



Techtronic Industries

the growth continues

interim report 2004



corporate profile

Techtronic Industries Co. Ltd. (TTI or the Group) is a global leader in the design, manufacture and sale of home improvement products, with sales in 2003 of HK\$13.18 billion (US\$1.69 billion). Its principal areas of business are power tools, outdoor power equipment, floor care appliances, solar powered, laser and electronic measuring products.

TTI maintains an expanding stable of well-established and fast-growing brands, including Ryobi® power tools, Ryobi® and Homelite® outdoor power equipment and Royal®, Dirt Devil®, Regina® and Vax® floor care appliances.

These branded products are sold in close collaboration with many of the world's major retailers in North America, Europe and Australasia.

TTI is the preferred partner of other leading home improvement brands. For retailers, it offers a comprehensive service to produce a complete product range sold under their own private labels. For independent brands, TTI works on an original equipment and original design manufacturing (OEM/ODM) basis, providing custom solutions that include product design, engineering, manufacture, supply chain management and market support.

The Group is headquartered in Hong Kong and maintains manufacturing and research facilities in Asia and North America, as well as a customer servicing network in North America, Europe and Australasia. It employs approximately 16,300 people worldwide.

Founded in 1985, TTI has achieved consistent average revenue growth of 39% annually over the past five years. It has been listed on The Stock Exchange of Hong Kong since 1990 (HKEx: 669) and maintains a Level 1 American Depositary Receipt (ADR) programme through the Bank of New York (ADR: TTNDY). TTI has been honoured by many awards from customers, publications and other organisations.

financial highlights

| for the six months period ended 30th June | 2004 | | 2003 | | 2004 | | 2003 | | Changes | | |
|--|----------|-----|-----------|-----|----------|-----|-----------|--|---------|--|--|
| | HK\$ m | | HK\$ m | | US\$ m | | US\$ m | | % | | |
| RESULTS | | | | | | | | | | | |
| Turnover | 6,724 | | 4,815 | | 862 | | 617 | | +39.7 | | |
| Profit for the period | 299 | | 211 | | 38 | | 27 | | +41.8 | | |
| Earnings per share, basic (HK / US cents) | 22.49 | | 16.28 | | 2.88 | | 2.09 | | +38.2 | | |
| Interim dividend per share (HK / US cents) | 4.500 | | 3.625 | | 0.577 | | 0.465 | | +24.1 | | |
| FINANCIAL POSITION | | | | | | | | | | | |
| Shareholders' fund | 2,748 | | 2,513* | | 352 | | 322* | | +9.3 | | |
| Book value per share (HK\$ / US\$) | 2.06 | | 1.90* | | 0.26 | | 0.24* | | +8.4 | | |
| Gearing ratio | Net Cash | | Net Cash* | | Net Cash | | Net Cash* | | N/A | | |
| TURNOVER BY PRINCIPAL ACTIVITY | | | | | | | | | | | |
| Power equipment products | 4,712 | 70% | 3,467 | 72% | 604 | 444 | +35.9 | | | | |
| Floor care appliances | 1,717 | 26% | 1,122 | 23% | 220 | 144 | +53.1 | | | | |
| Solar powered, laser and electronic measuring products | 295 | 4% | 226 | 5% | 38 | 29 | +30.6 | | | | |
| TURNOVER BY GEOGRAPHICAL MARKET LOCATION | | | | | | | | | | | |
| North America | 5,259 | 78% | 3,784 | 79% | 674 | 485 | +39.0 | | | | |
| Europe | 1,084 | 16% | 767 | 16% | 139 | 98 | +41.4 | | | | |
| Other countries | 381 | 6% | 264 | 5% | 49 | 34 | +44.4 | | | | |

* as at 31st December, 2003

management's discussion and analysis

TTI continued to deliver record results with strong performance across all divisions in the first half of 2004. Total Group turnover for the period under review was HK\$6,724 million, an increase of 39.7% over the same period of 2003. Net profit rose by 41.8% to HK\$299 million. Earnings per share grew 38.2% to HK22.49 cents. The Directors recommend an interim dividend of HK4.500 cents, as compared with HK3.625 cents at the interim of 2003 when adjusted for the stock split.

We recorded high double-digit revenue growth across all lines of business and in all geographic markets. This, again, demonstrates the Group's leading position in the home improvement industry. Our success has been driven by our ability to deliver innovative new products and high impact marketing programmes, capitalising on TTI's stable of well-recognised brands and providing our customers with high quality products and services.

During the six months under review, we had two major business developments. Firstly, we have added and integrated the Ryobi brand for the outdoor power equipment category in North America into our operations. Secondly, following the success of the initial launch of the RIDGID® line in the fourth quarter of 2003, the Group, in collaboration with The Home Depot (the world's largest home improvement specialty retailer), has continued the marketing efforts and achieved further penetration of the professional power tool category.

We improved our gross margin despite pressure from rising raw material prices, by further rationalising our operations, leveraging our economies of scale and centralising key group-wide purchasing functions. Net margin was comparable to last year despite higher amortisation on goodwill associated with the purchase of the Royal Appliance Mfg. Co. (Royal).

TTI's balance sheet continues to reflect significant liquidity and a strong capital base. In June 2004, we have announced the issue of US\$140 million five year Zero Coupon Convertible Bonds, which was well received by a broad range of investors. Our solid financial position will enable us to invest in future growth.

BUSINESS REVIEW

Power Equipment Products

Turnover for the power equipment products division increased by a robust 35.9% over the same period of 2003 to HK\$4,712 million, accounting for 70.1% of Group turnover. Growth was seen in all key markets and all product segments, as we continued to gain market share.

In North America, our well-established Ryobi consumer power tool line continued to deliver strong organic growth, driven by value store-level service programmes with our retail partner and exciting marketing plans. The RIDGID® professional grade power tools continue to sell well on their merits of innovation, durability and quality. Both Ryobi and RIDGID® have successfully been positioned to achieve differentiation from other power tool brands. The RIDGID® tools have been recommended by a number of trade magazines as "Best Value" products. TTI has also earned a Silver 2004 Industrial Design Excellence Award (IDEA) for its design strategy used in the line of 35 RIDGID® brand professional power tools.

In Europe, we are on track in expanding our presence. All our major markets recorded strong sales and profit expansion as a result of better brand positioning and introduction of new products. In continental Europe, despite a weaker economy overall, new Ryobi branded products launched during the period were well received and allowed us to increase market presence in countries such as the United Kingdom, Germany, France, Spain and Italy. The sales expansion was also supported by improved after-sales service and the further development of the website, which has enhanced productivity by allowing on-line ordering of parts.

In the outdoor power equipment category, Homelite and Ryobi saw considerable revenue growth in North America with strong demand and improved supply chain management. Ryobi outdoor products in Europe delivered significant gains over the last year, also reflecting positive demand for the products.

Floor Care Appliances

Turnover at the floor care appliances division rose by 53.1% over the same period of last year to HK\$1,717 million, accounting for 25.5% of Group turnover.

Royal continued making progress as it gained product listings at its major retail customers with new products. Benefiting from its integration with the Group, Royal has improved its cost structure in North America and streamlined the product development process. Much of these savings will be invested in marketing the powerful "Dirt Devil" brand of floor care products. The European operation continued to deliver spectacular growth, especially in Germany, rising to the number two position.

Vax also made good progress in its markets. Our UK operation delivered exceptional revenue growth as existing inventory was cleared and new models jointly developed with Royal were introduced under the Vax brand. Cost containment programmes and new unique products are positively impacting margins. In Australia, Vax gained national supplier status from its main customer and continues to meet its growth plan.

We also continued to strengthen our OEM business, which experienced rapid growth as we provided customers with well-received products and entered into new contracts with two major brand name companies.

Solar Powered, Laser and Electronic Measuring Products

Our solar powered, laser and electronic measuring products business again had an excellent half year. Turnover increased over the same period of 2003 by 30.6% to HK\$295 million, accounting for 4.4% of Group turnover. Sales were driven by an expanded product offering in all categories. Our recent investment in technology is enabling the business to respond more rapidly to the market needs for innovative new products.

PRODUCTION AND LOGISTICS

The Group remained focused on improving its inventory management, with new monitoring procedures put in place. Under these efforts, the Group has been strengthening customer relationships by integrating their requirements into our ordering and forecasting systems, reducing inventory and improving productivity for both TTI and its customers.

During the first half of the year, the Group has completed the restructuring of Royal's operations, in line with the Group's overall strategy of ensuring cost-effective manufacturing. With ongoing integration programmes at Royal, this will further reduce its fixed cost base.

OUTLOOK

Looking into the second half of 2004, we have every reason to be confident that the strong growth momentum will be maintained. The Group will continue to expand its product categories. Capitalising on our brands, we will be able to offer a wider range of quality and innovative products to our customers.

Power tools will benefit from the planned introduction of new Ryobi tools in all geographic markets. In addition, with RIDGID® now firmly positioned in the marketplace, we anticipate even stronger growth during the second half of the year as we expand further in the professional power tools segment.

In outdoor power equipment, having both the Ryobi and Homelite brands, we will continue to strengthen our product platform, ensuring a wider range of products to a much broader customer base.

In floor care products, Dirt Devil will drive revenues through new product placements at retail, supported by stronger marketing efforts. We expect Vax to continue its excellent performance, as we extend the product range, deepen customer relationships and increase advertising to promote brand awareness. While we continue to grow our business in floor care, efficiency gains and cost reduction efforts will positively impact margins.

For the solar powered, laser and electronic measuring business, we expect sales growth in all product segments and markets. The division will continue to expand by increasing its product offerings in new infant care products, while accelerating the development and launch of new electronic hand tools and laser tools. In addition, we will invest in revolutionary patented technology for the solar category to ensure continued flow of innovative products to the market.

In summary, TTI is well positioned to deliver high growth for 2004. Despite the economic uncertainties, experience shows that our businesses are largely resilient to changes in housing construction activities. Our expansion momentum will be driven by further product and market diversification. While maintaining our focus on our core businesses, we will seize opportunities to expand into segments of these markets where the Group can unlock their potential. The consumer and our shareholders stand to benefit as the growth continues.

financial review

Results Analysis

The Group reported a revenue growth of 39.7% for the period under review to HK\$6,724 million, contributed by strong organic growth of all business units and major markets. Profit for the period increased by 41.8% to HK\$299 million. Earnings per share increased by 38.2% to HK22.49 cents.

Gross margin improved from 26.9% in the first six months of 2003 to 29.8% for the period under review. The improvement was the result of favourable product mix, combined with the Group's ability to leverage the expanded volume of business and new markets. When compared to the 29.6% gross margin reported for the full year 2003, the margin also improved, demonstrating that our overall margins have not been affected by the increase in various raw material and component costs since the fourth quarter of 2003.

The Group's own brand business continued to expand, its sales contribution increasing from 59.0% to 74.1% in the first half of 2004, representing an increase of 75.2%. As a result, selling, distribution, advertising and warranty expenses as a percentage of Group turnover increased from 9.9% to 10.3%.

To maintain the growth momentum, the Group continued to make investments in the design and development of innovative, high quality products. For the six months under review, the Group spent HK\$165 million or 2.5% of Group turnover on the design and development of new products, as compared to 1.5% reported last year. The rise in administrative expenses was due to the higher amortisation of goodwill associated with the purchase of the Royal operation, as well as an increase in staff costs, following the Group's strategy to improve the quality of its management resources.

Liquidity and Financial Resources

The Group's working capital position remained healthy. As at 30th June, 2004, net current assets stood at HK\$2.15 billion as compared to HK\$1.62 billion as at 30th June, 2003 and HK\$1.98 billion as at 31st December, 2003. The Group's working capital requirement is normally higher in the first half year as it prepares for the peak shipment period in the second half. As the Group's cash flow generating capacity remains strong, the working capital position is expected to further improve by the end of the year.

Total inventory value only increased by 1.9% as compared to the balance as at 31st December, 2003 despite the fact that revenue increased by over 39.7%. Average inventory days was at 68 days, an improvement of 10 days when compared to inventory turnover of the same period last year. Trade receivables improved by 2 days to 48 days when compared to same period last year.

Trade and other payables were at 53 days and bills payable were at 60 days, as compared to 63 days and 55 days respectively for same period of 2003.

The Group was in a net cash position as at 30th June, 2004, as compared to a gearing level of 53.1% reported for the same date last year. The gearing ratio is expressed as a percentage of total net borrowings to total equity. Total borrowings improved from HK\$2.37 billion reported last period to HK\$1.96 billion for the period under review, and there was no material change in total borrowings when compared to the balance as at 31st December, 2003.

The Group's major borrowings are in US Dollars and HK Dollars. Other than the fixed interest rate Notes issued last year, borrowings are all based on LIBOR or HK best lending rates. As the majority of the Group's revenues are in US Dollars and major borrowings and payments are either in US Dollars or HK Dollars, the currency risk exposure is relatively low, since there is a natural hedging mechanism in place. The Group continues to monitor and manage its currency and interest rate exposures.

Net interest expenses for the period under review amounted to HK\$37 million, an increase of only HK\$3 million when compared to the same period last year. Interest coverage, expressed as a multiple of profit before interest and tax to total net interest was 10.35 times, an improvement from the 8.17 times reported for the first six months of 2003.

Capital expenditure for the period amounted to HK\$124 million, and was in accordance to the Group's budget and guideline. Depreciation charges for the period under review were HK\$161 million.

Issue of Zero Coupon Convertible Bonds

On 16th June, 2004 the Group announced the issue of five year Zero Coupon Convertible Bonds at par. The aggregate principal amount of the Bonds was US\$140 million (approximately HK\$1,092 million). The Bonds will be due in 2009 and convertible into Ordinary Shares of the Company. The initial conversion price is HK\$16.56 per share, representing a premium of 38% over the closing price of the share on The Stock Exchange of Hong Kong Limited on 16th June, 2004. Assuming full conversion of the Bonds at the initial conversion price of HK\$16.56 per share, the Bonds will be converted into approximately 65,922,584 shares, representing approximately 4.93% of the issued share capital of the Company as at the date of announcement and approximately 4.71% of the issued share capital of the Company as enlarged by the issue of the conversion shares. Unless previously redeemed, converted or purchased and cancelled, the company will redeem each Bond at 107.76% of its principal amount on the maturity date of 8th July, 2009. However, on or after 8th July, 2007 and prior to the maturity date, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of the Bonds at 104.59% of their principal amount.

The Bond issue raised immediate funds that can be used for general corporate and working capital purposes including financing possible acquisitions and when converted will enlarge the shareholder capital base, which will facilitate the development and expansion of the Company.

The issue of the Bonds was successfully closed on 8th July, 2004.

Capital Commitment and Contingent Liabilities

As at 30th June, 2004, the capital commitment not provided for in respect of land in Dongguan, PRC amounted to approximately HK\$28 million. Total capital commitment as at 30th June, 2004 amounted to HK\$121 million compared to HK\$89 million as at 31st December, 2003.

There are no material contingent liabilities or off balance sheet obligations other than trade bills discounted in the ordinary course of business.

Charges

None of the Group's assets are charged or subject to any encumbrance.

Human Resources

The Group employed a total of 16,294 employees (2003: 16,112 employees) in Hong Kong and overseas. Total staff costs for the period under review amounted to HK\$647 million as compared to HK\$492 million same period last year. The increase was due to the expansion of the Group's operations.

The Group regards human capital is vital for the Group's continuous growth and profitability and remains committed to improve the quality, competence and skills of all employees. It provides job related training to all staff.

The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

interim dividend

The Directors recommend an interim dividend of HK4.500 cents per share (2003 interim dividend : HK3.625 cents). The interim dividend will be paid to shareholders listed on the register of members of the Company on 17th September, 2004. It is expected that the interim dividend will be paid on or about 30th September, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 13th September, 2004 to Friday, 17th September, 2004, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Secretaries Limited, at G/F, Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00p.m. on Friday, 10th September, 2004.

condensed consolidated income statement (unaudited)

for the six months period ended 30th June, 2004

| | Notes | 2004 HK\$'000 | 2003 HK\$'000 | 2004 US\$'000 (Note 13) | 2003 US\$'000 (Note 13) |
|---|-------|--------------------|------------------|-------------------------------|-------------------------------|
| Turnover | 2 | 6,724,115 | 4,814,649 | 862,066 | 617,263 |
| Cost of sales | | (4,720,044) | (3,519,725) | (605,134) | (451,247) |
| Gross profit | | 2,004,071 | 1,294,924 | 256,932 | 166,016 |
| Other operating income | | 14,074 | 33,377 | 1,804 | 4,279 |
| Interest income | | 22,155 | 5,361 | 2,840 | 687 |
| Selling, distribution, advertising and warranty expenses | | (693,737) | (474,426) | (88,941) | (60,824) |
| Administrative expenses | | (762,714) | (496,323) | (97,785) | (63,631) |
| Research and development costs | | (164,759) | (69,842) | (21,123) | (8,954) |
| Profit from operations | 3 | 419,090 | 293,071 | 53,727 | 37,573 |
| Finance costs | | (58,702) | (38,990) | (7,526) | (4,999) |
| Profit before share of results of associates and taxation | | 360,388 | 254,081 | 46,201 | 32,574 |
| Share of results of associates | | (626) | 187 | (80) | 24 |
| Profit before taxation | | 359,762 | 254,268 | 46,121 | 32,598 |
| Taxation | 4 | (42,677) | (30,437) | (5,471) | (3,902) |
| Profit before minority interests | | 317,085 | 223,831 | 40,650 | 28,696 |
| Minority interests | | (18,227) | (13,008) | (2,337) | (1,668) |
| Profit for the period | | 298,858 | 210,823 | 38,313 | 27,028 |
| Dividend | 5 | (118,444) | (65,388) | (15,185) | (8,383) |
| Earnings per share | 6 | | | | |
| Basic (HK / US cents) | | 22.49 | 16.28 | 2.88 | 2.09 |
| Diluted (HK / US cents) | | 21.78 | 15.91 | 2.79 | 2.04 |

condensed consolidated balance sheet

as at 30th June, 2004

| | Notes | 30th June 2004 HK\$'000 (Unaudited) | 31st December 2003 HK\$'000 (Audited) | 30th June 2004 US\$'000 (Note 13) | 31st December 2003 US\$'000 (Note 13) |
|--|-------|--|--|--|--|
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | | 863,915 | 904,356 | 110,758 | 115,943 |
| Goodwill | | 635,580 | 652,760 | 81,485 | 83,687 |
| Negative goodwill | | (31,023) | (33,175) | (3,977) | (4,253) |
| Intangible assets | | 178,669 | 25,154 | 22,906 | 3,225 |
| Interests in associates | | 132,124 | 118,394 | 16,939 | 15,179 |
| Investments in securities | | 38,608 | 41,419 | 4,950 | 5,310 |
| Deferred tax assets | | 300,706 | 273,937 | 38,552 | 35,120 |
| Other assets | | 1,195 | 1,195 | 153 | 153 |
| | | 2,119,774 | 1,984,040 | 271,766 | 254,364 |
| Current assets | | | | | |
| Inventories | | 2,539,274 | 2,491,650 | 325,548 | 319,442 |
| Trade and other receivables | 7 | 1,579,099 | 2,197,789 | 202,449 | 281,768 |
| Deposits and prepayments | | 328,424 | 293,408 | 42,106 | 37,616 |
| Bills receivable | | 122,984 | 36,409 | 15,767 | 4,668 |
| Investments in securities | | 5,635 | 5,575 | 722 | 715 |
| Tax recoverable | | 1,123 | 51,274 | 144 | 6,574 |
| Trade receivable from associates | | 40 | 48 | 5 | 6 |
| Bank balances, deposits and cash | | 1,970,998 | 2,586,075 | 252,692 | 331,548 |
| | | 6,547,577 | 7,662,228 | 839,433 | 982,337 |
| Current liabilities | | | | | |
| Trade, bills and other payables | 8 | 3,427,325 | 4,894,161 | 439,401 | 627,457 |
| Warranty provision | | 183,122 | 208,552 | 23,477 | 26,737 |
| Trade payable to an associate | | 9,319 | 3,230 | 1,195 | 414 |
| Tax payable | | 108,165 | 68,114 | 13,867 | 8,733 |
| Dividend payable | | 118,444 | – | 15,185 | – |
| Obligations under finance leases – due within one year | | 2,988 | 5,485 | 383 | 703 |
| Borrowings – due within one year | | 549,011 | 497,975 | 70,386 | 63,843 |
| | | 4,398,374 | 5,677,517 | 563,894 | 727,887 |
| Net current assets | | 2,149,203 | 1,984,711 | 275,539 | 254,450 |
| Total assets less current liabilities | | 4,268,977 | 3,968,751 | 547,305 | 508,814 |
| Capital and Reserves | | | | | |
| Share capital | 9 | 133,663 | 132,497 | 17,136 | 16,987 |
| Reserves | | 2,614,167 | 2,380,387 | 335,150 | 305,178 |
| | | 2,747,830 | 2,512,884 | 352,286 | 322,165 |
| Minority Interests | | 64,601 | 46,374 | 8,282 | 5,945 |
| Non-current Liabilities | | | | | |
| Obligations under finance leases – due after one year | | 3,148 | 14,261 | 404 | 1,828 |
| Borrowings – due after one year | | 1,405,489 | 1,348,497 | 180,191 | 172,884 |
| Deferred tax liabilities | | 47,909 | 46,735 | 6,142 | 5,992 |
| | | 1,456,546 | 1,409,493 | 186,737 | 180,704 |
| | | 4,268,977 | 3,968,751 | 547,305 | 508,814 |

condensed consolidated cash flow statement (unaudited)

for the six months period ended 30th June, 2004

| | 30th June 2004 HK\$'000 | 30th June 2003 HK\$'000 | 30th June 2004 US\$'000 (Note 13) | 30th June 2003 US\$'000 (Note 13) |
|---|--|-------------------------------|--|--|
| Net Cash used in Operating Activities | (490,549) | (542,771) | (62,891) | (69,586) |
| Net Cash used in Investing Activities | (267,791) | (897,056) | (34,332) | (115,007) |
| Net Cash from Financing Activities | 151,482 | 786,548 | 19,421 | 100,839 |
| Net Decrease in Cash and Cash Equivalents | (606,858) | (653,279) | (77,802) | (83,754) |
| Cash and Cash Equivalents at 1st January | 2,444,098 | 1,753,900 | 313,346 | 224,859 |
| Effect of Foreign Exchange Rate Changes | (5,789) | 46,370 | (743) | 5,945 |
| Cash and Cash Equivalents at 30th June | 1,831,451 | 1,146,991 | 234,801 | 147,050 |
| Analysis of the Balances of Cash and Cash Equivalents | | | | |
| Represented by: | | | | |
| Bank balances, deposits and cash | 1,970,998 | 1,288,907 | 252,692 | 165,244 |
| Bank overdrafts | (139,547) | (141,916) | (17,891) | (18,194) |
| | 1,831,451 | 1,146,991 | 234,801 | 147,050 |

condensed statement of changes in equity (unaudited)

for the six months period ended 30th June, 2004

| | Share capital HK\$'000 | Share premium HK\$'000 | Translation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|------------------------------------|---------------------------------|-------------------|
| At 1st January, 2003 | 129,143 | 613,499 | (16,769) | 1,102,064 | 1,827,937 |
| Exchange differences on translation of overseas operations not recognised in the income statement | – | – | 37,423 | – | 37,423 |
| Shares issued at a premium | 1,633 | 26,417 | – | – | 28,050 |
| Profit for the period | – | – | – | 210,823 | 210,823 |
| Final dividend – 2002 | – | – | – | (65,388) | (65,388) |
| At 30th June, 2003 | 130,776 | 639,916 | 20,654 | 1,247,499 | 2,038,845 |
| At 1st January, 2004 | 132,497 | 672,083 | 45,519 | 1,662,785 | 2,512,884 |
| Exchange differences on translation of overseas operations not recognised in the income statement | – | – | (4,237) | – | (4,237) |
| Shares issued at a premium | 1,166 | 57,603 | – | – | 58,769 |
| Profit for the period | – | – | – | 298,858 | 298,858 |
| Final dividend – 2003 | – | – | – | (118,444) | (118,444) |
| At 30th June, 2004 | 133,663 | 729,686 | 41,282 | 1,843,199 | 2,747,830 |

notes to the financial statements (unaudited)

for the six months period ended 30th June, 2004

1. BASIS OF PREPARATION

The unaudited interim results of the Group have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants on a basis consistent with the accounting policies adopted in the report and financial statements for the year ended 31st December, 2003.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

2. SEGMENT INFORMATION

| | Six months period ended 30th June | | | |
|--|-----------------------------------|------------------|------------------|------------------|
| | Turnover | | Segment results | |
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| By principal activity: | | | | |
| Manufacture and trading of | | | | |
| Power equipment products | 4,711,892 | 3,467,171 | 294,282 | 198,682 |
| Floor care appliances | 1,717,292 | 1,121,715 | 80,457 | 58,135 |
| Solar powered, laser and electronic measuring products | 294,931 | 225,763 | 59,379 | 41,698 |
| | 6,724,115 | 4,814,649 | 434,118 | 298,515 |
| Amortisation of goodwill | | | (17,180) | (7,596) |
| Release of negative goodwill to income | | | 2,152 | 2,152 |
| Contributions to profit from operations | | | 419,090 | 293,071 |
| By geographical market location: | | | | |
| North America | 5,259,245 | 3,784,207 | 366,423 | 236,667 |
| Europe | 1,084,364 | 766,976 | 66,244 | 45,095 |
| Other countries | 380,506 | 263,466 | 1,451 | 16,753 |
| | 6,724,115 | 4,814,649 | 434,118 | 298,515 |
| Amortisation of goodwill | | | (17,180) | (7,596) |
| Release of negative goodwill to income | | | 2,152 | 2,152 |
| Contributions to profit from operations | | | 419,090 | 293,071 |

3. PROFIT FROM OPERATIONS

| | Six months period ended 30th June | |
|---|-----------------------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Profit from operations has been arrived after charging (crediting): | | |
| Depreciation and amortisation of property, plant and equipment | 160,746 | 137,085 |
| Amortisation of intangible assets | 4,597 | 2,531 |
| Amortisation of goodwill | 17,180 | 7,596 |
| Release of negative goodwill to income | (2,152) | (2,152) |
| Staff costs | 646,596 | 492,411 |

4. TAXATION

| | Six months period ended 30th June | |
|---|-----------------------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| The total tax charge comprises: | | |
| Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the period | 33,531 | 23,009 |
| Overseas Tax | 14,501 | 7,266 |
| Deferred Tax | (5,355) | 162 |
| | 42,677 | 30,437 |

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

5. DIVIDEND

The 2003 final dividend declared at HK17.75 cents and 2003 interim dividend paid at HK7.25 cents per existing share are adjusted to HK8.875 cents and HK3.625 cents per subdivided share respectively.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

| | Six months period ended 30th June | |
|--|-----------------------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Earnings for the purposes of basic and diluted earnings per share: | | |
| Profit for the period | 298,858 | 210,823 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,328,955,297 | 1,295,481,764 |
| Effect of dilutive potential ordinary shares: | | |
| Options | 43,371,852 | 29,424,128 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,372,327,149 | 1,324,905,892 |

The comparative amounts of the earnings per share and weighted average number of ordinary shares have been adjusted for the effect of the subdivision of the Company's shares during the period.

7. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aging analysis of trade receivables is as follows:

| | 30th June | 31st December |
|-------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| 0 to 60 days | 1,231,410 | 1,711,577 |
| 61 to 120 days | 200,085 | 346,828 |
| 121 days or above | 26,142 | 26,918 |
| Total trade receivables | 1,457,637 | 2,085,323 |
| Other receivables | 121,462 | 112,466 |
| | 1,579,099 | 2,197,789 |

8. TRADE, BILLS AND OTHER PAYABLES

The aging analysis of trade payables is as follows:

| | 30th June 2004 HK\$'000 | 31st December 2003 HK\$'000 |
|----------------------|-------------------------------|-----------------------------------|
| 0 to 60 days | 932,301 | 1,042,276 |
| 61 to 120 days | 98,719 | 202,605 |
| 121 days or above | 9,770 | 7,263 |
| Total trade payables | 1,040,790 | 1,252,144 |
| Bills payables | 1,606,915 | 2,809,963 |
| Other payables | 779,620 | 832,054 |
| | 3,427,325 | 4,894,161 |

9. SHARE CAPITAL

| | Number of Shares | | Share Capital | |
|---|----------------------|-----------------------|-------------------------------|-----------------------------------|
| | 30th June 2004 | 31st December 2003 | 30th June 2004 HK\$'000 | 31st December 2003 HK\$'000 |
| Ordinary shares | | | | |
| Authorised: | | | | |
| At 1st January of HK\$0.20 each | 800,000,000 | 800,000,000 | 160,000 | 160,000 |
| Increased in authorised share capital of HK\$0.20 each | 400,000,000 | – | 80,000 | – |
| Subdivision of one share of HK\$0.20 each into two shares of HK\$0.10 each | 1,200,000,000 | – | – | – |
| Shares of HK\$0.10 each (2003 : HK\$0.20 each) | 2,400,000,000 | 800,000,000 | 240,000 | 160,000 |
| Issued and fully paid: | | | | |
| At 1st January of HK\$0.20 each | 662,486,826 | 645,716,826 | 132,497 | 129,143 |
| Issued on exercise of share options | 8,657,000 | 16,770,000 | 1,166 | 3,354 |
| Subdivision of one share of HK\$0.20 each into two shares of HK\$0.10 each | 665,481,826 | – | – | – |
| Shares of HK\$0.10 each (2003: HK\$0.20 each) | 1,336,625,652 | 662,486,826 | 133,663 | 132,497 |

On 28th May, 2004, ordinary resolutions were passed by the shareholders of the Company to approve the increase (the “Increase”) in the authorised share capital of the Company to HK\$240,000,000 and the subdivision (the “Subdivision”) of each issued and unissued shares of HK\$0.20 each in the authorised share capital into two ordinary shares of HK\$0.10 each. The Increase and the Subdivision became effective on 28th and 31st May, 2004 respectively.

The shares issued during the period rank pari passu in all respects with the existing shares.

10. CAPITAL COMMITMENTS

| | 30th June 2004 HK\$'000 | 31st December 2003 HK\$'000 |
|---|-------------------------------|-----------------------------------|
| Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment | 108,716 | 85,598 |
| Capital expenditure authorised but not contracted for in the financial statements in respect of the purchase of property, plant and equipment | 12,518 | 3,398 |

11. CONTINGENT LIABILITIES

| | 30th June 2004 HK\$'000 | 31st December 2003 HK\$'000 |
|--|-------------------------------|-----------------------------------|
| Guarantees given to banks in respect of credit facilities utilised by associates | 25,288 | 16,904 |
| Bills discounted with recourse | 269,892 | 180,133 |
| | 295,180 | 197,037 |

12. POST BALANCE SHEET EVENT

On 16th June, 2004 the Group announced the issue of five year Zero Coupon Convertible Bonds at par. The aggregate principal amount of the Bonds was US\$140 million (approximately HK\$1,092 million). The Bonds will be due in 2009 and convertible into Ordinary Shares of the Company. The initial conversion price is HK\$16.56 per share, representing a premium of 38% over the closing price of the share on The Stock Exchange of Hong Kong Limited on 16th June, 2004. Assuming full conversion of the Bonds at the initial conversion price of HK\$16.56 per share, the Bonds will be converted into approximately 65,922,584 shares, representing approximately 4.93% of the issued share capital of the Company as at the date of announcement and approximately 4.71% of the issued share capital of the Company as enlarged by the issue of the conversion shares. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at 107.76% of its principal amount on the maturity date of 8th July, 2009. However, on or after 8th July, 2007 and prior to the maturity date, the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of the Bonds at 104.59% of their principal amount.

The Bond issue raised immediate funds that can be used for general corporate and working capital purposes including financing possible acquisitions and when converted will enlarge the shareholder capital base, which will facilitate the development and expansion of the Company.

The issue of the Bonds was successfully closed on 8th July, 2004.

13. US DOLLAR EQUIVALENTS

These are shown for reference only and have been arrived at based on the fixed exchange rate of HK\$7.8 to US\$1.0.

corporate governance and other information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June, 2004, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

| Directors | Name of company/ associated corporation | Capacity/ Nature of interests | Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾ | Interests in underlying shares pursuant to equity derivatives ⁽¹⁾ | Total interests in shares/ underlying shares | Approximate aggregate percentage of interests |
|--------------------------------|---|-------------------------------------|---|---|--|--|
| Mr Horst Julius Pudwill | The Company | Beneficial owner | 71,974,000 | 31,088,000 | 326,481,794 | 24.43% |
| | The Company | Interest of spouse | 760,000 | – | – | |
| | The Company | Interests of controlled corporation | 222,659,794 ⁽²⁾ | – | – | |
| Mr Roy Chi Ping Chung | The Company | Beneficial owner | 113,541,948 | 13,824,000 | 164,576,978 | 12.31% |
| | The Company | Interest of spouse | 136,000 | – | – | |
| | The Company | Interests of controlled corporation | 37,075,030 ⁽³⁾ | – | – | |
| Mr Kin Wah Chan | The Company | Beneficial owner | 2,364,000 | 2,500,000 | 4,864,000 | 0.36% |
| Mr Chi Chung Chan | The Company | Beneficial owner | 1,000,000 | 3,000,000 | 4,000,000 | 0.30% |
| Dr Akio Urakami | The Company | Beneficial owner | 300,000 | 1,300,000 | 1,600,000 | 0.12% |
| Mr Vincent Ting Kau Cheung | The Company | Beneficial owner | 1,920,000 | 800,000 | 2,720,000 | 0.20% |
| Mr Joel Arthur Schleicher | The Company | Beneficial owner | 200,000 | 500,000 | 700,000 | 0.05% |
| Mr Christopher Patrick Langley | The Company | Beneficial owner | 490,000 | 300,000 | 790,000 | 0.06% |

Notes:

(1) Interests in shares and underlying shares stated above represent long positions.

The equity derivatives are physically settled and unlisted.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives represent options granted to them pursuant to the share option schemes adopted by the Company.

(2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

| | No. of shares |
|--------------------------------------|--------------------|
| Sunning Inc. | 185,584,764 |
| Cordless Industries Company Limited* | 37,075,030 |
| | 222,659,794 |

(3) These shares were held by Cordless Industries Company Limited* in which Mr Roy Chi Ping Chung has a beneficial interest.

* Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Mr Roy Chi Ping Chung.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2004.

SHARE OPTIONS

The following table discloses movements in the Company's share options during the six months period ended 30th June, 2004:

| Name of Directors | Date of share options granted | Share option scheme category ⁽²⁾ | Outstanding at beginning of the period | No. of share options granted before share subdivision ⁽³⁾ | No. of share options exercised before share subdivision ⁽⁴⁾ | Addition due to adjustment for the share subdivision made during the period ⁽¹⁾ | No. of share options granted subsequent to the share subdivision made during the period ⁽³⁾ | No. of share options exercised subsequent to the share subdivision made during the period ⁽⁴⁾ | Lapsed during the period | Outstanding at end of the period | Subscription price prior to the share subdivision HK\$ | Subscription price adjusted for the effect of the share subdivision ⁽¹⁾ HK\$ | Exercise period |
|--------------------------------|-------------------------------|---|--|--|--|--|--|--|--------------------------|----------------------------------|--|---|-------------------------|
| Mr Horst Julius Pudwill | 19.6.2001 | B | 2,200,000 | – | – | 2,200,000 | – | – | – | 4,400,000 | 2.2600 | 1.1300 | 19.6.2001 – 18.6.2006 |
| | 28.6.2002 | C | 12,864,000 | – | – | 12,864,000 | – | – | – | 25,728,000 | 7.2000 | 3.6000 | 28.6.2002 – 27.6.2007 |
| | 19.9.2003 | C | 280,000 | – | – | 280,000 | – | – | – | 560,000 | 17.3700 | 8.6850 | 19.9.2003 – 18.9.2008 |
| | 25.2.2004 | C | – | 200,000 | – | 200,000 | – | – | – | 400,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| Mr Roy Chi Ping Chung | 28.6.2002 | C | 6,432,000 | – | – | 6,432,000 | – | – | – | 12,864,000 | 7.2000 | 3.6000 | 28.6.2002 – 27.6.2007 |
| | 19.9.2003 | C | 280,000 | – | – | 280,000 | – | – | – | 560,000 | 17.3700 | 8.6850 | 19.9.2003 – 18.9.2008 |
| | 25.2.2004 | C | – | 200,000 | – | 200,000 | – | – | – | 400,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| Mr Kin Wah Chan | 19.9.2003 | C | 250,000 | – | – | 250,000 | – | – | – | 500,000 | 17.3700 | 8.6850 | 19.9.2003 – 18.9.2008 |
| | 25.2.2004 | C | – | 500,000 | – | 500,000 | – | – | – | 1,000,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| | 1.3.2004 | C | – | 500,000 | – | 500,000 | – | – | – | 1,000,000 | 25.0500 | 12.5250 | 1.3.2004 – 28.2.2009 |
| Mr Chi Chung Chan | 17.7.2003 | C | 500,000 | – | – | 500,000 | – | – | – | 1,000,000 | 15.2500 | 7.6250 | 17.7.2003 – 16.7.2008 |
| | 19.9.2003 | C | 250,000 | – | – | 250,000 | – | – | – | 500,000 | 17.3700 | 8.6850 | 19.9.2003 – 18.9.2008 |
| | 25.2.2004 | C | – | 500,000 | – | 500,000 | – | – | – | 1,000,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| | 1.3.2004 | C | – | 250,000 | – | 250,000 | – | – | – | 500,000 | 25.0500 | 12.5250 | 1.3.2004 – 28.2.2009 |
| Dr Akio Urakami | 6.6.2001 | B | 250,000 | – | 250,000 | – | – | – | – | – | 2.0920 | 1.0460 | 6.6.2001 – 5.6.2006 |
| | 30.4.2002 | C | 250,000 | – | – | 250,000 | – | – | – | 500,000 | 6.4000 | 3.2000 | 30.4.2002 – 29.4.2007 |
| | 5.7.2002 | C | 100,000 | – | – | 100,000 | – | – | – | 200,000 | 6.7000 | 3.3500 | 5.7.2002 – 4.7.2007 |
| | 17.7.2003 | C | 150,000 | – | – | 150,000 | – | – | – | 300,000 | 15.2500 | 7.6250 | 17.7.2003 – 16.7.2008 |
| Mr Vincent T. K. Cheung | 25.2.2004 | C | – | 150,000 | – | 150,000 | – | – | – | 300,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| | 30.4.2002 | C | 200,000 | – | – | 200,000 | – | – | – | 400,000 | 6.4000 | 3.2000 | 30.4.2002 – 29.4.2007 |
| | 17.7.2003 | C | 150,000 | – | – | 150,000 | – | – | – | 300,000 | 15.2500 | 7.6250 | 17.7.2003 – 16.7.2008 |
| | 25.2.2004 | C | – | 50,000 | – | 50,000 | – | – | – | 100,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| Mr Joel Arthur Schleicher | 30.4.2002 | C | 100,000 | – | – | 100,000 | – | – | – | 200,000 | 6.4000 | 3.2000 | 30.4.2002 – 29.4.2007 |
| | 17.7.2003 | C | 100,000 | – | – | 100,000 | – | – | – | 200,000 | 15.2500 | 7.6250 | 17.7.2003 – 16.7.2008 |
| | 25.2.2004 | C | – | 50,000 | – | 50,000 | – | – | – | 100,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| Mr Christopher Patrick Langley | 30.4.2002 | C | 100,000 | – | 100,000 | – | – | – | – | – | 6.4000 | 3.2000 | 30.4.2002 – 29.4.2007 |
| | 17.7.2003 | C | 100,000 | – | – | 100,000 | – | – | – | 200,000 | 15.2500 | 7.6250 | 17.7.2003 – 16.7.2008 |
| | 25.2.2004 | C | – | 50,000 | – | 50,000 | – | – | – | 100,000 | 24.3400 | 12.1700 | 25.2.2004 – 24.2.2009 |
| Total for directors | | | 24,556,000 | 2,450,000 | 350,000 | 26,656,000 | – | – | – | 53,312,000 | | | |
| Employees | 23.7.2001 | B | 300,000 | – | – | 300,000 | – | – | – | 600,000 | 2.1160 | 1.0580 | 23.7.2001 – 22.7.2006 |
| | 30.4.2002 | C | 4,130,000 | – | 1,445,000 | 2,685,000 | – | 1,462,000 | – | 3,908,000 | 6.4000 | 3.2000 | 30.4.2002 – 29.4.2007 |
| | 5.7.2002 | C | 1,000,000 | – | 250,000 | 750,000 | – | 500,000 | – | 1,000,000 | 6.7000 | 3.3500 | 5.7.2002 – 4.7.2007 |
| | 6.6.2003 | C | 50,000 | – | – | 50,000 | – | 100,000 | – | – | 12.0800 | 6.0400 | 6.6.2003 – 5.6.2008 |
| | 10.6.2003 | C | 500,000 | – | – | 500,000 | – | – | – | 1,000,000 | 12.3500 | 6.1750 | 10.6.2003 – 9.6.2008 |
| | 17.7.2003 | C | 10,555,000 | – | 700,000 | 9,855,000 | – | 3,600,000 | 24,000 | 16,086,000 | 15.2500 | 7.6250 | 17.7.2003 – 16.7.2008 |
| | 13.8.2003 | C | 30,000 | – | – | 30,000 | – | – | – | 60,000 | 16.1500 | 8.0750 | 13.8.2003 – 12.8.2008 |
| | 1.9.2003 | C | 32,000 | – | – | 32,000 | – | – | – | 64,000 | 17.6500 | 8.8250 | 1.9.2003 – 31.8.2008 |
| | 19.9.2003 | C | 102,000 | – | – | 102,000 | – | – | – | 204,000 | 17.3700 | 8.6850 | 19.9.2003 – 18.9.2008 |
| | 18.12.2003 | C | 74,000 | – | – | 74,000 | – | – | – | 148,000 | 20.7200 | 10.3600 | 18.12.2003 – 17.12.2008 |
| | 1.3.2004 | C | – | 5,683,000 | – | 5,683,000 | – | – | – | 11,366,000 | 25.0500 | 12.5250 | 1.3.2004 – 28.2.2009 |
| | 14.4.2004 | C | – | 100,000 | – | 100,000 | – | – | – | 200,000 | 25.9000 | 12.9500 | 14.4.2004 – 13.4.2009 |
| | 5.5.2004 | C | – | 150,000 | – | 150,000 | – | – | – | 300,000 | 22.1000 | 11.0500 | 5.5.2004 – 4.5.2009 |
| | 7.6.2004 | C | – | – | – | – | 200,000 | – | – | 200,000 | – | 12.0000 | 7.6.2004 – 6.6.2009 |
| 25.6.2004 | C | – | – | – | – | 40,000 | – | – | 40,000 | – | 11.5000 | 25.6.2004 – 24.6.2009 | |
| Total for employees | | | 16,773,000 | 5,933,000 | 2,395,000 | 20,311,000 | 240,000 | 5,662,000 | 24,000 | 35,176,000 | | | |
| Others | 30.4.2002 | C | 250,000 | – | 250,000 | – | – | – | – | – | 6.4000 | 3.2000 | 30.4.2002 – 29.4.2007 |
| | | | 41,579,000 | 8,383,000 | 2,995,000 | 46,967,000 | 240,000 | 5,662,000 | 24,000 | 88,488,000 | | | |
| Total under Scheme B | | | 2,750,000 | – | 250,000 | 2,500,000 | – | – | – | 5,000,000 | | | |
| Total under Scheme C | | | 38,829,000 | 8,383,000 | 2,745,000 | 44,467,000 | 240,000 | 5,662,000 | 24,000 | 83,488,000 | | | |
| | | | 41,579,000 | 8,383,000 | 2,995,000 | 46,967,000 | 240,000 | 5,662,000 | 24,000 | 88,488,000 | | | |

Notes:

- (1) The number of shares exercisable under the options and the exercise price were adjusted during the six months period ended 30th June, 2004 for the effect of the subdivision of the Company's shares, effective on 31st May, 2004.
- (2) Scheme adopted on 28th November, 1990 and expired on 27th November, 2000 ('Scheme A').
Scheme adopted on 25th May, 2001 and terminated on 28th March, 2002 ('Scheme B').
Scheme adopted on 28th March, 2002 ('Scheme C').
- (3) The closing prices of the Company's shares immediately before 25th February, 2004, 1st March, 2004, 14th April, 2004, 5th May, 2004, 7th June, 2004 and 25th June, 2004, the dates of grant, were HK\$11.925, HK\$12.900, HK\$12.850, HK\$11.250, HK\$11.200 and HK\$11.450 respectively, as adjusted for the effect of the subdivision of the Company's shares during the period.
- (4) The weighted average closing prices of the Company's shares immediately before various dates on which the share options were exercised ranged from HK\$10.57 to HK\$13.11 as adjusted for the effect of the subdivision of the Company's shares during the period.
- (5) No options cancelled during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2004, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

| Name | Total interests in shares ⁽¹⁾ | Approximate aggregate percentage of interests |
|---|--|---|
| FMR Corp. ⁽²⁾ | 156,547,000 | 11.71% |
| Wellington Management Company, LLP ⁽³⁾ | 92,225,312 | 6.90% |
| J.P. Morgan Chase & Co. ⁽⁴⁾ | 82,583,932 | 6.18% |

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The capacity of FMR Corp. in holding the 156,547,000 shares was as Investment Manager.
- (3) The capacity of Wellington Management Company, LLP in holding the 92,225,312 shares was as Investment Manager.
- (4) The following is a breakdown of the interests in shares of J.P. Morgan Chase & Co.:

| Name | Remarks | Total interests in shares | | Approximate percentage of interests |
|--|---------|---------------------------|------------------|-------------------------------------|
| | | Direct interests | Deemed interests | |
| J.P. Morgan Chase & Co. | (a) | – | 82,583,932 | 6.18% |
| J.P. Morgan Fleming Asset Management Holdings Inc. | (b) | – | 41,205,000 | 3.08% |
| J.P. Morgan Fleming Asset Management (Asia) Inc. | (b) | – | 40,987,500 | 3.07% |
| JF Asset Management Limited | (b) | 36,925,500 | 3,590,000 | 3.03% |
| JF Funds Limited | (b) | – | 3,590,000 | 0.27% |
| JF Asset Management (Taiwan) Limited | (b) | 3,590,000 | – | 0.27% |
| JF International Management Inc. | (b) | 472,000 | – | 0.04% |
| Robert Fleming Holdings Ltd. | (b) | – | 217,500 | 0.02% |
| Robert Fleming Asset Management Ltd. | (b) | – | 217,500 | 0.02% |
| J.P. Morgan Fleming Asset Management (UK) Limited | (b) | 217,500 | – | 0.02% |
| JPMorgan Chase Bank | (b) | 39,298,932 | 2,080,000 | 3.10% |
| J.P. Morgan International Inc. | (b) | – | 2,080,000 | 0.16% |
| J.P. Morgan International Finance Limited | (b) | – | 2,080,000 | 0.16% |
| J.P. Morgan Holdings (UK) Limited | (b) | – | 1,820,000 | 0.14% |
| J.P. Morgan Securities Ltd. | (b) | 1,820,000 | – | 0.14% |
| J.P. Morgan Overseas Capital Corporation | (b) | – | 260,000 | 0.02% |
| J.P. Morgan Whitefriars Inc. | (b) | 260,000 | – | 0.02% |

Remarks:

- (a) J.P. Morgan Chase & Co. is listed on the New York Stock Exchange.
The capacity of J.P. Morgan Chase & Co. in holding the 82,583,932 shares was, as to 2,080,000 shares, as Beneficial Owner, as to 41,205,000 shares, as Investment Manager and, as to 39,298,932 shares, as Other. The 82,583,932 shares included a lending pool of 39,298,932 shares.

(b) J.P. Morgan Fleming Asset Management Holdings Inc., J.P. Morgan Fleming Asset Management (Asia) Inc., JF Asset Management Limited, JF Funds Limited, JF Asset Management (Taiwan) Limited, JF International Management Inc., Robert Fleming Holdings Ltd., Robert Fleming Asset Management Ltd., J.P. Morgan Fleming Asset Management (UK) Limited, JPMorgan Chase Bank, J.P. Morgan International Inc., J.P. Morgan International Finance Limited, J.P. Morgan Holdings (UK) Limited, J.P. Morgan Securities Ltd., J.P. Morgan Overseas Capital Corporation and J.P. Morgan Whitefriars Inc., were all direct or indirect subsidiaries of J.P. Morgan Chase & Co. and by virtue of the SFO, J.P. Morgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 30th June, 2004.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

AUDIT COMMITTEE

The Audit Committee is composed of a majority of independent non-executive directors. The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30th June, 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules.

PURCHASE, SALES OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

By Order of the Board

Horst Julius Pudwill

Chairman and Chief Executive Officer

Hong Kong,

12th August, 2004

corporate information

BOARD OF DIRECTORS

Group Executive Directors

Mr Horst Julius Pudwill
Chairman and Chief Executive Officer

Mr Roy Chi Ping Chung
Group Managing Director

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Dr Akio Urakami

Independent Non-Executive Directors

Mr Vincent Ting Kau Cheung
Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley

FINANCIAL CALENDAR 2004

| | |
|----------------------|--|
| 30th June: | Six months interim period end |
| 12th August: | Announcement of 2004 interim results |
| 10th September: | Last day to register for 2004 interim dividend |
| 13th–17th September: | Book closure period |
| 30th September: | Interim dividend payment |
| 31st December: | Financial year end |

INVESTOR RELATIONS CONTACT

Investor Relations & Communications
Techtronic Industries Co. Ltd.
24/F., CDW Building
388 Castle Peak Road
Tsuen Wan, N. T.
Hong Kong
email: ir@tti.com.hk

WEBSITE

www.ttigroup.com

Earning results, annual / interim reports are available online

STOCK CODE

| | |
|--------------------------|-------|
| Hong Kong Stock Exchange | 669 |
| ADR Level 1 Programme | TTNDY |

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