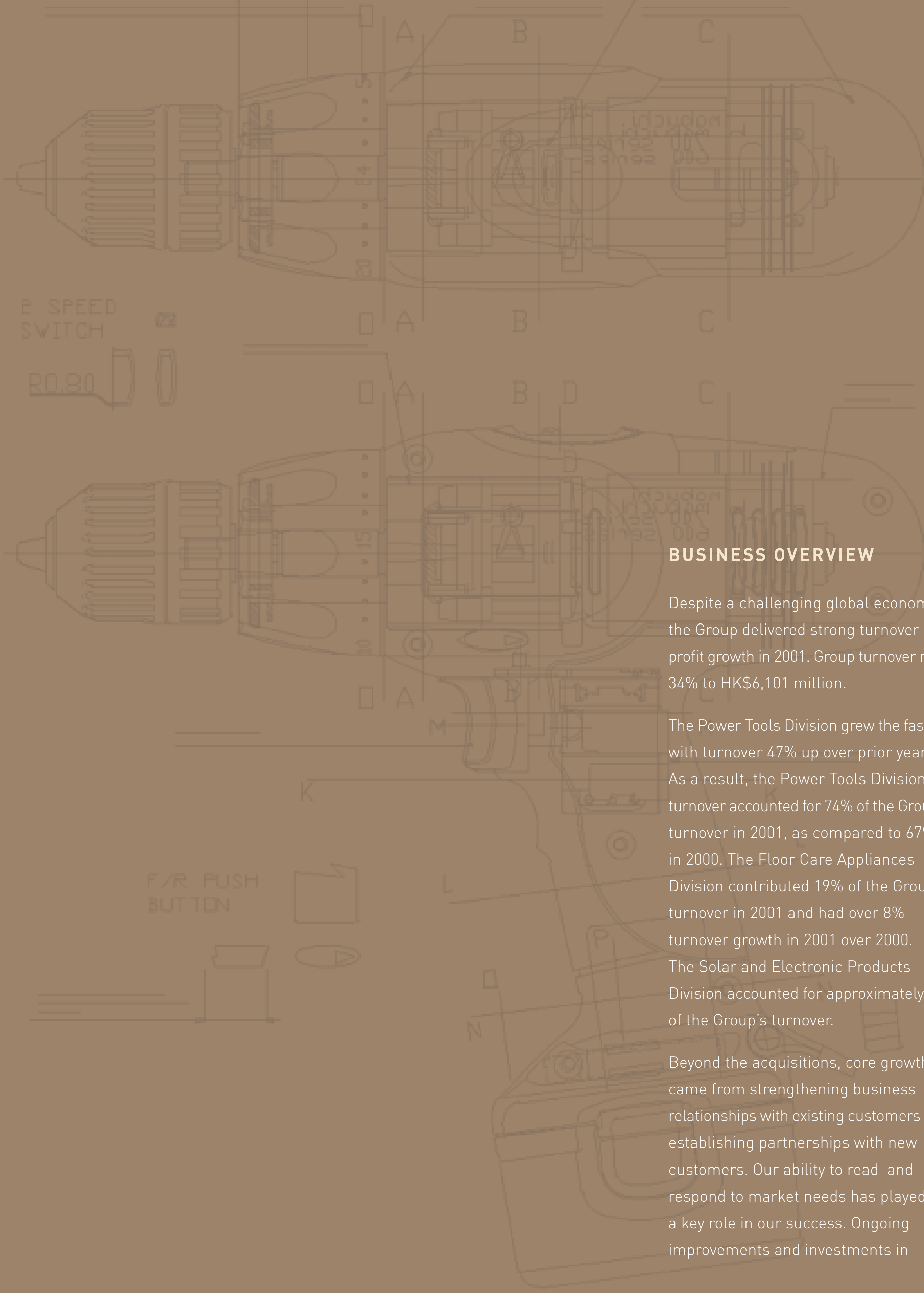
MANAGEMENT REVIEW



BUSINESS OVERVIEW

Despite a challenging global economy, the Group delivered strong turnover and profit growth in 2001. Group turnover rose 34% to HK$6,101 million.

The Power Tools Division grew the fastest with turnover 47% up over prior year. As a result, the Power Tools Division's turnover accounted for 74% of the Group's turnover in 2001, as compared to 67% in 2000. The Floor Care Appliances Division contributed 19% of the Group's turnover in 2001 and had over 8% turnover growth in 2001 over 2000. The Solar and Electronic Products Division accounted for approximately 3% of the Group's turnover.

Beyond the acquisitions, core growth came from strengthening business relationships with existing customers and establishing partnerships with new customers. Our ability to read and respond to market needs has played a key role in our success. Ongoing improvements and investments in

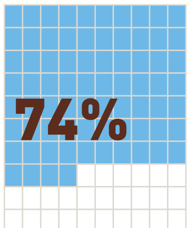
product development, engineering, and testing are delivering higher quality products and better service to our customers. To meet the expanding market demand for new products, the Group increased research and development expenditures to HK$79.9 million in 2001, up from HK$38.8 million in 2000.

As part of the investment in our brand names, TTI understands the importance of brand development and promotion. In 2001, the Group spent HK$290.2 million on advertising and promotion, an increase of 149% over the prior year. We have undertaken a global initiative to develop and support our brands through consistent packaging, merchandising, product design, and other brand recognition programs.

Through continuous improvement of our operations, manufacturing processes, product design and engineering, re-allocation of our manufacturing resources, the launch of new products, plus additional margin from Ryobi wholesaling operations, the Group improved its gross margin from 21.2% in 2000 to 24.7% in 2001. Much of the improvement can be traced to the Group's Total Quality Management (TQM) and Six-Sigma programs. The TQM program holds every employee accountable for quality and ensures continuous improvement in cost containment, customer service, and product development. Cost containment and quality programs are the cornerstone of our world-class manufacturing.


INNOVATION
COMMUNICATION
BENCHMARK
ASSURANCE
RECOGNITION
RYOBI

MANAGEMENT REVIEW



OF TOTAL TURNOVER

POWER TOOLS DIVISION

Featuring our internationally recognized brands such as Ryobi and bolstered by a strong OEM/ODM business, TTI's Power Tools Division entered 2001 with strength and confidence. After a year of profitable acquisitions, new product introductions, and global expansion, the Division is poised to begin 2002 even stronger and more confident than the previous year.

MARKET OVERVIEW

Overall, North American and European electric power tool markets represent an over US$10 billion opportunity. The category continues to grow at approximately 5% annually.

In the U.S. artificially low interest rates and unreasonably mild temperatures sent home sales to a record 5.25 million, compared with 5.11 million the year before. The remodeling industry also benefited as more Americans undertook projects. The result was an estimated $180 billion spent on home improvement and remodeling.

Across Europe, the introduction of the Euro led to increased price sensitivity as more and more corporate buyers look to secure across-the-board pricing structures through the EU.

Both markets are dominated by names such as Ryobi, Black & Decker, Makita and Bosch, proving that the product category truly has become a global community.

2001 HIGHLIGHTS

Entering the year, the Division's strategy was to focus on its core customers and use its global capabilities to streamline costs and maximize profits. Once again, the Division achieved record sales of HK$4.5 billion.

After acquiring Ryobi's North American in August 2000, the Division analyzed the brand's retail partners for long-term profitability and growth potential. Shortly thereafter, the Division entered into a major distribution agreement with the Home Depot, the world's largest home improvement chain. The agreement not only secures TTI a steady stream of income for the coming years, but also provides a significant outlet and marketing support for Ryobi products in North America. Throughout the year, the partnership with the Home Depot substantially increased TTI's market presence and raised the brand awareness of Ryobi power tools in North America.

The acquisition of Ryobi European business provided TTI the necessary brand name, marketing and logistic capabilities for future growth in Europe, where the Division solidified relationships with key customers.

Product development also played a key role in the Division's 2001 performance as it increased new product offerings to its two key customers by 80% over the previous year. The most significant rollout involved a line of bench tools designed and priced for the entry level

POWER TOOLS DIVISION

woodworkers and do-it-yourselfers. The Division also introduced a full new line of cordless tools led by a four-piece combo kit that eclipsed previous gross sales records.

STRATEGY FOR 2002

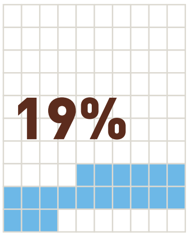
With all the key pieces now in place, 2002 should be a high-growth year for TTI's Power Tools Division. This growth will be driven by aggressive expansion, both in products and market presence, as well as increase in customer demand. The overall strategy, therefore, will focus on product development, cost containment, and brand expansion.

Product Development: 2002 will see the Division introduce more than 30 new Ryobi branded products into the distribution channels as we develop a presence in new product and accessory categories. We will also aggressively continue to pursue OEM/ODM opportunities. Our new product strategies also include introducing a line of professional grade tools and continued expansion of the high growth bench and stationery tool categories. Division-wide power tool sales are expected to increase substantially. Ryobi brand business should see strong growth in North America, as well as Europe and Australasia, and as will our OEM/ODM business.

Cost Containment: We will continue to drive down costs by sourcing products and materials to our China facilities and Asian suppliers; reducing manufacturing costs in South Carolina; consolidating Ryobi operations with other TTI operations; and negotiating with our supply base. Another key initiative will be to improve our logistic functions so as to optimize inventory management.

Brand Expansion: By focusing on after-sales service, supply chain logistics, and marketing support, we will strengthen our relationships with our retail partners and end-use customers. In Europe, Ryobi will turn its focus on the home improvement centers, which currently control an estimated half of the market.

Looking ahead, TTI's Power Tools Division finds itself in an enviable position. Having come through a difficult year with our best performance ever, we are stronger and bigger than ever. EBITDA and cash flow are high, inventories are low, competitiveness and market share are at an all-time high while overall expenses are improving.



OF TOTAL TURNOVER

FLOOR CARE APPLIANCES DIVISION

Fueled by increased product vitality, operational improvements, and strategic re-alignments, TTI's Floor Care Appliances Division delivered solid growth in 2001. Powered by its North American OEM/ODM consumer floor care appliances and its own European branded "Vax" products, the Division grew consolidated turnover by over 8% as compared to the prior year. This was commendable performance in a tough economy and under continuing competitive pressure.

MARKET OVERVIEW

It was a challenging year for the North American and European floor care appliance markets. Although both markets finished with positive gains, consumers facing economic pressures appeared to shift purchases to lower priced retail products.

The North American market continues to be led by four major brands: Hoover, Dirt Devil, Eureka, and Bissell. The private label segment of the industry is dominated by Sears, Roebuck and Company's Kenmore brand. By contrast, the European market offers consumers a greater variety of brands, with names such as Bosch, Siemens, Electrolux and Dyson leading the way. TTI is proud to report that many of these leading brands – whether marketed in North America or Europe – are in fact TTI's customers.

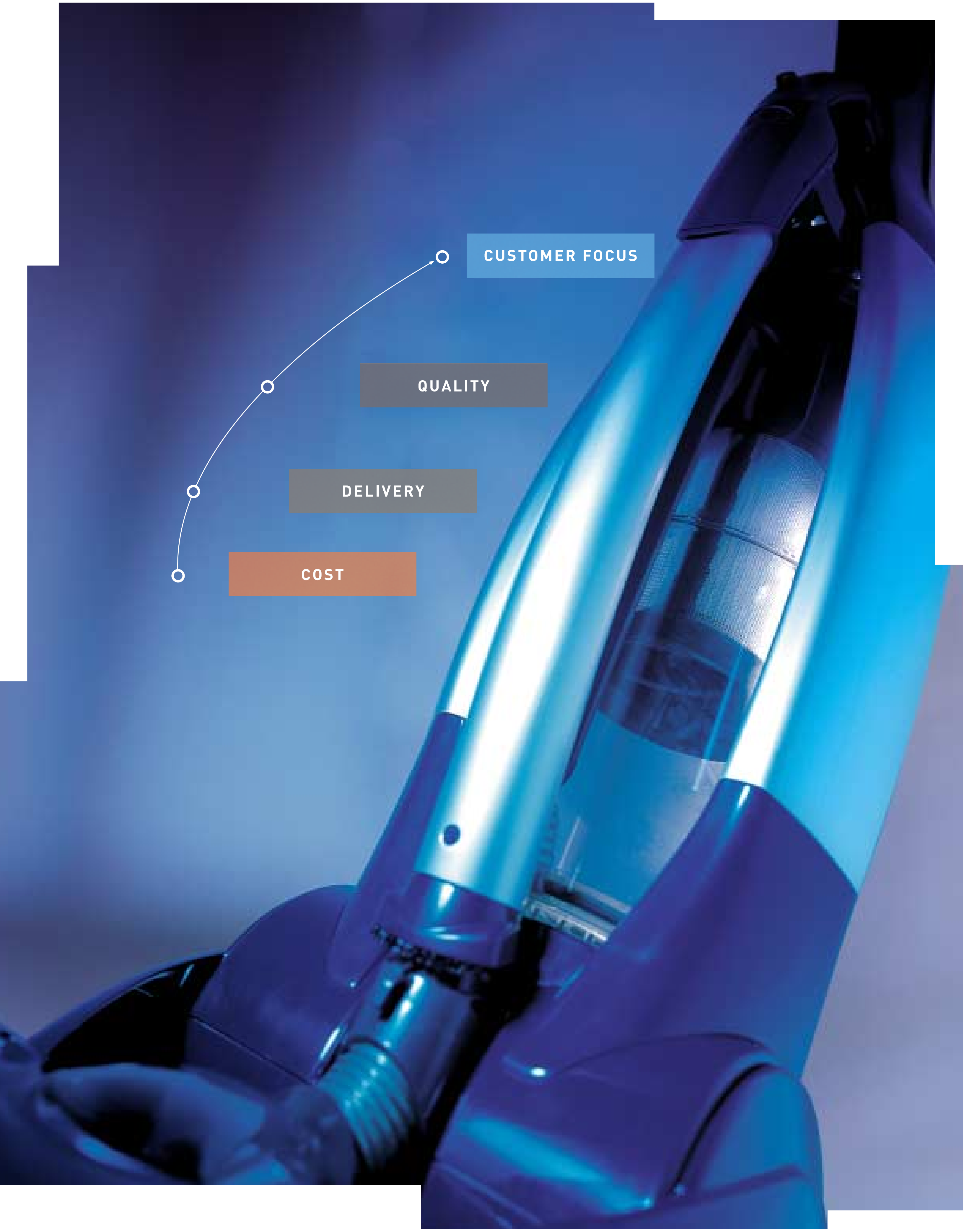
2001 HIGHLIGHTS

The Division's OEM business continued to yield impressive results as it launched several new and innovative floor care products into North America. The new products contributed approximately 20% to the Division's turnover. Moreover, the proven ability to develop and deliver these products established TTI as a leading contract manufacturer in the industry.

That expertise has initiated a gradual shift from original equipment manufacturer (OEM) to original design manufacturer (ODM). The Division's ODM business experienced significant growth in 2001. Presently, TTI serves the OEM/ODM needs of a wide range of high quality, brand name industry leaders, all of whom require well-engineered, high quality, competitively priced products.

Meanwhile, our line of Vax branded floor care appliances expanded with the introduction of the innovative Advanced Vacuum Cleaner (AVC) into its core markets in the past year. The AVC platform allows the brand to be positioned in premium bagless upright and cylinder carpet cleaning segments. Driven by this and other product upgrades, the Vax brand exceeded growth expectations in the carpet washing category.

The continuing drive to improve cost efficiencies led the Division to re-evaluate its manufacturing operations. Those in the United Kingdom were moved to China, allowing the UK operations to focus on concept development, brand marketing


CUSTOMER FOCUS
QUALITY
DELIVERY
COST

FLOOR CARE APPLIANCES DIVISION

and distribution. Manufacturing in Indonesia was also moved to China.

Cost containment took on a more aggressive role with programs to localize purchases of components and materials from low cost suppliers in China. First step Six Sigma programs further improved quality, efficiency and reduced waste.

STRATEGY FOR 2002

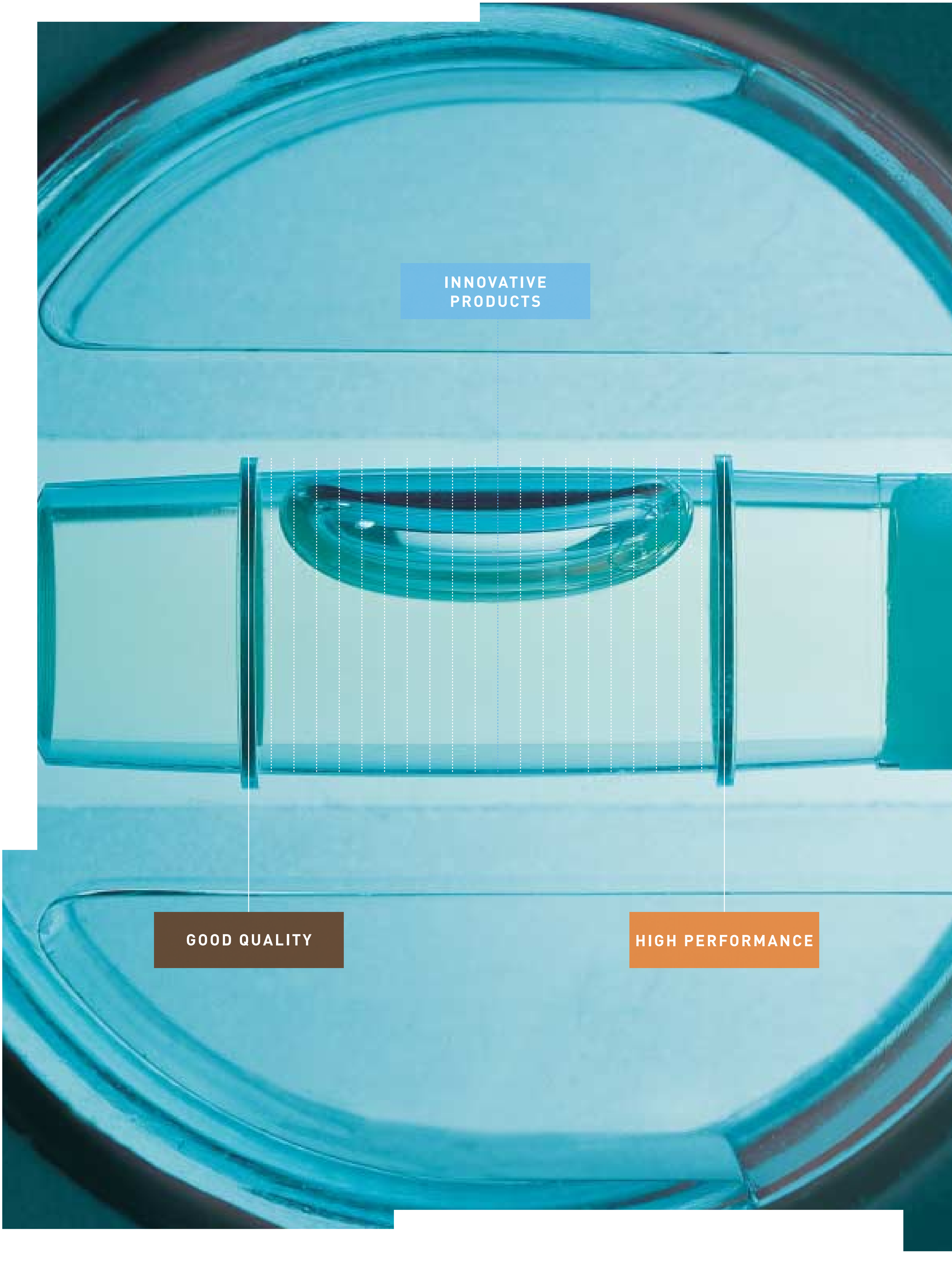
With successful new product launches during the second half of last year, the Division is positioned for another solid year of growth. A key to this continued growth will be our ability to satisfy the new product development needs of the North American market. To accomplish this, we will continue to shift from OEM to ODM.

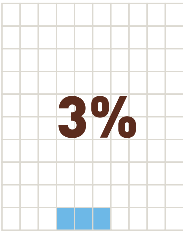
Another key to achieving our growth objectives is the success of our own Vax brand. We will continue implementing our current strategy of delivering mid to premium priced, consumer-friendly floor cleaning products. A major focus will be to capitalize the brand's wide recognition and distribution in order to expand new product offerings such as the Vax Select line and products using the AVC platform.

The AVC platform in particular holds exceptional potential for 2002. This year begins a multi-year agreement with BSH Bosch and Siemens to globally market the AVC platform and its future generations. In addition to expanding the Division's exposure in Europe, the agreement will also create beneficial economies of scale for our AVC manufacturing operations.

Operationally, cost containment remains the everyday task of the entire Division. The aggressive consolidation of manufacturing operations to our China facilities will deliver critical operational gains. Quality enhancement programs, such as our Six Sigma initiatives, will further reduce cost while keeping supply chain, manufacturing and product development processes among the most competitive in the industry. On-going strategic investments will increase the capacity and capabilities of our product development and testing resources. As a result, the Division will continue to strengthen the core competencies necessary to enhance our value-chain and continue the expansion of our OEM/ODM business.

Product innovation will continue to be the calling card of TTI's Floor Care Appliances Division. As the variety and acceptance of our products increase, so too does the need for more innovative marketing and distribution strategies. As we look ahead, these new strategies will almost certainly include developing synergies with other TTI divisions.


INNOVATIVE PRODUCTS
GOOD QUALITY
HIGH PERFORMANCE



OF TOTAL TURNOVER

SOLAR AND ELECTRONIC PRODUCTS DIVISION

TTI's Solar and Electronic Products Division continued its impressive performance with another year of increasing profits. Taking advantage of increasing production, increasing number of projects from its core ODM partners and marketing synergies between TTI's other divisions, the Division is now poised for another good year.

MARKET OVERVIEW

Market demand for solar lighting products and electronic measuring devices remained strong in 2001. Despite facing a higher US dollar that limited growth in Europe and Japan and the effects of the September 11th tragedy in the US, the Division confirmed its position as the market leader in solar powered lights as well as the electronic handtools. Electronic measuring and leveling devices continue to ride the success of the DIY trend.

2001 HIGHLIGHTS

As with other TTI divisions, the Solar and Electronic Products Division benefited from an aggressive product development strategy. 2001 was highlighted by the introduction of new die cast and glass solar lights as well as new state of the art laser leveling tools and ultrasonic tape measures. Thanks to the successful launch of these product lines and implementation of strict inventory control program, the profit contribution of the Division rose 26% to HK$14.3 million.

The strong bottom line performance helped offset a fourth quarter slowdown that led to a 5.6% decrease in sales to HK$164 million from HK$173 million in 2000. European sales accounted for half that volume, while North America sales constituted 32% of the total. Australsian sales contributed an additional 17%.

Based on product categories, electronic measuring and monitoring devices accounted for 47% of total sales while sales of solar lighting products contributed 44%. Other electronic products such as electronic thermometers and food probes accounted for the remaining 9%.

2002 STRATEGY

The outlook for 2002 is bright. As the mildly recessed U.S. economy continues to strengthen, retailers and ODM partners who delayed orders in the fourth quarter 2001 should resume their normally robust purchasing.

Looking forward, the Division's strategy will be to continue focusing on product development in its two major segments; solar lighting products and electronic measuring and monitoring devices. Internally, the Division will continue to strengthen its leadership even as it expands the volume and quality of its OEM/ODM partnerships.

Additionally, the Division will look for ways to capitalize on synergies between its own distribution and marketing efforts and those of the Ryobi brand.

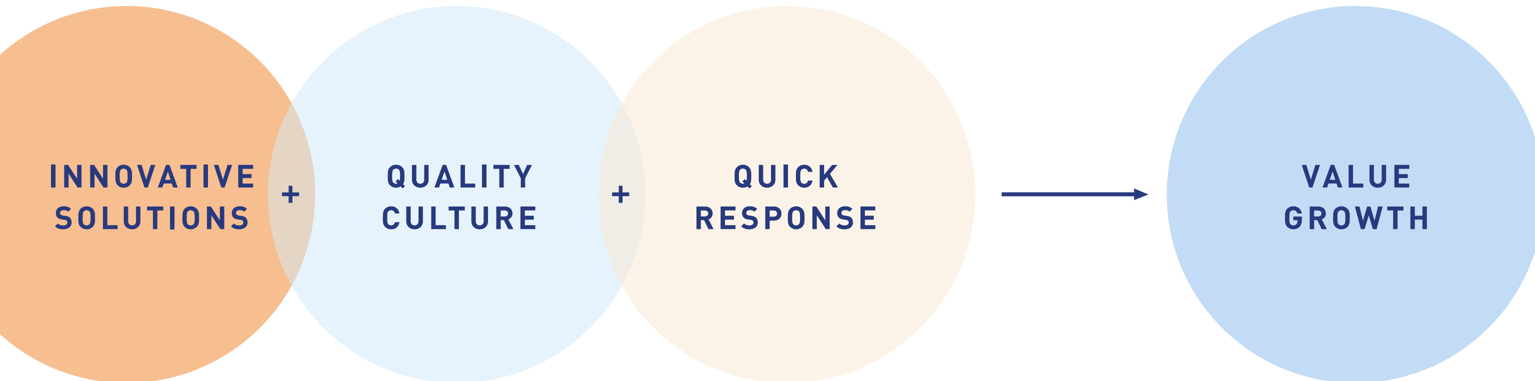
AFFINITY +

Roy Chi Ping Chung
Managing Director

Frank Chi Chung Chan
Executive Director

Horst Julius Pudwill
Chairman and Chief Executive Officer

Patrick Kin Wah Chan
Executive Director



ORGANIZATION GROWTH

2001 has been a year of growth for TTI, not only in terms of product introductions, sales, and market share, but organizational structure as well. The Company's aggressive acquisition strategy demands an infrastructure capable of supporting it. To this end, TTI's organization has evolved significantly, especially in the areas of product development, manufacturing, distribution and marketing.

PRODUCT DEVELOPMENT

TTI has also grown in organizational depth, adding product design and development research centers in the US and Europe, in close proximity to our end customers. As a result, TTI's Research and Development engineers have the insight into specific market/customer needs while Product Development Engineering organized into product specialist teams, mainly located at China manufacturing plants, then develop the concepts resulting in highly-efficient, streamlined production.

Meanwhile, to support our expanded product categories, in addition to the power tool team responsible for cordless and corded tools, we have set up bench top team and lawn and garden teams.

MANUFACTURING

Soon after the acquisition of North American Ryobi power tool operation, to improve production cost efficiency, the Group started to transfer the production of corded power tools from its South Carolina plant in US to its Dongguan plants in China from the beginning of 2001. Production of corded tools in Dongguan was started in mid-2001. It is anticipated the whole transfer program will be completed by first half of 2002.

Apart from relocation, to meet the fast-growing volume of sales, we had substantially increased our Power Tool and Floor Care Appliances production capacity. For year 2001, TTI has spent HK$203 million capital expenditure on production capacity expansion. Together with the transfer of corded power tool production, the total Power Tool production capacity in Dongguan has increased by close to 50%, while Floor Care Appliance production capacity has increased by approximately 15%. As a result, our in-house production capacity was approximately 10 million units of power tool and 5 million units of floor care appliance in 2001. The production capacity will continue to expand in 2002 to meet our future growth.

DISTRIBUTION AND MARKETING

The structure is now segmented into four geographic segments, each being responsible for maintaining its own marketing and distribution operations.

» North American Operations – with facilities in South Carolina, U.S. and operations in Ontario, Canada
» United Kingdom Operations – headquarted in Droitwich, England and covering the entire UK market.
» Western European Operations – headquartered in France and responsible for Western European market
» Eastern European Operations – headquartered in Germany, responsible for the development of German and Eastern European markets.

CONTINUOUS IMPROVEMENT PROGRAM

Through continuous improvement in product engineering, production technology and assembly process flows and techniques, our overall production efficiency has improved by over 10%.

New protocol now includes application of Unigraphics (UG) or Pro Engineering systems to all new product designs. Employing the UG for power tools, TTI has been able to reduce new product development time 20-30%, while substantially improving tooling quality and decreasing lead time. In addition, our molding partners are now supplied with necessary CAD data for improved fabrication of tooling.

TTI has also upgraded our testing capabilities. These include establishing metrology labs and outfitting test laboratories with new equipment such as automatic testing jigs and fixtures. As a result, the lead time for testing new products is significantly improved. The installation of equipment such as CMM, profile projector, and digital microscopes have helped to improve our measurement precision and overall capacity.

ENTERPRISE RESOURCE PLANNING (ERP)

To improve our operational efficiencies and production quality, TTI has made a significant investment in ERP. The new HK$15 million Oracle E-Business Suite will help streamline all major TTI operations.

The system is built on a unified information architecture, using intelligent web-based applications and the latest database management technologies to transmit and analyze data electronically. Faster and more intuitive than our former ERP process, the new system will help lower our operational costs and increase our production throughput.

The roll-out of the new ERP system affects TTI's engineering, logistics, marketing, planning, purchasing, warehousing, production, quality assurance, shipping and financial departments in Hong Kong and China. Implementation is currently underway.

In addition, TTI is expanding our communications network, both locally and globally. Phase one of this initiative will establish a communications link between our Hong Kong and China operations via TTI's Local Area Network (LAN), Wide Area Network (WAN) and the Internet. Phase two will involve connecting to our business partners through common web browser or mobile device technologies.

FINANCIAL

Total bank borrowings amount to HK$893 million (2000 : HK$1,008 million). The improvement was due to the fundings generated internally from operations and the Group's persistent stringent control over the efficiency and effectiveness of working capital utilization, focusing especially on the level of inventory, demonstrated by the reduction of amount of inventory at the end of the year as compared to the previous year despite the increase in sales by 34%. The financing of the acquisition on Ryobi France and Ryobi United Kingdom in August last year by internal resources did not have a negative effect on total borrowings.

The loans are denominated in US Dollars, HK Dollars and Pounds Sterling and carry interest rates with reference to US best lending rates, LIBOR or Hong Kong best lending rates.

Following the adoption of Statement of Standard Accounting Practice numbers 9 and 30 issued by the Hong Kong Society of Accountants effective for accounting period beginning on or after January 1, 2001, the Group considered that it is appropriate to revise the basis of the gearing ratio computation.

Gearing ratio for the year, expressed as a percentage of Total Net Bank Borrowings to Total Net Tangible Worth was at 54.9% (2000 : 87.9%).

Total net finance costs charged for the year were HK$75.6 million (2000 : HK$66.7 million). Despite interest been charged for the full twelve months on the finance arrangements for the acquisition arranged by the end of third quarter 2000, net interest expenses had only increased moderately when compared to last year's finance costs which only accounted for 5 months of interest on the loan. The continual low interest rates together with improvements in liquidity by more efficient working capital management contributed to the favorable effect on borrowing costs together with the positive results of several interest rate hedging instruments applied during the year. The Group understands that interest rates, at present at its low, may reverse and increase, and has been monitoring its trend closing and continue to evaluate various financial instruments for hedging with the prime objective to capitalize the current low rate and have it maintained as much as possible during the terms of various loans.

With more efficient and effective tax planning both on local and overseas operations, the Group managed to reduce the overall tax rate as a percentage to profits before tax from 14.7% to 8.7%. The Group will continue to review and ensure the most optimal tax structure be adopted.

Interest coverage, expressed as a multiple of profit before interest and taxation to total net interest expenses was at 4.46 times (2000 : 4.18 times), continued to be at a level where the Group considered acceptable and comfortable.

Capital expenditure for the year, apart from the European acquisitions, amount to HK$203.1 million (2000 : HK$138.6 million) and was financed by current year's depreciation of HK$209.9 million (2000 : 182.5 million). The Group continued to maintain its capital expenditure policy that the amount invested be matched by the depreciation charges during the year.

As the majority of the Group's revenue are denominated in US Dollars and borrowings are in HK or US Dollars, currency fluctuation has a minimal effect on the Group as there is a natural hedge between the currencies. However, following the European acquisition completed in August 2001 and the subsequent completion of the Australian and New Zealand acquisition in March 2002, the Group will be exposed to additional currency fluctuations and will actively review and consider various financial instruments for hedging purposes to minimize the effect of exchange fluctuations.

The Group believes that it has a healthy financial position and that should other opportunities arise requiring additional funding, the Group is in a very competitive position to obtain additional financing on favorable terms.

Based on current orders on hand and baring any unforeseeable circumstances, revenue for the year 2002 is expected to be another record year for the Group.

ACQUISTIONS

On August 8, 2001, the Group announced the acquisition of Ryobi's power tool business in Europe. The acquisition included the two sales, marketing and distribution operations located in United Kingdom and France for power tools and outdoor products together with the perpetual right for the "Ryobi" brand name in Europe free of license fee or royalty and was for a consideration of US$6.7 million. The acquisition was financed internally from working capital and was based on adjusted net book value of both corporations without any premium or goodwill.

The acquisition will provide resources in marketing and products intelligence plus valuable logistic capabilities in Europe for the Group. It is expected to have a very significant potential in penetrating the European market with the Ryobi brand, leveraging the Group's research, design and product development capabilities and capitalize on its low cost manufacturing base to contribute positive growth in subsequent years.

On March 3, 2002, the Group announced the acquisition of two operating subsidiaries from Ryobi Limited, Ryobi Australia Pty and Ryobi New Zealand Limited together with the license and royalty free perpetual right for the "Ryobi" brand name in Australia and New Zealand. Both operations had already established as a leading brand in the power tools and outdoor products markets respectively and will bring the Group further closer to the global branding strategy on the Ryobi brand power tools and outdoor products. The total consideration was AUD5.9 million based on adjusted net asset value of both companies and financed by internal resources.

MAJOR CUSTOMERS & SUPPLIERS

For the year ended 31st December 2001:

i) The Group's largest customer and five largest customers accounted for approximately 32.7% and 74.7% respectively of the Group's total turnover.

ii) The Group's largest supplier and five largest suppliers accounted for approximately's 4.6% and 19.9% respectively of the Group's total purchases (not including purchases of items which are of capital nature).

According to the knowledge of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers.