuring costs	-	315,175
Relocation costs not through restructuring provision	-	402,796
	-	717,971

Relocation costs in 2008 mainly represented expenses that did not qualify to be recognised as part of the restructuring provision but that still related to the Group's restructuring activities. These costs included: inventories written down, impairment of property, plant and equipment; and moving, set-up and transport costs.

6. Goodwill impairment

During the year ended December 31, 2008, management of the Group recognised a goodwill impairment of HK$78,000,000 to the Floor Care and Appliances Cash Generating Unit. No goodwill impairment has been recognised for the year ended December 31, 2009.

7. Taxation credit

	2009 HK$'000	2008 HK$'000
The total tax credit (charge) comprises:		
Hong Kong profits tax	**(8,116)**	(60,213)
Overseas tax	**53,218**	87,983
Deferred tax	**17,582**	12,401
	62,684	40,171

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. Profit for the Year

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**534,953**	526,697
Amortisation of lease prepayments	**2,267**	1,720
Amortisation of intangible assets	**269,246**	184,886
Staff costs	**2,763,093**	2,699,780

Staff costs disclosed above do not include an amount of HK$262,449,000 (2008: HK$275,093,000) relating to research and development activities, which is included under research and development costs.

9. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2009	2008
	HK$'000	HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**490,658**	174,807
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,539,717,905**	1,501,252,152
Effect of dilutive potential ordinary shares:		
Share options	**49,116**	4,672
Warrants	**7,807,271**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,547,574,292**	1,501,256,824

The computation of diluted earnings per share for the year ended December 31, 2009 and December 31, 2008 does not assume the conversion of the Company's convertible bonds since their exercise would result in an increase in earnings per share and does not assume the exercise of the Company's outstanding share options if the exercise price of those options is higher than the average market price for shares for both 2009 and 2008.

10. Additions of Property, Plant and Equipment

During the year, the Group spent approximately HK$697 million (2008: HK$719 million) on the acquisition of property, plant and equipment.

11. Trade and Other Receivables

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aged analysis of trade receivables is as follows:

	2009 **HK$'000**	2008 HK$'000
0 to 60 days	**3,791,142**	2,652,165
61 to 120 days	**176,348**	353,212
121 days or above	**138,383**	299,582
Total trade receivables	**4,105,873**	3,304,959
Other receivables	**343,771**	210,624
	4,449,644	3,515,583

12. Trade and Other Payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2009 **HK$'000**	2008 HK$'000
0 to 60 days	**1,769,545**	1,560,330
61 to 120 days	**554,294**	483,519
121 days or above	**148,124**	27,579
Total trade payables	**2,471,963**	2,071,428
Other payables	**1,384,872**	1,706,365
	3,856,835	3,777,793

The average credit period on purchase of goods is 53 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

13. Share Capital

	2009 Number of shares	2008 Number of shares	2009 HK$'000	2008 HK$'000
Ordinary shares				
Authorised:				
Shares of HK$0.10 each	**2,400,000,000**	2,400,000,000	**24,000**	24,000
Issued and fully paid:				
At the beginning of the year	**1,501,252,152**	1,501,252,152	**150,125**	150,125
Issue of shares by private placement	**90,000,000**	-	**9,000**	-
At the end of the year	**1,591,252,152**	1,501,252,152	**159,125**	150,125

On August 10, 2009, 90,000,000 existing ordinary shares in the Company were placed at the price of HK$6.73 per share (the "Placing Price") through a share placement arrangement ("Share Placement") and the Company subsequently issued 90,000,000 new ordinary shares ("New Shares"), with a view to enhance the capital base of the Company. The share placement was made to Sunning Inc., a company incorporated in the Cayman Islands with limited liability, whose shares are wholly owned by Mr. Horst Pudwill, the chairman of the Company. The Placing Price represented a discount of 1.0% of the closing price of HK$6.8 per share in the Company as quoted on the Stock Exchange on August 7, 2009.

The New Shares represented 6% of the issued share capital of the Company prior to the Share Placement. The issue price of the New Shares was HK$6.73 per share, which is equivalent to the "Placing Price". A net amount of HK$590 million in aggregate, after deducting all related expenses of the Share Placement, was received. As such, the net price for New Shares was HK$6.58.

It was considered that the placing and subscription would enhance the capital base of the Company. The net proceeds were used to reduce borrowings and to provide additional working capital for the Company. These New Shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on July 29, 2009 and rank pari passu with other shares in issue in all respects.

14. Capital Commitments

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of the purchase of property, plant and equipment and licence:		
Contracted for but not provided	**68,744**	242,739
Authorised but not contracted for	**13,773**	16,076

15. Contingent Liabilities

	2009	2008
	HK$'000	HK$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**61,137**	31,659

16. Event After The Reporting Period

On March 11 and 12, 2010, the Company paid approximately HK$90,992,000 to buy back 37,281,610 warrants issued to the holders of the Convertible Bonds 2014.

On February 26, 2010, the Company has entered into an up to US$330,000,000 dual-tranche amortising syndicated loan. Tranche A, representing 85% of the syndicated loan with final maturity in 2015, to refinance existing borrowings. Tranche B, representing the balance 15%, final matures in 2014 for working capital.

17. Presentation and Functional Currencies

The functional currency of the Company is United States dollars. The presentation currency of the Group is Hong Kong dollars as the Company is a public limited company incorporated in Hong Kong. These have been arrived at based on the fixed exchange rate of HK$7.8 to US$1.0.