
Throughout the year, the management teams of our business divisions continued to improve the efficiencies of their operations while working closely with the manufacturing and product development operations in Asia to enhance our ability to meet the demands of customers.

Our growth strategy is built around offering better value products to consumers and this has enabled us consistently to outperform the overall industry.

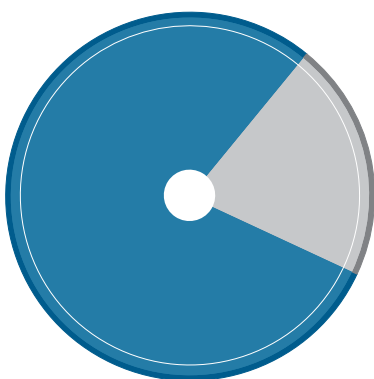
Moreover, we continued to take advantage of the weak economic environment to expand our core businesses through acquisition. In 2002, Group turnover grew by 55.6% to HK\$9.5 billion.

The United States remains the largest market for TTI. The US economy recorded only moderate growth during 2002, though the housing sector was buoyant. In Europe, markets were mixed. While in the UK, the economy was stable, in Continental Europe economic conditions were soft. The Australian economy performed relatively well, with a robust property market.

Power Tools and Outdoor Power Equipment

The Power Tools and Outdoor Power Equipment Division had an extremely successful year, as we quickly integrated the businesses we had acquired in late 2001 and early 2002, while continuing to post strong growth from our established operations and making further productivity gains.

The turnover for the year rose by 65.2% over 2001 to HK\$7,470 million, accounting for 79% of total Group turnover. Operating profits increased by 56.6% to HK\$459 million.



79% of Group Turnover

Branded Businesses

TTI's ability to conceive, design, produce and rapidly penetrate markets with innovative new power tools and outdoor power equipment is unsurpassed, and much of our success in 2002 can be attributed to the new range of products we introduced for our brands. Taking the Division as a whole, we brought out more than 100 new products during the year. Spectacular successes were recorded in a number of items, such as power tool combo kits. New product introduction was supported by a much expanded marketing effort, especially in North America, where we launched an aggressive advertising campaign that reached over 106 million consumers, significantly propelling the demand for Ryobi power tools.

Ryobi During 2002, we continued to maintain strong Ryobi brand sales momentum in the United States, doubling the year-on-year revenue, based on our marketing slogan of "professional features, affordable price".

At the same time, we restructured and integrated the operations we had more recently acquired and established in Europe and Australasia in August 2001 and in February 2002 respectively, successfully implementing a new product strategy and positioning the Ryobi brand as in North America. In both cases, we quickly consolidated product development, manufacturing and product procurement to TTI, enabling new ranges appropriate for the local markets to be put in place by the fourth quarter. This led to an immediate increase in sales. The new product ranges also resulted in a marked increase in customer value and innovation, dramatically raising the Ryobi brand profile in these markets.





Much of our success in 2002 can be attributed to the new range of products we introduced for our brands



During 2002, we continued to maintain **strong Ryobi brand** sales momentum in the United States, doubling the year-on-year revenue



TTI's ability to conceive, design, produce and bring to market quickly innovative new power tools and outdoor power equipment is unsurpassed

We provided our OEM/ODM customers with the **innovative products** required to keep their lines competitive in both price and features

Homelite Integration of the Homelite brand of outdoor power equipment that TTI acquired was also a critical initiative for 2002. Homelite is an important name in outdoor power equipment in the United States and other regions, and its acquisition makes TTI a force in the industry. In only its first year of operation as part of TTI, sales of Homelite outdoor power equipment products achieved our targets and contributed positively to the Group's bottom line.

Contract Businesses

In addition to its branded businesses in power tools and outdoor power equipment, the Group designs and manufactures these items on a contract basis for the private labels of major retailers around the world and as an original equipment manufacturing and original design manufacturing (OEM/ODM) supplier to a number of leading brands. These customers remain of strategic importance to TTI.

During the year we spared no effort to ensure that we continued to be the supplier of choice to our contract customers by virtue of our ability to meet their particular needs. Our comprehensive

contract manufacturing service and reputation for quality of product and service again stood us in good stead, and we provided our OEM/ODM customers with the innovative products required to keep their lines competitive in both price and features. Our customers also benefited from the efficiencies afforded by our economies of scale, depth of engineering and design capability, and flexible production processes.

Outlook

The outlook for the economies in which we operate is difficult to predict. But TTI has the capability to develop more high quality, feature packed power tools and outdoor power equipment products than the competition. Having a cost effective and flexible manufacturing base will continue to make us competitive, profitable and reliable. We are therefore confident of achieving further growth.

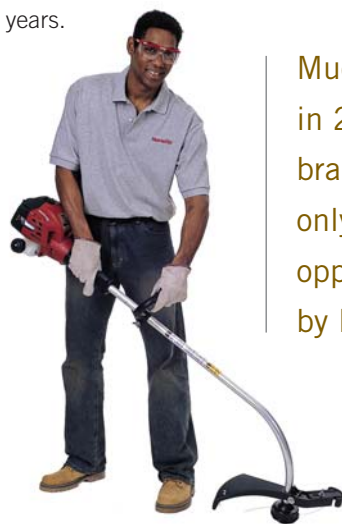
North America We expect solid results from our US operations. Remodeling, our target market in power tools, is forecast to continue on a stable rising course and our growth model is based in large part on gaining market share, rather than relying on overall industry growth.

Much of our sales increase in 2003 will be fueled by our branded businesses. First quarter 2003 sales in the United States indicate that considerable momentum is likely to be sustained throughout the year and we have only just begun to exploit the opportunities offered by Homelite. We intend to expand both the power tools and outdoor power equipment product categories.



Europe Given our strong fourth quarter 2002 and first quarter 2003 performance across Europe, the potential for the Ryobi brand in Europe is considerable. In the near term, growth will come from the complete new range of power tools and outdoor power equipment that will be launched during 2003. In launching these, we will focus our efforts on high-volume customers. We are actively establishing our presence in the most rapidly developing markets in Western Europe and are also exploring expansion of these businesses into Russia and Eastern Europe.

Australasia In Australia and New Zealand, having laid the foundations for major brand development, we intend to aggressively to pursue the high-volume consumer market as well as enter the professional trade market, with a view to doubling the size of our business within three years.

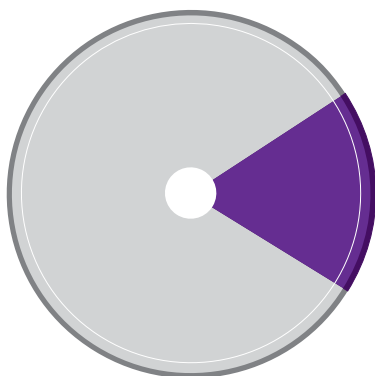


Much of our sales increase in 2003 will be fueled by our branded business. We have only just begun to exploit the opportunities offered by Homelite

Floor Care Appliances

The Floor Care Appliances Division had another solid year of growth, capped by our announcement in December 2002 that we would acquire the operations of Royal, by way of a merger, a move that will transform this aspect of TTI's business.

Revenue for the year rose 41.9% over 2001 to HK\$1,662 million, accounting for 18% of Group turnover. Operating profits increased by 22.2% to HK\$69 million.



18% of Group Turnover





We have a pipeline of new products and are actively engaged in developing more for our own brands as well as on an ODM basis for external customers

Contract Businesses

TTI's reputation for providing a comprehensive contract manufacturing service to the world's leading brands, from design to production, continues to grow. In particular, we enjoy a high degree of trust with our OEM/ODM customers, separating design, engineering, product development and production by customer and centralising common functions that benefit all, such as purchasing and logistics. We provide these customers with value-added services ranging from new product conception to competitive, high-volume manufacturing.

As a result, our OEM/ODM business, which formed the major part of our floor care business in 2002, continued to perform well. The United States remains our major market and despite a soft economy, our contract business saw increased volumes. We continued to work closely with our existing OEM/ODM customer base, which includes leading brands in the US market, to bring to consumers the products they want. In this regard, sales to the majority of our customers increased and were boosted greatly by record shipments of a ground-breaking new product for one customer. In Europe, with its much more fragmented marketplace, we made further headway in cementing key customer relationships.

Branded Businesses

Performance of our Vax brand, for which we have distribution in Australia, the UK and parts of Europe, showed overall gains as new products and business improvement initiatives began to show benefits.

The Australian operations again posted excellent results on the back of respectable growth in the floor care market and new products. Vax occupies a strong position at the premium end of this market, owing to its well-known brand, unique products and extensive distribution system that includes most leading retailers, giving the company a unique competitive edge in the market.

Vax's position in the UK as the leader in the carpet-cleaning segment was maintained through improved merchandising, expansion of the distribution base and successful new product launches. The relocation of manufacturing to Asia in 2001 brought cost gains and improvements to our product development and delivery cycle that helped drive both revenues and profits.

Outlook

The apparently low correlation between demand for our floor care appliances and general economic cycles leaves us confident of achieving organic growth even if the global economies remain soft in 2003. Consolidation of our supply and manufacturing is now complete. We have a pipeline of new products and are actively engaged in developing more for our own brands as well as on an ODM basis for external customers.

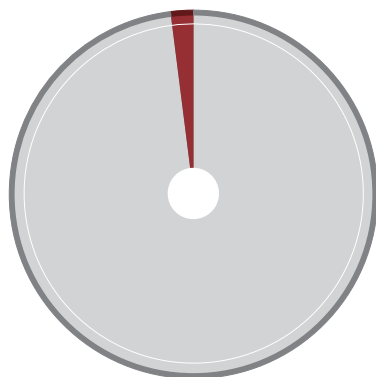
The Royal acquisition, however, will take TTI's floor care appliance business to another stage of development, mirroring that in power tools and outdoor power equipment following the Ryobi and Homelite acquisitions.

Since Royal is a customer of long standing, with excellent management, we expect the integration to be swift and straightforward. The company had already relocated much of its production to Asia, to OEM suppliers including TTI. We intend to continue improving the cost structure and, in so doing, taking in-house those aspects best suited to TTI. We are also rapidly developing a range of products for the brand with the aim of creating a line up for 2003 that is substantially new.



Solar Powered Lighting and Electronic Measuring Products

The Group's electronics business, Solar Wide, consisting of solar powered lighting and electronic measuring products, saw a year of progress and excellent financial results, making a measurable contribution to the Group's profitability. The Division achieved an impressive organic growth in sales of 38.7% during 2002 to HK\$227 million.



2% of Group Turnover

Several new designs of solar lights were introduced in mid-year and saw strong demand. A new line of electronic measuring tools also fuelled sales growth.

All new product introductions were underpinned by aggressive sales and business development programmes that succeeded in expanding relationships with existing customers while attracting new ones. A key factor in this success was the rapid expansion of Solar Wide's manufacturing facilities to meet the new volumes, and timely launch of new products. Operating profits rose by an impressive 160.4% to HK\$37 million, as we kept a tight rein on costs.

Outlook

The success of our solar powered lighting and electronic measuring tools business in 2002 despite unfavorable macro economic conditions bodes well for 2003 where Solar Wide is anticipating more of the same powerful growth. Our well-received product range will see further additions, with growth driven by portable electronic and laser tools and a new line of radio frequency devices. Solar Wide is exploring marketing and development opportunities across the Group.



Our well-received product range will see further additions, with growth driven by portable electronic and laser tools



A key factor in this success was the **rapid expansion** of Solar Wide's manufacturing facilities to meet the new volumes, and timely launch of new products

Production and Logistics

TTI's ability to utilise to the full extent the possibilities presented by dispersed manufacturing underpins its product sales by ensuring a powerful combination of price competitiveness and product quality.

Production

During the year, production was further rationalised as the Group transferred more production to Asia from Mexico and the United States, leaving higher-end aspects in South Carolina, where processes were streamlined to raise efficiency. This is enabling us to raise the engineering content of new products while maintaining a low cost base.

To allow for the increased volume of business, we expanded our production capacity by over 50%. At the same time, we upgraded our production facilities in China to ISO 9001:2000 from ISO 9001:1994. We also established a new engine plant for our outdoor power equipment products in China, meeting the increased need for product calibration to comply with new, more stringent US Environmental Protection Agency standards. The significant progress made will have a positive impact from 2003 onwards.

To improve quality control and enhance production efficiency further, we have also started to use the Oracle Enterprise Resource Planning system in our China and Hong Kong operations.

Overall, these initiatives are part of a commitment to continue to invest in research and development, systems and people, which saw spending on R&D increase by 39.9% over 2001 to HK\$112 million.

Supply Chain and Sales Network

In addition to improvements at our production bases, TTI continued throughout its operations to make marked improvements to the supply chain and customer service levels of its global operations that are expected to achieve measurable productivity gains.



Consolidation of manufacturing locations will further improve efficiencies and costs

Throughout the year, we made particular efforts to **integrate our processes** even more closely with our major retailers, setting up dedicated sales and supply chain management teams

In North America, we made significant changes to operations to the benefit of all our customers. A new radio frequency warehouse management system came into operation that will reduce shipping errors and shortages as well as inventory discrepancies. We upgraded our entire customer service network, including personnel, systems and work environment. To support the much-expanded outdoor power equipment business, we set up a full repair and refurbishing department to handle returns. Additional customer service representatives were hired to cover the calls related to these products. Return and refurbishment centres were established to handle and analyse product returns.

Throughout the year, we made particular efforts to integrate our processes even more closely with our major retailers, setting up dedicated sales and supply chain management teams to handle accounts. The supply chain management team now analyses weekly sell-through by store, forecasts orders and minimises inventory in transit in the supply chain. Inventory analysis was improved to reduce obsolete inventory and better co-ordinate with the sales operation. An analysis of parts history was

conducted to eliminate excess parts and accessories, a process we expect to complete in mid 2003. The Group also set up automated tracking procedures over the internet with its major freight carriers, which will greatly speed up the process of clearing the backlog.

In Europe, progress was made across our operations. On the continent, sales offices were opened in Germany, Austria, Italy and Belgium to serve important customers in these markets. Logistics systems and processes were upgraded to raise productivity. In the UK, we further rationalised costs by consolidating the Ryobi and Homelite warehousing into the Vax facility.

In Australia, integration of the Ryobi acquisition was the key task. The Brisbane warehouse was closed and staffing reduced by 20%, improving the cost base. Capital efficiency was improved and we launched an aggressive programme to divest non-current assets. We also reduced inventory levels, which fell to 60% of those in 2001, while stock turnover doubled.

Outlook

Consolidation of manufacturing locations will continue to improve efficiencies and costs, bringing more products in-house and into Asia, and we will continue to invest in new product development. Refinements to the new distribution system will increase efficiencies and reduce costs. We intend to enhance our in-store service operations and speed up direct shipments to retail stores. After sales service will improve with the addition of a more regional focus to the service groups and service center expansion.