

review of operations

TTI continued to achieve rapid growth based on a powerful combination of an expanding brand platform, deepening customer relationships and continued excellence in R&D, manufacturing and supply chain management.

The brand platform was strengthened in both floor care and power equipment. The Royal acquisition brought into the TTI floor care portfolio the Dirt Devil and Royal brands, to which we have also added the Regina brand, giving us three distinct growth platforms in this category. In early 2004, we added the Ryobi brand to our outdoor power equipment in North America, strengthening this brand across all categories.

The launch of Ridgid® professional power tools highlighted not just our ability to develop innovative products quickly, but to work closely with our customers.

We have cemented key customer relationships further through initiatives such as in-house sales and merchandising teams. Further integration of our global operations improved overall efficiency, driving our growth in both sales and profit.

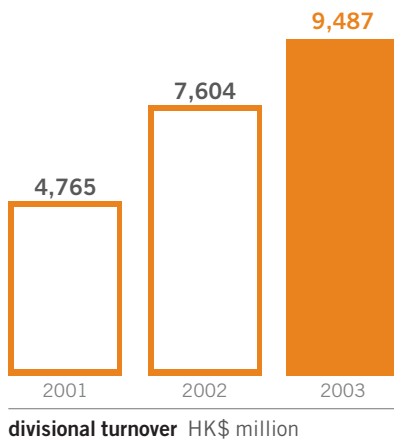
A market driven approach is driving gains in user acceptance, brand loyalty and profitability.



| Ryobi – 12" Dual-Bevel Sliding Compound Mitre Saw with Laser Guide

power equipment products

The Power Equipment Products division delivered another successful year, reporting strong gains in revenues and profits. Robust new product introductions in all of our major markets were responsible for the excellent growth, especially the striking success of the Ridgid® professional power tool line.



Turnover for the division grew 24.8% to HK\$9.49 billion, accounting for 72.0% of total Group turnover. Operating profits rose by 38.5% to HK\$653 million, reflecting the major contributions from new products and strong operational efficiency gains.

POWER TOOLS

Ryobi

Ryobi power tools continued to exhibit strong growth as a result of an expanded product line and well-timed and well-executed product promotions to the do-it-yourself (DIY) and light duty professional markets.

In North America, to serve our customers better, we established our own in-store sales, training and merchandising teams, giving us direct interaction with consumers. This led to dramatic results as better-trained store personnel helped customers make more informed buying

decisions, which significantly increased sales while delivering high-impact and lasting brand awareness. In addition, we significantly enhanced overall operational efficiency, while the immediate direct market feedback enabled us to react quickly to the merchandising needs of our retail partners. We believe long-term gains in customer service, market share, brand loyalty and, most importantly, profitability will be realised from this market driven approach.

In Europe, sales registered solid double-digit increases as we continued to develop our brand profile and expand the product range. By strengthening the competitive depth and breadth of the Ryobi product offering, we were able to gain market share and appeal to a much larger customer base. Ryobi products are marketed in this region through high-volume home improvement retailers and power tool specialist retailers.

OUTDOOR POWER EQUIPMENT

Homelite

During 2003, we continued to make progress in advancing the Homelite business. With the relocation of our production to Asia, we made substantial gains in productivity and in overall product performance. An expanded product range and high-impact promotions helped drive an increase in sales despite the adverse effect of unusually cold weather during the first quarter in the United States.

There were several important product launches during the year. We entered the professional string trimmer market through our private label business. We introduced a new range of 'Expand-it' attachments, demonstrating our ability to leverage both brands and production processes to generate additional revenues. The design and production of a new range of petrol-driven engines for our outdoor portable power tools has also positioned us well for the future. These new engines meet even the toughest emissions standards in the United States, and hence offer a robust platform for new product development.

CONTRACT BUSINESS

Our contract business in power equipment products remained strong, as our partners shared the benefits of TTI's improved productivity and economies of scale.

During the year, we added a new private label business to the division with the development of a comprehensive line of professional power tools for our major partner under the Ridgid® brand. The launch exceeded expectations and marks TTI's entry into an entirely new market segment. The Ridgid® line offers a level of quality comparable with the leading established professional brands while encompassing innovative designs and features that differentiate it from the competition. Launched only in the final quarter of 2003, the line nevertheless made a remarkable sales contribution to the Group. Going forward, professional power tools will be a major programme for our power tool business.

Our other contract businesses showed marked increases in revenues and we remain a key supplier to a number of important household names in North America and Europe.



Ridgid® – 18 Volt Cordless Combo Kit

With both the Ryobi and Homelite brands, we will be able to offer a wider variety of outdoor power equipment to a much broader user base.

Homelite
Simply Reliable™

Homelite – Timberman 45cc Petrol Chainsaw



Ryobi – 1800 Watt Mulching / Blower Vacuum

OUTLOOK

The growth outlook for the division remains robust in 2004. Sales will be boosted by a continued flow of new products, entry into new product categories and the commitment of more resources for sales and marketing. We also expect further enhancements to productivity as relocation of production to Asia continues, alongside the rationalisation of operations.

North America

The new in-store sales and service teams, coupled with improved logistics in the US operation, will have a positive impact on sales and profits in 2004. We expect to leverage our direct market intelligence to enhance product development and store merchandising, as well as to deepen the relationships with our partners. We will continue to expand both the power tools and outdoor power equipment product categories. In power tools, the well-received Ridgid® line offers TTI an entirely new avenue of growth.

In outdoor power equipment, the inclusion of the Ryobi brand in the North American market will create new opportunities and speed up the development of this business, with significant sales contributions expected beyond 2004. With both the Ryobi and Homelite brands, we will be able to offer a wider variety of products to a much broader user base. In addition, we will focus on enhancing product performance and reducing costs by transferring more production to our Asian manufacturing base, a process we expect to complete by 2004.

Europe

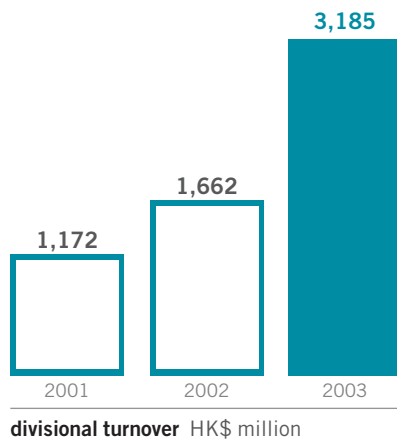
Modest improvement in the European economies is expected in 2004 and this should support sales, which we aim to boost through the introduction of more new products targeted at the DIY and lighter duty professional segments. The new products will replace existing older tools, offering better price-feature benefits, and add new categories to the ranges. A growing number of retail partners will benefit from direct shipments through our Asia supply chain and inventory management is expected to improve with the implementation of better forecasting procedures. New products, effective promotions and unified brand positioning across geographic markets will boost sales, while rationalisation of operations will allow us to maintain a steady overhead for the enhanced production volumes.

Australasia

The market for power tools and outdoor power equipment remains competitive, but the Ryobi and Homelite brands are well positioned with strong retail partners and a high level of user awareness. Leveraging product development activities globally, a dynamic supply of new products and promotions will feed the brands. Logistic improvements and rationalisations will deliver cost and customer service benefits.

floor care appliances

The Floor Care Appliances division recorded strong growth in revenues, led by acquisition of Royal Appliance Mfg. Co. ('Royal') in April 2003 and significant gains both in Europe and in the contract manufacturing business in North America.



We also successfully integrated the operations of Royal. The Royal integration has combined its product innovation and marketing strength with TTI's supply chain cost leadership, resulting in a significant competitive advantage.

Turnover for the division surged by 91.6% to HK\$3.19 billion accounting for 24.2% of the total Group turnover. Operating profits increased by 79.7% to HK\$131 million.

Margins, excluding the dilution effect of Royal, improved when compared with 2002 and we anticipate further gains, with the continued integration of Royal's operations and associated cost rationalisation programmes.

ROYAL

The acquisition of Royal was an important step in the evolution of our floor care business, a greatly increasing the size of our branded presence in the key North American markets, expanding our customer base and adding product technologies and development capabilities to TTI. Royal owns both the Royal brand, targeted at retail floor care specialists, and the Dirt Devil brand that is sold to consumers through leading mass-market retailers. Dirt Devil is one of the principal brands in the North American floor care industry and, through its patented technology, a leader in the growing 'bagless' vacuum segment. TTI added to this portfolio with the acquisition of the Regina brand in early

2003, which it successfully launched with a major retail partner, establishing an exceptional future growth platform.

Our focus for this business during the year was to achieve a smooth integration of Royal's extensive operations into the TTI Group, duplicating the successful Ryobi model of transferring the 'back-end' engineering and manufacturing functions to Asia while strengthening the logistics, brand marketing and new product concept capabilities in Royal's home markets. This integration has created a highly efficient and low cost global supply chain with round-the-clock new product design capability.

Since TTI had been a supplier to Royal for many years, we were able to execute the integration with minimum disruption, supported by the core team of excellent managers who stayed with the company. We are also well positioned to offer our high-volume retail partners both direct shipments from Asia and integrated logistic services through Royal's state-of-the-art distribution facilities in Cleveland, Ohio and Ontario, California. This uniquely flexible logistics system provides Royal and its retail partners opportunities for improved inventory management with reduced production-to-customer cycles.

In Europe, we made progress in establishing a platform for both Royal and Dirt Devil products in Germany and other Central and Eastern European markets. By combining timely product innovations with

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| Vax – Turbo Force, 1700W Cyclonic Vacuum Cleaner



Dirt Devil – Spot Scrubber

aggressive new marketing programmes, Dirt Devil is now one of the leading brands in the large German market. Profitability at these operations benefited during 2003 from an appreciation of the Euro against the US dollar.

VAX

Vax had a very good year as it leveraged the Royal bagless technology with the introduction of a new range of upright vacuums into the United Kingdom and Australasia, its largest markets. Vax has significantly diversified its business from multi-function carpet cleaners to the much larger dry vacuum cleaner category. The accelerated new product development process resulting from the Royal integration, plus important sales and marketing efforts, have helped us develop strong relationships with our channel partners, as well as creating product offerings to differentiate Vax from its competitors. These initiatives enabled Vax to deliver gains in market penetration.

CONTRACT BUSINESSES

Our contract businesses (OEM/ODM) in floor care appliances performed well in 2003. We achieved strong growth in revenues while maintaining a competitive cost position through vigorous cost containment, vendor management and value-analysis programmes. We worked closely with leading household names to provide turnkey engineering and manufacturing solutions at competitive cost, by leveraging our purchasing power and efficient Asian production base. Activities to increase our product development and product testing capabilities in both depth and breadth continued throughout the year. These services provide considerable value to our contract customers through improved product innovation and time-to-market.

OUTLOOK

The strategic initiatives executed in 2003 have positioned the Floor Care Appliances division to take advantage of worldwide market opportunities. In 2004, our efficient supply chain infrastructure, well-positioned brands, effective product development process and retail and contract partnerships should support double-digit organic growth.

We understand that product innovation is a strategic commitment of our partners, and hence we will continue to build our competitive advantage through dedication and enrichment of our new product development processes. To enhance product innovation and increase development capacity, product engineering teams are focused by brand and partner.

Further efficiency gains will be realised from the continuing integration of the Royal operations throughout the first half of 2004. We are well positioned to drive growth by introducing new products into existing and new categories, through aggressive brand promotions, and by leveraging our excellent relationships with our partners to secure greater acceptance of our products. The combination of our bagless technology patents, the new breadth of our product line and our proven ability to deliver economies of scale to customers promises continued revenue and profitability growth.

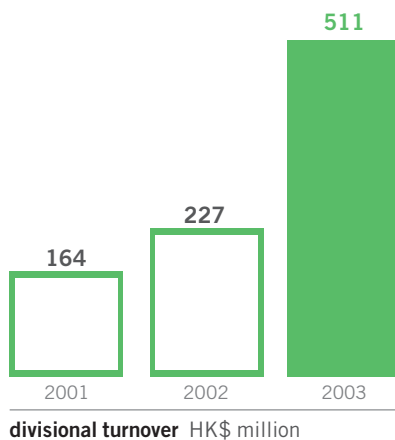
Across our North American product lines, we intend to devote more resources to sales and marketing, to enhance brand preference and long-term loyalty for Royal, Dirt Devil and Regina products on the part of consumers. Our other floor care businesses, Vax and the European operations, will also benefit further from the new product platforms made possible by the Royal acquisition. New marketing and brand-building initiatives will be launched to drive sales.

Sales were driven by new products in response to strong customer and end-user demand.

Solite – Sirius Solar Powered Light

solar powered lighting and electronic measuring products

The 2003 financial year marked a new important milestone for TTI's solar powered lighting and electronic measuring products business, as it further developed the key US market and continued its rapid expansion.



Turnover rose by 125.1% year-on-year to HK\$511 million. Strong sales growth was combined with stringent cost control to produce an equally impressive rise in profits.

Sales were driven by the introduction of new products in every category in response to strong customer and end-user demand. Solar lighting, laser layout devices, digital measuring tapes and stud sensors all saw vibrant sell-through.

Demand was further boosted by a major expansion of our business in the the North American market, as we developed relationships with important ODM partners, launching new products derived from our core technologies and patented intellectual property. These customers provided additional distribution channels of enormous potential for our products, which were maximised through TV advertising campaigns that raised product awareness and created strong sell-through at the retail level.

Contributing to the year's success was the buoyant demand for our products and the Group's ability to meet that demand. During 2003, we made timely investments in additional manufacturing capacity, as well as employees and R&D personnel.

Automation was increased in a number of areas, raising productivity, and in measuring tools we introduced new, patented technologies to strengthen the product line.

OUTLOOK

We expect another successful year in 2004. Our broader penetration into the US market has paved the way for rapid expansion in the world's largest market, especially in the digital measuring tools category. Our innovative new products and deepening ODM partnerships will continue to fuel momentum. Further expansion in our traditional product categories in the US and European markets, combined with the launch of the electronic infant care range, should enable the business to maintain its high-growth trajectory.



Digital measuring tapes and Stud sensors

product innovation

We firmly believe that our core competence is in converting market knowledge into strategic product development. This is essential to delivering on-time innovative products, ensuring our competitiveness in world markets.

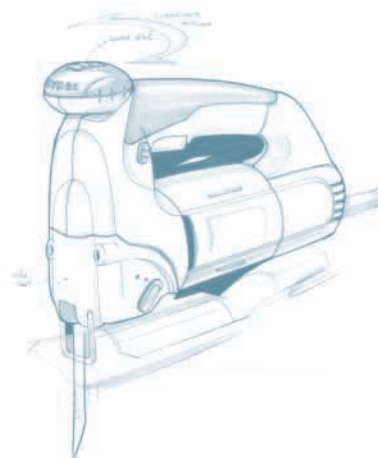


We have structured product development on a global basis linking our teams in the US and Europe together with our operational and manufacturing hubs in Hong Kong and China. These operations have joint responsibility for market research, testing and the conceiving of new designs. The concepts derived are then turned into final products by the product development and engineering teams in Hong Kong and China.



The Ridgid® line of professional power tools is a fine example of this process in action. We were able to deliver powerful features and benefits targeted at the professional user while surpassing speed-to-market expectations.

We continue to expand the depth of our product development resources by strengthening R&D and engineering teams globally. We have invested in extensive testing and regulatory



‘When Dirt Devil decided to name its new vacuum the “Power Stick”, it wasn’t fooling around.’

Popular Mechanics
November, 2003



Dirt Devil – ‘Power Stick’ Vacuum Cleaner



Ridgid® – AC 5" Random Orbit Sander

‘All tools in the line (Ridgid®) are the result of two years of exhaustive research of marketplace trends and extensive design and testing, these tools are designed to compete both in performance and price.’

Popular Woodworking
November, 2003



laboratories in the US, Hong Kong and China. With these testing facilities in place and running efficiently, we are able to shorten concept testing, product verification and regulatory approvals, which in turn results in faster market penetration.



Looking forward, our goal is to become more of a driver and creator of innovative products that are new to the markets in which we compete. Thus, we have established dynamic, multidisciplinary teams of product developers with the task of exploring market concepts beyond our immediate requirements. We are confident that our product innovation programs will continue to contribute to the Group's profitable growth by delivering products that satisfy the expectations of end-users.

‘Ryobi tools perform very near the levels of the higher-priced Pro Grade tools.’

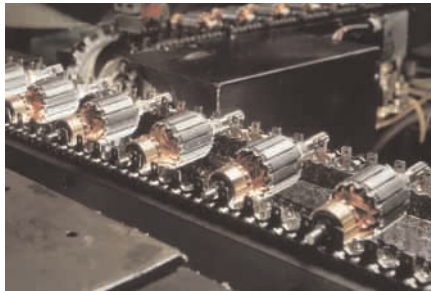
Workbench
2003



Ryobi – AC Variable Speed – Orbital – Scrolling Jig Saw

operations, manufacturing and logistics

TTI has unique strengths in its manufacturing, logistics and engineering capabilities — a strategic platform that forges significant competitive advantage in all markets. Global OEM businesses partner with us because we deliver high-volume capacity, superior engineering, flexible production processes on a broad range of products, global reach and economies-of-scale.



Our strategic platform for manufacturing forges significant competitive advantage in all markets

LOGISTICS AND CUSTOMER SERVICE

Throughout the year, the introduction of new products was supported by efforts to work more closely with our partners at every level as well as to streamline the supply chain in order to improve the service we offer to them and contain costs. We apply strict quality assurance programmes to our production processes and to our many suppliers to ensure world-class quality in our products and services.

During 2003, in North America, we established our own in-store sales and service teams to serve our major customers better. We also consolidated our two distribution centres into a single high-volume distribution centre for our US operation, resulting in quicker turnaround time and lower costs during peak shipping seasons.

In Europe too, TTI continued to rationalise the distribution structure. We opened a new warehouse in France to meet the expanding demand for our products.

This helped improve inventory management and reduced operation costs. New sales branches were opened in Italy and the Benelux countries.

PRODUCTION

We continue to transfer more production to our facilities in China and raise the proportion of materials and components sourced in Asia. In addition, TTI utilises flexible assembly lines to maximise operational efficiency. All these efforts aim at lowering costs and shortening response time to our partners. We were also effective in responding to the outbreak of SARS, successfully maintaining uninterrupted supply of goods to our partners.

To plan for our extensive future growth, we acquired land for a new integrated facility, where we intend to expand our production in phases beginning in 2005. This 300,000 square metre complex will increase efficiencies and synergies by housing a world-class engineering and operations centre in one location.