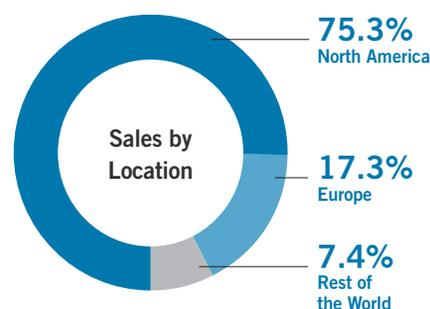
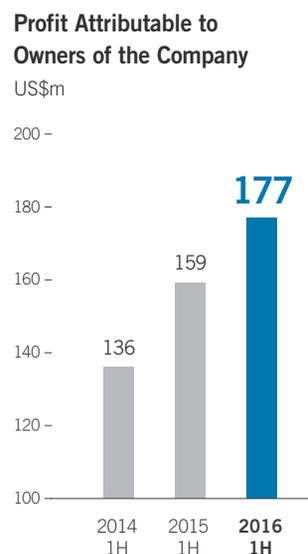
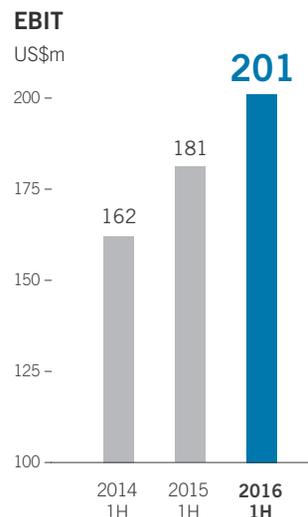


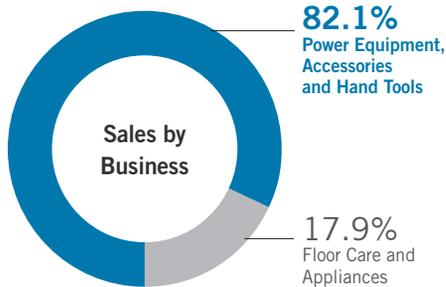
Management's Discussion and Analysis

Record Performance

In the first half of 2016, TTI delivered record results in revenue, gross profit, and net income with revenues growing by 8.6% to US\$2.7 billion and 9.7% before currency adjustment. Net profit margins continued to improve, increasing by 20 basis points to 6.6% of sales. We grew in all geographic regions through innovative new product launches and strategic marketing programs, while delivering continued operational efficiency and productivity gains. The Power Equipment business, comprising 82.1% of sales, delivered double-digit revenue growth of 12.6% and 13.6% before currency adjustment, outpacing the power tool industry while improving profitability. Our MILWAUKEE industrial business sales grew 20.2% before currency adjustment, with our highly recognized Consumer Power Tool and Outdoor Product brands also delivering double-digit growth. The Floor Care and Appliance business revenues declined 6.7% in the period or 5.3% before currency adjustment.

As a result of our disciplined focus to our strategy and continuous efforts to driving stronger financial results, TTI has yielded the eighth consecutive reporting period of gross margin improvement. The relentless efforts on manufacturing productivity, purchasing programs, and ongoing initiatives to boost supply chain efficiency, combined with the impact from our high margin new product stream and volume leverage have resulted in a 50 basis point improvement in gross margin to 36.1%. SG&A for the first half of 2016 was 28.7% of sales as compared to 28.4% last year. The increase is due to strategic investment in new product development, geographic expansion, and additional strategic marketing spend. Executing on our strategic initiatives of building powerful brands, developing innovative products, driving operational excellence, and creating a global organization of exceptional people has increased EBIT by 11.3% to US\$201 million and net profit attributable to shareholders reached US\$177 million, which is an 11.6% increase from the prior year. Basic earnings per share increased 11.7% to 9.69 US cents.





Business Review

Power Equipment, Accessories and Hand Tools

The Power Equipment business, our largest segment accounting for 82.1% of total revenues, delivered a strong first half with US\$2,204 million in global sales, a 12.6% increase compared with the same period in 2015. This growth was driven by our continuous new product introductions, strong retail partnerships, expanding distribution, and focused end-user marketing. New products, improved product mix, and operational excellence programs in supply chain and manufacturing contributed to the EBIT improvement of 15.4% for the business in the first half.

Industrial

The global MILWAUKEE industrial business delivered an outstanding 20.2% sales growth before currency adjustment in the first half of 2016. This performance was driven by the introduction of innovative new products, strong marketing initiatives, continued entry into new product categories, targeted geographic expansion and a focus on operational and commercial excellence.

Power Tools

Our MILWAUKEE power tool business reported excellent double-digit growth for the period, continuing to propel our leadership position in cordless tools. Investment in disruptive technologies coupled with prolific new product introductions across the M12 and M18 cordless power tool platforms have resulted in outstanding growth. FUEL Brushless technology continues to redefine cordless power tool performance with continued new product introductions leveraging the technology. M18 FUEL introduced the world to high powered, high performance motor technology. The introduction of the next-generation M18 FUEL drill/drivers, hammer drill/drivers, and impact tools converge three industry-leading technologies to deliver unmatched power, run-time, and durability. The revolutionary M18 FUEL finish nailers delivered on the promise of peak productivity for professional users, providing optimal driving-power, speed, and efficiency. MILWAUKEE continues to lead the industry in innovation and performance with our FUEL cordless technology to convert users from corded and pneumatic to cordless tool solutions. MILWAUKEE has been propelling the corded to cordless replacement for years, matching the world's best technology with relentless jobsite-user research to ensure each tool is delivering on its promise with 40 FUEL product solutions and counting. MILWAUKEE will continue to drive the conversion of the jobsite to cordless power with the second half introduction of the M18 9.0 Ah High Demand Battery Pack.



Management's Discussion and Analysis

In addition, ONE KEY continues to revolutionize the way work gets done on the jobsite by integrating industry-leading tool electronics with a custom-built cloud based program. ONE KEY provides a new level of control and access to information which enables the user to control the performance, track and manage their inventory, all through their mobile device.

MILWAUKEE is investing in delivering disruptive cordless solutions for the mechanical, electrical and plumbing trades while expanding into adjacent categories for further trade penetration. New introductions leveraging the FORCE LOGIC hydraulic platform, continues to enable innovative solutions for the mechanical, electrical and plumbing trades. MILWAUKEE invested significantly in developing hydraulic competencies over the last few years and is now a global leader in the technology. The M18 FORCE LOGIC electrical cutters and crimpers, launched in late 2015, have enabled MILWAUKEE to enter the large power utility market, creating another entry point into the M18 Cordless System.

In 2016, MILWAUKEE continues to expand the cordless high output LED lighting family of products with the introduction of new lighting solutions that maximize productivity. MILWAUKEE will continue to convert the use of dated corded halogen technology predominantly found on a jobsite to advanced LED technology.

Accessories

Our MILWAUKEE power tool accessory business achieved double-digit growth driven by enhanced marketing, expanded distribution partnerships, and innovative new product introductions. We continued with the strategic product development in our core SAWZALL reciprocating saw blades, HOLE DOZER hole saws and Jam Free step bits in plumbing and electrical channels. The new SHOCKWAVE range, with significant performance and durability improvements, is energizing growth across all distribution channels. Operational improvements in our US manufacturing plant are delivering increased capacity with enhanced productivity driven by lean manufacturing initiatives and upgrades to OEE and SPC capabilities.

We are developing next generation technologies to deliver superior user productivity and efficiency with cordless tools. Our AX SAWZALL blades, leveraging carbide-tipping technology to deliver 30 times the performance of the Bi-Metal AX, are an example of the user-centric innovation we are bringing to market. Our unrelenting commitment to upgrading core category lines and expanding into new product lines will add value for our users.

Hand Tools

The MILWAUKEE hand tool business continued its positive momentum and reported double-digit sales growth from innovative new product launches and further distribution penetration. Strong distribution partnerships have resulted in market share gains across plumbing, electrical, and hardware channels. The introduction of new products across core categories continues to feed growth in the hand tool business. Additionally, our EMPIRE layout and measuring tools business expanded sales at a double-digit rate in the target markets of North America and Australia, with strong results in I-beam levels, Torpedo levels, and Squares.

Consumer and Tradesman

In the first half of 2016, the consumer and tradesman power tool business further strengthened its market position posting strong gains in the home construction and DIY segment. This robust sales growth is attributed to innovative new product launches and compelling marketing campaigns.

RYOBI power tools in North America delivered double-digit sales performance. The RYOBI ONE+ cordless platform is leading the industry with its lithium battery technology that is backwards compatible with previous generations of ONE+ tools. Additionally, the breadth of ONE+ compatible tools is growing with the ongoing introduction of innovative products. RYOBI ONE+ continues to differentiate from the competition through technology, innovation, and category expansion such as the introduction of the industry's first module capable garage door opening system, which utilizes the ONE+ battery system as backup power. In addition, the RYOBI ONE+ 18V system of tools benefited from the continued success of the RYOBI 18V AIRSTRIKE cordless nailer program and additional ONE+ products.

In Europe, RYOBI had an excellent first half, recording double-digit sales growth driven by new lithium ONE+ products, such as the new brushless cordless tools for consumers, and the success of targeted media campaigns in important markets. Sales of ONE+ across the region have been robust, driven by new products introduced in late 2015 and early 2016. Throughout this period, our tradesman AEG brand tools and accessories delivered positive growth buoyed by new lithium product introductions, successful in-store marketing initiatives and an expanding retail footprint.

Sales in Australia for RYOBI continued to grow with further penetration of the ONE+ System. The RYOBI brushless cordless tools continues the string of successful new ONE+ additions. We have an exciting pipeline of new product launches planned for the second half of the year to further enhance our successful 18V platform. Additionally, our HART business continues to capture new hand tool categories.

Outdoor Products

In the first half of the year, our Outdoor Products business delivered double-digit sales growth globally, driven by superb North American and Australian results. This strong performance was generated by key initiatives that focused on new lithium cordless product introductions. We are leading the ongoing success of lithium cordless products in the outdoor category with a wide range of tools in the RYOBI ONE+ 18V, RYOBI 36V/40V, and new AEG 58V platforms. As with power tools, RYOBI is at the forefront of developing and applying lithium cordless technology to outdoor products.

Several key product innovations drove sales in the first half of 2016. The most significant launch was the RYOBI ONE+ LITHIUM+ line of 18V cordless tools, offering improved performance and run-time in a string trimmer, hedge trimmer, jet fan blower, and chainsaw. The broad range of ONE+ including mowers, pole saws, line trimmers, and weed sprayers continue to drive sales. The expanded range of RYOBI 36V/40V mowers performed extremely well in all markets. Other standout performers included the new professionally featured RYOBI gas trimmer, the new line of RYOBI gas chainsaws, and a new RYOBI gas jet fan blower. In addition, we launched a leadership range of AEG 58V cordless tools in Australia targeted at the professional user. Positioned to replace professional petrol products, this range delivers petrol-like performance with the convenience of cordless.

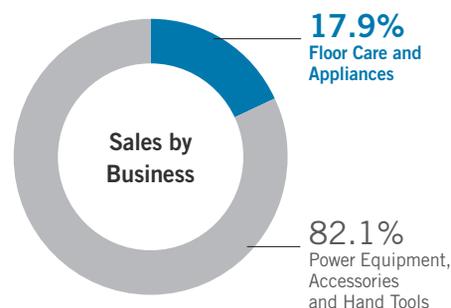
Floor Care and Appliances

The Floor Care and Appliance business, representing 17.9% of total TTI sales, had a challenging first half with sales declining 6.7%, however, our global strategy to turn this business around is clearly gaining traction. As compared with full year 2015, the business had a 150 basis point improvement in EBIT margin.

Our North American business has generated positive momentum in cordless vacuums and delivered double-digit growth in the commercial cleaning segment, although the continued exit of non-strategic channels of business negatively impacted sales. The HOOVER range of cordless stick vacuums is off to a good start and we will be expanding the offering with a new platform of high performance sticks launching this year. Additionally, in the second half we will deliver an exciting range of HOOVER robots, incorporating Bluetooth technology for easy set up and operation. The DIRT DEVIL brand introduced a new series of high performance upright vacuums, which contributed to the brand returning to growth in the first half. The ORECK brand launched ELEVATE, a new range of premium vacuums for the exclusive ORECK distribution partners, providing the highest level of performance in its category. Commercial cleaning is making gains with the success of the recently launched HOOVER HUSHTONE upright vacuums and expansion of commercial distribution. The business will introduce a stream of exciting HOOVER Commercial and ORECK Commercial innovative cordless products in the second half of the year.

Europe delivered positive growth in the first half, which marks a solid improvement from 2015. Our growth in the UK was supported by continued VAX cordless vacuum sales boosted by both advertising and new product extensions. Demand for the core VAX carpet washing products increased significantly and was energized further by a DRTV advertising campaign which drove both retail and direct sales. Growth in France was due to an expanded retail partner footprint and consumer acceptance of our new eco-range of bagless canisters.

In the first half of 2016, we invested in opening our new North American headquarters in Charlotte, North Carolina. This new facility includes our leadership marketing and innovation center and an advanced cordless product development laboratory and progressive design studio, providing a world-class environment to attract and motivate top talent required for our brands and product development plans. Operationally, we consolidated our distribution network in the US and opened a new facility to optimize customer service and logistics.



ORECK

VAX



Outlook

TTI enters the second half from a position of strength after a record first half performance. The MILWAUKEE industrial business is set to deliver a continuous flow of innovative technologies in lithium cordless power tool platforms, accessories, and hand tools. Our Consumer and Tradesman Tools and Outdoor Products businesses will drive their cordless platforms of RYOBI ONE+, RYOBI 36V/40V, and the new AEG 58V. We are encouraged by the progress we are making with the rollout of our floor care strategic plan. With this foundation in place, we are now in a position to launch a stream of exciting new products developed through TTI's world-class high speed new product development system that will drive this businesses' success in the years to come.

The unrelenting focus on powerful brands, innovative products, operational excellence, and exceptional people is the foundation from which we have delivered record results year after year. It is our consistent performance at the highest level and our ability to stay laser focused on our strategic direction that makes us believe we are the industry leader.

Recent Developments

No important events affecting the Group have occurred since June 30, 2016 that are material or otherwise require disclosure or commentary.

Financial Review

Financial Results

Reported revenue for the period grew by 8.6% as compared to the same period last year, amounted to US\$2,686 million, with negative currency headwind. Excluding the negative currency effect, revenue increased by 9.7% as compared to the same period last year. Profit attributable to Owners of the Company amounted to US\$177 million as compared to US\$159 million reported last year, an increase of 11.6%. Basic earnings per share was at US9.69 cents (2015: US8.67 cents).

EBITDA amounted to US\$293 million, an increase of 11.9% as compared to the US\$262 million reported in the same period last year.

EBIT amounted to US\$201 million, an increase of 11.3% as compared to the US\$181 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 36.1% as compared to 35.6% in the same period last year. The margin improvement was the result of new product introduction, category expansion, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the period amounted to US\$770 million as compared to US\$703 million reported for the same period last year, representing 28.7% of revenue (2015: 28.4%). The increase was mainly due to the strategic spent on advertising and promotion on new products.

Investment in product design and development amounted to US\$71 million (2015: US\$66 million), representing 2.6% of revenue (2015: 2.6%), reflecting our continuous strive for innovation. We will continue to invest to create breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the period amounted to US\$8.0 million as compared to US\$7.6 million reported for the same period last year, representing 0.3% of revenue (2015: 0.31%). Interest cover, expressed as a multiple of EBITDA to total interest was at 24.5 times (2015: 20.3 times).

Effective tax rate for the period was maintained at 8.5% as compared to the same period last year. The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$2.2 billion, an increase of 3.6% as compared to December 31, 2015. Book value per share was US\$1.22 as compared to US\$1.18 at December 31, 2015, an increase of 3.4%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2016, the Group's cash and cash equivalents amounted to US\$744 million (US\$775 million at December 31, 2015) after the payment of US\$54.9 million dividend during the period (US\$44.8 million in first half 2015), of which 47.4%, 28.8%, 9.5%, and 14.3% were denominated in US\$, RMB, HK\$ and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 16.0% as compared to 17.7% as at June 30, 2015. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing will remain low going forward.

Bank Borrowings

Long term borrowing accounted for 44.1% of total debts (42.9% at December 31, 2015).

The Group's major borrowings continued to be in US Dollars and HK Dollars. 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 exposure, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Working Capital

Total inventory was at US\$1,341 million as compared to US\$1,131 million as at June 30, 2015. The number of days inventory was at 93 days as compared to 83 days for same period last year. Inventory at the end of the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year and to maintain the high service quality level to customers having taken into consideration of our sales momentum. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 66 days as compared to 63 days as at June 30, 2015. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 61 days as compared to 58 days as at June 30, 2015. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 89 days as compared to 84 days as at June 30, 2015.

Working capital as a percentage of sales was at 19.3% as compared to 17.1% for the same period of last year.

Capital Expenditure

Total capital expenditures for the period amounted to US\$81 million (2015: US\$137 million).

Capital Commitment and Contingent Liability

As at June 30, 2016, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$37 million (2015: US\$10 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.

Human Resources

The Group employed a total of 21,288 employees (20,964 employees as at June 30, 2015) in Hong Kong and overseas. Total staff cost for the period under review amounted to US\$408 million as compared to US\$367 million in the same period last year.

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, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Interim Dividend

The Directors have resolved to declare an interim dividend of HK20.00 cents (approximately US2.57 cents) (2015: HK16.00 cents (approximately US2.06 cents)) per share for the six months period ended June 30, 2016. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 9, 2016. It is expected that the interim dividend will be paid on or about September 23, 2016.

Closure of Register of Members

The register of members of the Company will be closed from September 8, 2016 to September 9, 2016, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 7, 2016.