

chairman's statement



- Record results
- Tenth consecutive year of double-digit profit growth
- Improved gross and net margins
- Major product launch successes
- Acquisition of Milwaukee and AEG professional power tools and DreBo accessories businesses

Horst Julius Pudwill
Chairman and Chief Executive Officer

The Group continues to build a portfolio of world-class brands in all geographic markets and delivered record results during 2004. Well-defined strategies and unique performance capabilities in product innovation, marketing, manufacturing and collaborative partnerships led to our tenth consecutive year of double-digit profit growth.

We are truly excited about the acquisition of the highly respected Milwaukee and AEG professional power tool brands and businesses as well as the DreBo® accessories business, completed in January 2005. This acquisition follows our strategy of building leading brands with robust and comprehensive product lines in our core businesses.

Further to our strong organic growth in 2004, the new acquisitions will have a substantial positive impact on the Group's expansion in 2005 and beyond.

TTI possesses unique global strengths that will continue to deliver high performance in our existing and newly acquired brands. We are confident our approach will continue to produce strong results across all divisions.

Our Best Year Ever

Total Group turnover and net profit reached record levels in 2004. Group turnover was HK\$16.30 billion, an increase of 23.7% over our 2003 fiscal year. Net profit was up by 39.1% to HK\$938 million. Earnings per share increased by 36.0% to HK70.11 cents.

The Board is recommending a final dividend of HK12.50 cents per share. Together with the interim dividend of HK4.50 cents per share, this

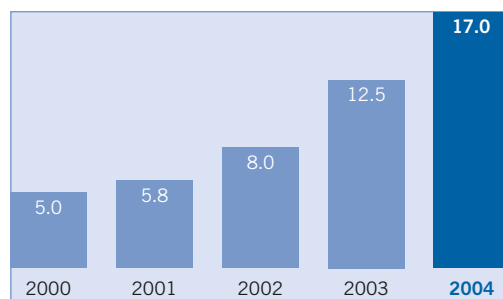
will give a full year dividend of HK17.00 cents per share, against HK12.50 cents in 2003, an increase of 36.0%.

The Group achieved strong organic growth with double-digit increases across all business divisions. Once again, we were able to apply the combined power of strategic product innovation and operational excellence to TTI's stable of well-recognized brands. This included upgrading and expanding our product categories under each brand and adding new product categories within the brands. The introduction of new products coupled with relentless cost containment efforts led to continued improvements in gross and net profit margins despite pressure from rising raw material prices.

The Group is committed to strong financial management practices that enhance long-term shareholder value and enable us to take advantage of attractive market opportunities.

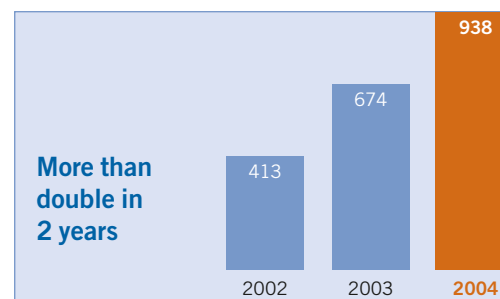
Dividend per share

HK cents

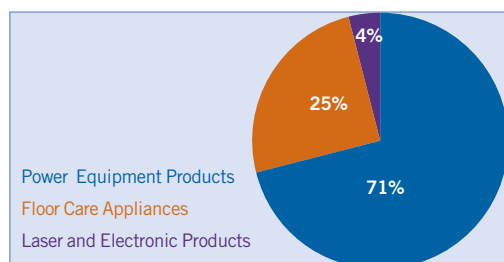


Net profit

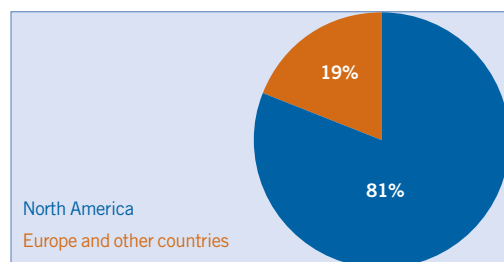
HK\$ million



Turnover by principal activity



Turnover by geographical market location



Consequently, we once again increased our net cash position during 2004 and produced a record year of generating free cash flow. We retained a high level of liquidity and a strong capital base.

Working capital management was sound during the year, with flexible and integrated manufacturing allowing us to maintain stable inventory despite the rapid growth in sales. The Group has a financially strong customer portfolio and prudently manages receivables and payables to minimize finance costs.

The Group delivered higher performance results in all divisions. Sales in the Power Equipment Products division grew 21.5%. Power tool operations performed well, driven by new product launches such as the Ryobi 18-volt One+ System™, successful promotions in the last quarter and increased contributions from Europe. Our outdoor power equipment business achieved double-digit sales growth on the back of strong sales of Ryobi and Homelite products.

Our Floor Care Appliances division continued to strengthen its proprietary brands. We achieved this by striking a good balance between innovation and consumer price-points across the full range of products such as the Dirt Devil Dynamite™ Bagless Quick Vac. Our European operations significantly outperformed the industry as a whole, bringing new products to the consumers and steadily building market strength.

Our Laser and Electronic Products division performed extremely well with the strong support of new and innovative products such as the successful Ryobi AIRgrip™ laser level.

The Group continued to strengthen the original equipment manufacturing (OEM) business. Key alliances with major brand-name companies contributed strong growth driven by our commitment to deliver high quality products at the best cost. Additional OEM opportunities were developed with these companies during 2004, which will provide further growth and profitability going forward.

The Group has defined four key strategies that underlie our success. A decade of double-digit growth demonstrates our strategies are sound and that there are strong prospects for continued expansion.

Sound Strategies

1. Build a portfolio of global brands in targeted categories

Leading brands are more valuable than ever. They command a premium from end users and exceed expectations in quality and satisfaction. The Group is driving this leading brand strategy in all of its divisions. We have successfully acquired and strengthened major brands that either already enjoy prominent consumer recognition and leadership or are moving toward that position.

In January 2005, we further strengthened our portfolio in power tools by adding the Milwaukee and AEG professional power tool and accessory brands. This enhances our reach into the critically important industrial and professional power tool market by providing access to the vast dealer networks and other new distribution channels in North America and Europe. Equally important, the powerful Milwaukee and AEG high-end brands

complement our Ryobi mid-range brand of consumer power tools and accessories.

Our Ryobi brand of outdoor power equipment is performing well in Europe and we added the Ryobi brand to our outdoor power equipment category in North America in 2004. In conjunction with the Homelite brand, the addition of Ryobi outdoor products in North America will allow us to serve a broader customer base.

We also have four highly valued brands in our Floor Care Appliances division. They are Royal, Dirt Devil, Regina and Vax, all well recognized with a strong presence in their respective markets.

2. Exceed industry growth in key markets

The Group has laid the foundation to support its brands and grow market position. We will do this by further strengthening our customer partnerships and by moving closer to the ultimate users through extensive market research and a complete array of dynamic marketing activities.

We focus on building win-win relationships with our customers. Together we concentrate on delivering value to the end user with the aim of creating mutual loyalty by developing the right products and the best retail environment. The positive results from implementing these strategies are that we enjoy product placement in the top retail channels and are now one of the two leading power tool companies in North America.

The Group works hard to maintain leadership in the execution of all marketing activities. We continue to produce strong sales results and enhance our brands in the eyes of both our customers and end users through high-impact advertising, promotions, retail point-of-sale displays and value-added services.

3. Drive innovation in every product category

The Group has always made innovation a core strategy. We understand that the ability to sustain growth depends on being a leader in innovation at all levels. The clear leadership in this respect shown by Milwaukee and AEG, and their superb track records in engineering and manufacturing expertise, were significant factors in our decision to acquire these businesses. An example is Milwaukee's V28™ power tool line with lithium-ion

battery technology, a revolutionary concept that represents a quantum leap in cordless power tool performance.

We also believe in developing innovative products in close association with our partners by identifying localized market trends. For example, we finalized our best-in-class professional pneumatic fastening tools for RIDGID® during the year, launching this new line in North America in the second quarter of 2005. This was the result of extensive local research and development that took into account jobsite conditions and user requirements. It marked our entry into the important pneumatic tool category which has further established RIDGID® as a professional brand among contractors.

4. Create greater efficiency on a global scale

The Group has an extremely efficient supply chain. This has been a major factor in the swift and successful integration of our acquisitions. We are dedicated to maintaining our strengths in world-class quality systems, high-volume manufacturing, and a low-cost supplier base while keeping our operations simple and cost efficient. The Group demonstrated operational performance gains with inventory turnover improving to 62 days in 2004 against 69 days in 2003.

Our recent strategic acquisitions allow us to further maximize synergies amongst brands leading to improved cost savings and faster speed-to-market of new products. We also seek to improve our customer relationships with important initiatives in logistics and inventory management. We will continue to build on this strength as global leadership in operational effectiveness produces higher performance in innovation, competitiveness and shareholder value.

Excellent Prospects

Higher performance demands sound strategies and flawless execution. TTI is structured for continued success in both respects. The Group has the strengths, resources and capabilities to deliver further significant long-term growth by continuing to execute its strategic fundamentals at every level.

We remain totally committed to our customers and partners and are continually seeking new ways of strengthening our relationships. We are dedicated to applying innovation to every aspect of our business and to building the leading brands in our targeted categories and key markets.

I would like to thank my fellow directors, management and employees for their efforts during the year. The unmatched talent and dedication of our employees worldwide is a major factor in our success. I also thank our customers and other business partners, whose continued support is key to the achievement of our full potential. I am confident that TTI will continue generating strong returns for our shareholders through our sound strategies that unleash higher levels of performance.



Horst Julius Pudwill

Chairman and Chief Executive Officer
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