

Spectacular growth achieved as a result of an aggressive strategy focused on building a powerful brand portfolio and delivering leading-edge products.

To Our Shareholders

I am pleased to report another record-breaking year at TTI, despite a challenging global economic environment. **Fiscal 2001 marks the seventh consecutive year of double-digit growth in both turnover and profits.** The strong operating cash flow supported an increased level of brand investment and contributed to the significant reduction in gearing to 54.9% from 87.9%. We are better positioned than ever for the enormous opportunities that lie ahead.

Selected financial highlights include:

- » **Turnover increased by 34% over 2000 to HK\$6,101 million.**
- » **Operating profit before interest and taxation grew by 22.6% to HK\$353 million.**
- » **Net profit increased by 32% to HK\$239 million.**

- » **Basic earnings per share grew 30.1% to HK 42.02 cents from HK 32.31 cents in 2000.**
- » **HK\$306 million generated in internal cash flow.**
- » **Net gearing improved to 54.9%, compared with 87.9% in 2000.**
- » **Return on equity was 21.6% in 2001, compared with 19.9 in 2000.**

As a result, the Directors have recommended a final dividend of HK 7.0 cents per share, which together with the interim dividend of HK 4.5 cents, makes a total dividend of HK 11.5 cents, up 15% over 2000.

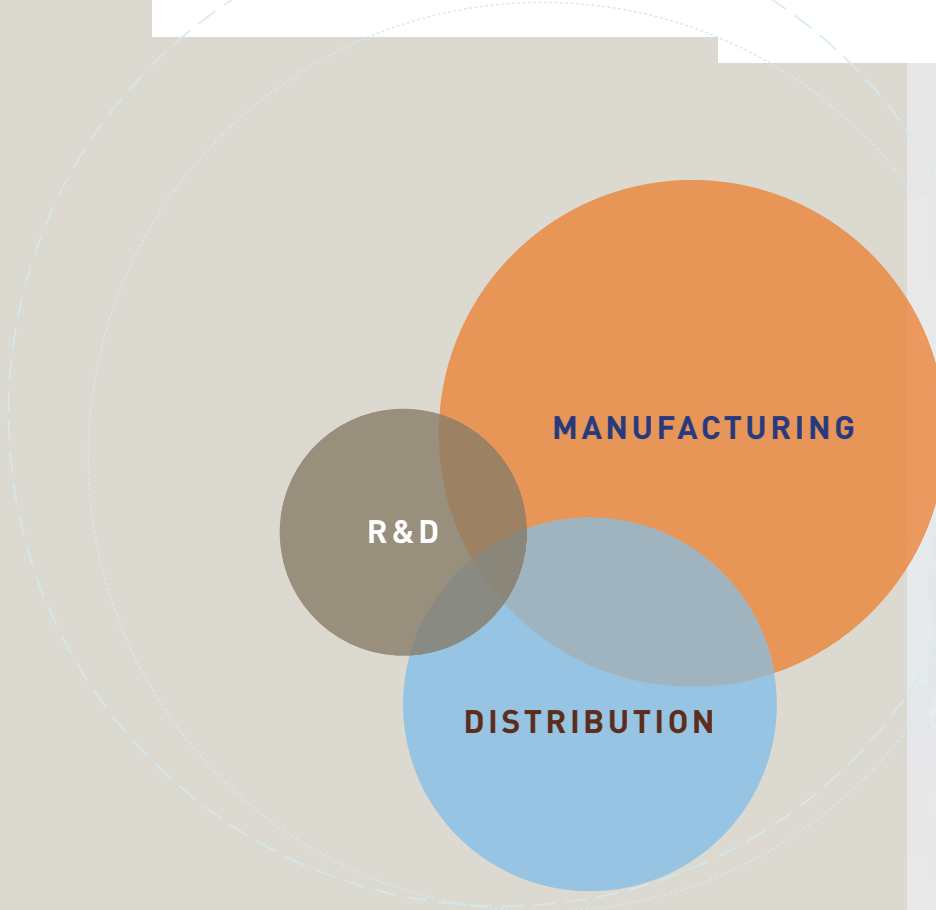
GLOBAL BRAND STRATEGY

A key factor in TTI's success has been our brand acquisition strategy, of which the most significant was that of Ryobi

North America, completed in August 2000. The brand is a major player in the US\$7.4 billion North American power tool market. It provided TTI with a product range and technology expansion beyond rechargeable portable power tools into corded portable and bench power tools. Demonstrating the success of the acquisition, the Power Tools Division delivered an impressive 47% growth in 2001 over the prior year.

In August 2001 and March 2002, TTI continued its global branding strategy by acquiring Ryobi's European, Australian and New Zealand operations, respectively. These businesses include the marketing and distribution of Ryobi power tools and outdoor products.

Ryobi has a brand presence in the world's second largest power tool market of



Europe and a leading market position in Australasia. Through integration with the Group, we have already begun to leverage the North American power tool product platforms, Asia-based manufacturing and subcontractor network to deliver exciting new products to these Ryobi markets.

The Group expanded into a lucrative business segment with the acquisition of the Homelite brand of consumer outdoor products, which includes gas trimmers, chain saws, and blowers. This globally recognized brand is a North American market leader and complements our Ryobi European and Australasia outdoor product business. The Group will gain from the counter seasonal demand between outdoor products and power tools.

Homelite brings more than the recognized global brand; it delivers expertise in product development and manufacturing of gas powered outdoor products. Gas and electric product platforms will enable TTI to develop a full range of consumer-driven products to be marketed under our Homelite, Ryobi or private label brands.

With our aggressive policy of brand acquisition, TTI has improved access to the world's largest home improvement markets and supports the transition from a leading manufacturer to a global brand marketer. We now have the ability to deliver brands in key markets and to benefit from a number of synergies that have positioned TTI for continued growth.



Horst Julius Pudwill
Chairman and
Chief Executive Officer

CHAIRMAN'S STATEMENT

With our aggressive policy of brand acquisition, TTI has improved access to the world's largest home improvement markets.

- » **Ryobi brand of power tools in key markets of North America, Europe and Australasia**
- » **Ryobi brand of outdoor products in Europe and Australasia**
- » **Global Homelite brand of outdoor products**
- » **Product technology and manufacturing of all major categories of power tools and outdoor products**
- » **Leverage on worldwide home improvement distribution network**

Enhanced global market presence also provides TTI significant opportunities at the retail level, as evidenced by our recent North American distribution agreement with Home Depot, the world's largest home improvement chain.

STRUCTURED FOR SUCCESS

Positioning our product development teams in key U.S. and European markets, we now have better access to our distribution partners and a deeper understanding of individual market drivers.

Through supply chain savings, we have improved inventory management, resulting in a positive impact on cash flow and an overall reduction in production cost, increased competitiveness, and improved margins. Further benefits and efficiencies are anticipated from a consolidation of manufacturing resources between Asia and North America. As part of this effort, we closed facilities in the United Kingdom and Indonesia. We plan to achieve similar synergies with our latest acquisition of Homelite.

During the year, we announced the possible spin-off of our Floor Care Appliances Division and that would not proceed in the current prevailing market environment.

OUTLOOK

I am confident we will achieve another record year of growth for 2002 as we continue our strategy of building on our global brands and introduce an expanded range of innovative products responsive to market needs.

With improvements forecasted in the US and European economies, our outlook is stronger than ever. The success of our customer relationships continues to be based on delivering competitively priced products incorporating superior quality, brand know-how and product innovation. We are well prepared to meet the challenge from our competition.

2002 will see our Power Tools Division broaden its focus into products for the professional contractor and woodworker, in both our branded and private label businesses. New products will include an expanded and upgraded line of Ryobi tools designed for the growing bench and stationary tool categories and an expanded line of Homelite electric and gas outdoor products. A new range of Ryobi tools will be launched into the European market in the second half of the year.

The Floor Care Appliance Division will respond to customer demand for new products by emphasizing our private label ODM capabilities through our existing customer base. We will also introduce new VAX floor care products that extend the exclusive AVC technology.

Integration of the acquisitions to maximize synergies remains a management priority. We will continue to improve our overall cost structure and profitability through supply chain savings and increased manufacturing and marketing efficiencies. And while North America remains a major market, our medium to long-term goal will be to

expand our share in Europe and Australasia.

TTI now has leadership in an impressive range of internationally recognized products built around product development, brand focus, and customer acceptance. We will press forward with these core attributes to ensure that our products continue to deliver the performance, quality, and value, which have been the trademark of our success.

APPRECIATION

Performance - even under tough circumstances - has been the hallmark of TTI as it has grown to become an

industry leader in the global home improvement market.

My sincere appreciation is extended to all our customers, employees, and shareholders who have contributed to this success and I look forward to their continued support. We remain committed to increase shareholder value.



Horst Julius Pudwill
Chairman and
Chief Executive Officer

We have successfully managed the transition from an OEM/ODM manufacturer to building a global brand portfolio while continuing to produce record results for our shareholders.