

# chairman's statement

- Ninth consecutive year of double-digit growth
- Acquisition of Royal Appliance Mfg. Co. ('Royal')
- Successful launch of Ridgid® professional power tool line
- Adding the Ryobi brand to our outdoor products in North America

Fiscal 2003 marked another successful and exciting year for TTI. We maintained rapid growth in sales and earnings by all divisions. The strong growth at the Group was the result of TTI's ability to bring new products to the market quickly in response to customer demand and to deepen our customer relationships, especially in the key US market. In addition, we completed the acquisition of Royal Appliance Mfg. Co. ('Royal') and successfully launched the Ridgid® professional power tool line. These developments provide us with a new avenue of growth in floor care and entry into a new market with tremendous potential in power tools. Looking forward, I am therefore confident that TTI's strategic initiatives will continue to deliver strong growth performance well into the future.

## **STRONG GROWTH IN EARNINGS**

Revenues for the Group rose sharply by 38.9% over our 2002 fiscal year to HK\$13.18 billion, with growth shown in every business. The Group's net profit amounted to HK\$674 million in 2003, an increase of 63.2%. Earnings per share increased by 56.1% to HK\$1.03. The robust profit margin gains were driven by a combination of improved product positioning under our brands plus efficiency gains and cost containment programmes in manufacturing and logistics. We also strengthened our financial position, with the net-debt-to-equity

ratio improving from 53.1% as at 30th June, 2003 to net cash as at 31st December, 2003.

I am pleased to announce that the Board is recommending a final dividend of HK17.75 cents per share. Together with the interim dividend of HK7.25 cents per share, this will give a full year dividend of HK25.00 cents per share, against HK16.00 cents for 2002, an increase of 56.3%.

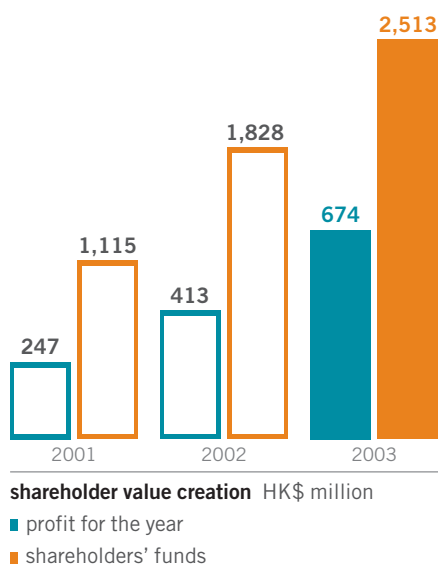
## **SUCCESSSES ACROSS THE GROUP**

Sales of our Ryobi power tools increased in both North America and Europe, as we continued to build on the brand, enhance the product offerings, and offer value creating services, such as our in-store sales, training and merchandising teams in North America. Our private label and OEM power tool businesses, driven by successful new products and promotions, expanded in North America and Europe. In the outdoor power equipment category, we continued to make progress in the Homelite business by expanding the product range and improving product performance. We have also begun the commercial production of outdoor products using the clean engine technology that complies with US emission requirements even in the strictest jurisdictions such as California. The Homelite brand is now well positioned for growth in existing and new product categories and markets.



**Horst Julius Pudwill**  
Chairman and Chief Executive Officer

**We have the business foundation and customer partnerships to capture new opportunities, keeping us on our path of rapid expansion.**



The acquisition of Royal was followed by a smooth integration into the Group and overall, the company's performance has been in line with expectations. Leveraging the Dirt Devil product platform, we expanded the product range for our Vax brand in Europe, enhancing its sales growth and strengthening its market position. TTI acquired the Regina brand in early 2003 and successfully launched a new range of Regina floor care products. In addition, the contract customers of our floor care division continued to grow their business with us through joint development and new product introductions.

The solar powered lighting and electronic measuring business was again an important contributor, delivering another year of very strong growth and margin gains. Its investment in advanced new technologies for the measuring tool category resulted in faster time to market for new products and thereby boosted sales. Solar powered lighting and electronic measuring products also successfully expanded their US market presence through important ODM customers.

**RIDGID® LAUNCH EXCEEDS EXPECTATIONS**

One of the most exciting developments was our expansion into the professional power tools market through the launch of the Ridgid® line, available in North

America at industrial supply channels and The Home Depot. The launch was a tremendous success in every aspect and user acceptance exceeded our expectations. These high quality professional grade products with their attractive designs and features are able to compete with even the most established brands, and testify to TTI's world-leading capabilities in new product development. Ridgid® has tremendous potential. I would like to thank all other parties involved for the full commitment they gave to making the launch a success.

**TOOLS FOR GROWTH**

2004 began with another exciting development with the completion of the Ryobi brand license for the outdoor product category in North America. TTI is now the sole holder of the Ryobi brand for both power tools and outdoor power equipment in North America, Europe and Australasia. This will allow us to capitalise on this powerful brand in both power tools and outdoor power equipment, by maximising the synergies in logistics, marketing and sales. In the outdoor product category, having both the Ryobi and Homelite brands will enable us to offer a wider range of products to a much broader user base, strengthening our presence and providing new growth platforms.

The outlook for 2004 is robust, pointing to another year of rapid organic growth for the Group. The power tool business will



Our global approach to a unified brand platform is supporting continued organic growth

benefit from the continuing expansion of the Ryobi and Ridgid® product ranges. Further integration of Royal will help boost sales of floor care appliances with aggressive new products at volume price points that are enhancing the Dirt Devil range for 2004. Royal's cost structure is improving under the synergies and cost reduction regime of TTI.

The solar powered lighting and electronic measuring business is set for another year of rapid growth. Its development in the US market has progressed rapidly and we expect more gains as we deepen the relationships with its ODM partners. The division will expand its product category, tapping into other high growth markets where it can leverage its existing capabilities.

Over the past few years TTI has made tremendous achievements, consistently delivering strong growth to the point where annual sales now stand at over HK\$13.18 billion. One of the greatest assets that has contributed to TTI's success is our partners and customers.

We have focussed on building the exceptional partnerships that provide TTI with both strength in its existing product lines and opportunity for expansion. To meet the needs of these partners, we aim to be a market leader in every category of our business, providing them with the economies of scale and breadth of product offering that are vital to our mutual success.

We will continue to enhance the value of the brands we have acquired by exploiting the synergies among them in the areas of raw materials sourcing, R&D, logistics and marketing. This should drive sales to new heights while ensuring sustainable growth.

Finally, I would like to thank my fellow directors, management and employees for their efforts during the year. Their task was made especially difficult by the economic uncertainties caused by the outbreak of severe acute respiratory syndrome and the war in Iraq during the first half of 2003. I am confident that the dedicated efforts and teamwork of

every employee will ensure TTI continues to deliver high quality and innovative products that offer excellent value. I would also like to thank our customers for their commitment to making TTI products a success and to our shareholders for their continued support.

TTI has the necessary tools for growth. We have established the business foundation and customer partnerships that will enable us to capture new opportunities, keeping us on our path of rapid expansion.

**Horst Julius Pudwill**  
Chairman and Chief Executive Officer  
Techtronic Industries Co. Ltd.