

Chairman's Statement

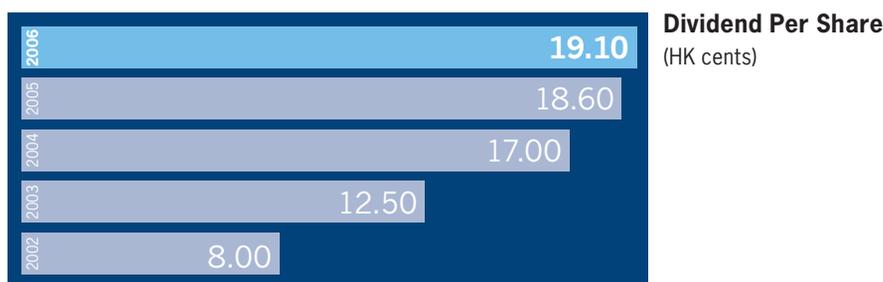
“ The driving forces of TTI are powerful brands, innovative products, exceptional people, and best cost. ”



Horst Julius Pudwill
Chairman and Chief Executive Officer

2006 Performance Highlights

- Record profit and twelfth consecutive year of growth
- Acquisition of Hoover® propels us to global floor care leader
- Growth in professional power tool brands
- Gross margin and operating margin improvements
- Strengthened our global management organization



At TTI, we have the vision to be number one in the industries we serve. Our passion for capturing market leadership is achieved through superior execution of our strategies, powerful brands, innovative products, exceptional people, and best cost. These are the strategic driving forces that continue to improve performance in our targeted businesses delivering consistent value to our customers and shareholders. This is our mission and the basis for our record profit results in 2006.

Profit attributable to equity holders of the parent for 2006 reached a record level of HK\$1,072 million, an increase of 5.19% over the prior year, our twelfth consecutive year of growth. Our leading brands, product innovations, and cost improvement efforts delivered a healthier net profit margin of 4.91%, up from 4.56% in 2005. Notably, gross margins improved to 31.59% from 31.05% last year and profit margins from operations grew to 7.59% from 7.05% in the prior year, benefiting from ongoing business integrations and Continuous Improvement Program (CIP) savings, which offset increases in global commodity prices and financing costs. Basic earnings per share, having accounted for the full dilution effect of the share placement in September 2005, was at HK73.18 cents per share, marginally lower than HK73.53 cents reported in 2005.

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2006 turnover for the Group was HK\$21.82 billion, a small decline of 2.39% over 2005. After delivering solid turnover growth in the first half of 2006, the second half proved to be more challenging with a softer macro economic environment in the United States. The Group's expansion efforts outside of North America continued the first half momentum with near double digit turnover growth for the second half and full year. Our Floor Care business rebounded with positive turnover growth in the second half. We announced the acquisition of the Hoover® floor care business, which when combined with our existing Floor Care business now positions TTI as the leader in the global floor care industry.

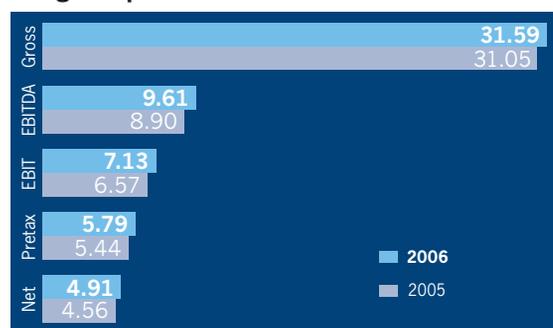
We are pleased to announce the Board is recommending a final dividend of HK12.60 cents per share. When combined with the interim dividend of HK6.50 cents per share, the full year dividend of HK19.10 cents per share is up 2.69% over the 2005 dividend of HK18.60 cents per share.

Business Review

Our Power Equipment business reported flat turnover growth against the prior year. However our professional brands of power tools and accessories, Milwaukee® and AEG®, delivered positive turnover growth for the full year. Our European businesses continued their expansion momentum as well. We saw positive market acceptance of the Milwaukee® V28™ and the new V18™ lithium ion battery line of tools as well as the One+™ System under the Ryobi® brand, both driving forces that are revolutionizing the way retailers and users think about power tools. Importantly, both of these product ranges were launched successfully outside of North America in 2006. Our power tool brands were supported with the introduction of over 75 new products, with 50% more new products added to the Ryobi® branded One+™ System. The ongoing Milwaukee® integration program will continue to improve the cost position of our professional tools.

We made operational improvement progress in the Outdoor Power Equipment business over the past 12 months including the completion of the gas-driven products production transfer to China. For the year 2006, the business delivered single digit growth with new gas pressure washers and chainsaws under the Ryobi® brand adding incremental turnover, countering the slow first half season in Europe. A global launch of the exciting new lightweight range of Homelite® MightyLite™ gas trimmers, brush cutters, blowers, and hedge trimmers began at the end of the year. The business is positioned well for ongoing operational efficiencies and a continuing stream of product innovations for the market.

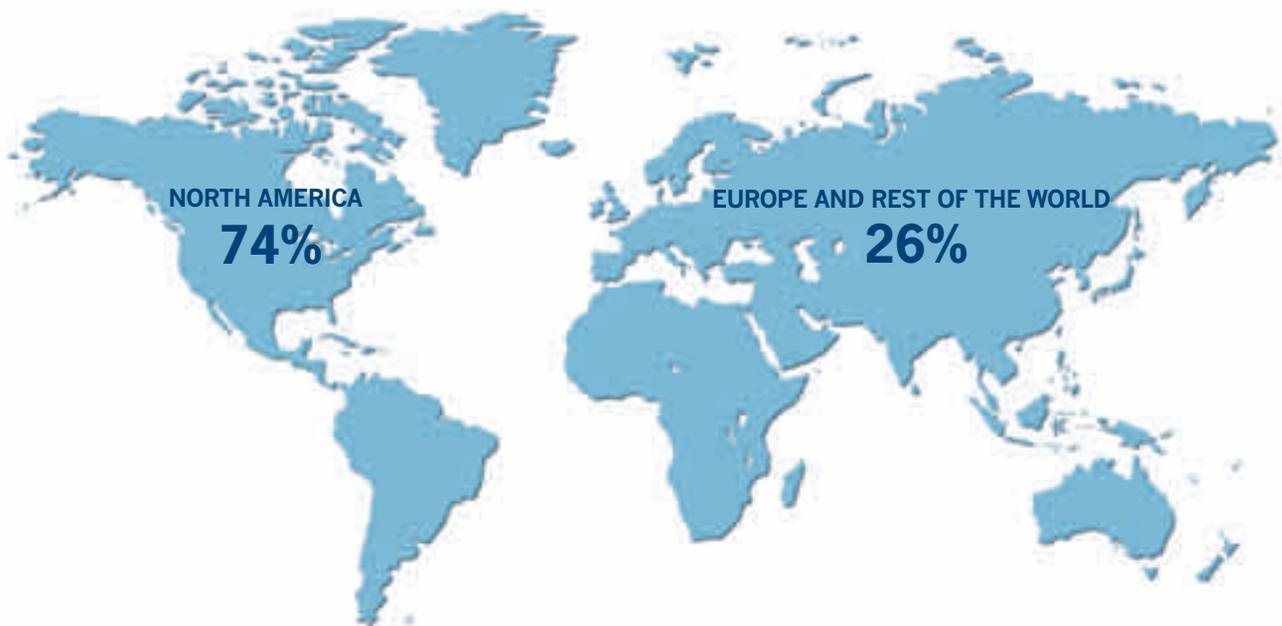
Margin Improvements



The Floor Care business showed solid gains in multiple markets during the second half and completed the full year just down 2.16% from 2005. In North America, the Dirt Devil® Reaction™ vacuum with D2 Dual-Cyclonic Technology™ designed for the higher performance oriented end user, garnered strong consumer acceptance expanding the product range reach and profitability of the brand. In addition, the unique Dirt Devil® KONE™ delivered on its promise of combining form and function for incremental turnover driven by an aggressive marketing campaign. The Vax® brand continued to penetrate the UK floor care market, strengthening its number two position and also increasing turnover throughout Europe. All of our brands support the strategy of bringing high value-added new products aimed at end user segments to the marketplace, proving that innovative products and powerful brands create opportunities for sustainable growth.

In December 2006, the Group announced the addition of Hoover® to our powerful brand portfolio (deal completed on 31st January, 2007). This strategically important brand will move us to the leading position in the global floor care market and provide a premium brand platform for future expansion. Hoover® is the oldest brand in floor care and today remains one of the most reputable and globally recognized brands. Matching the Hoover® brand with TTI's operational excellence, speed to market, product innovation, and best cost supply chain management promises excellent synergies. Our Floor Care business will have a portfolio of powerful brands, innovative products, global scale, and a broad customer base, all solid platforms for profitable growth.

Turnover by Geographical Market Location



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Delivering our products and services at best cost is an ongoing focus for TTI. The Group produced cost savings by empowering the global procurement function across business units and introducing CIP. These best cost efforts leveraged our scale on both direct and indirect purchasing and helped to maximize our business improvement programs. This process significantly helped to offset commodity price increases during the year. The programs started in 2006 will be continued with a deeper and much broader commitment in 2007 as goals and resources are being aligned to drive the process forward.

Driving Forces of TTI

Four strategic drivers create the platform for TTI to be a driving force in the markets in which we compete.

Powerful Brands. Leading brands hold the power in the marketplace, so brand investment is required. Time tested performance delivers brand loyalty, which creates the ability to maintain strong margins and favorable retail placement.

Innovative Products. We believe innovation is the fuel for sustained profitability and growth. Our goal of higher value brands and products will be achieved through innovative product development focused on creating and matching end user demand.

Exceptional People. We continue to invest in and promote talent. Our people, from senior management to the individuals in the factory, have the passion, skill, and combined intellectual capital to drive us to the number one position in our targeted markets.

Best Cost. Being number one means executing at the highest level, the most competitive cost, and the best value in every aspect of our business. We are equally passionate about driving efficiencies into our business at all levels through our Continuous Improvement Programs (CIP), global procurement, and supply chain management.

Outlook

We are setting the stage for growth and profit margin enhancement. After a second year of consolidating the 2005 power tool acquisitions, we are starting to benefit from the integration synergies. We are moving decisively to consolidate our latest acquisition, Hoover®, and derive gains in marketing and operational efficiencies in 2007. Our attention will be focused on both core business expansion and the search for strategic acquisitions that will enhance both our top line and bottom line.

Our Power Equipment business possesses the brand portfolio that professionals and consumers trust. We remain optimistic on the North American power tool business in 2007. We are aggressively upgrading our store service organization, expanding our sales coverage, introducing a "Jobsite Solutions" program to reach end users of professional power tools, and driving marketing programs that will bring our exciting

brands and products closer to the end users. The European and rest of world businesses are aimed at double digit growth through new product introductions in their core channels and geographic expansion. Further refinement of our New Product Development process is focused on global product platforms systematically targeting specific professional and consumer end user segments. This will bring better efficiency to our deployment of development resources and enhance our ability to deliver product solutions and innovations that end users want, thereby driving our growth.

Our Floor Care business is showing positive growth and has a first priority of integrating the Hoover® acquisition. We announced the establishment of a TTI floor care global R&D center and expect new products to begin flowing as early as the second half of 2007. North American marketing programs will drive awareness of the innovative Hoover® FloorMate™, SteamVac™ All Terrain, and WindTunnel™, plus the Dirt Devil® KONE™, Reaction™, and Broom Vac® products. Floor Care is set to deliver solid incremental business from new product introductions in Europe, the newly established presences in Canada and the Middle East, and the North American launch of the Sears® Kenmore® brand of vacuums.

Our core strategy to build our business with exceptional people is being fueled by the introduction of a North American campus recruiting and Leadership Development Program. We target talented individuals with a passion to lead and deliver results. Additionally, we have strengthened our current management team by creating new executive positions across the globe and filling them with talented business leaders in important areas of sales, marketing, product development, operations, and senior management. We anticipate benefits in our dynamic and fast paced culture across product development, marketing, and best cost operational performance.

Once again, I would like to close by thanking our employees for their passion and commitment in moving us forward in our vision of being the world leader in our core businesses. My fellow directors provided insight and thoughtful analysis throughout the year guiding our governance and vision. Finally, we truly appreciate the support of our shareholders, customers, and partners for helping deliver another record year in 2006.



Horst Julius Pudwill
Chairman and Chief Executive Officer

Powerful Brands





Powerful brands lead the way.

We believe powerful brands are performance-trusted. End users trust the products to perform; to work. Brand names like Milwaukee®, AEG®, Ryobi®, Homelite®, Dirt Devil®, Vax® and now Hoover®, with over one hundred years of market recognition and leadership, are destination brands possessing the equity and the power to draw end users into retailers in multiple markets.

Powerful brands lead the way. R & D investments ensure cutting edge product advancements while strategic-driven marketing campaigns expand market reach and deeper market penetration. Brand loyalty is a cornerstone for sustainable growth and increased profitability. Our powerful brands are the foundation for current and future growth and serve as the compass for all of our activities.



Innovative Products



There is no alternative to innovation.

We invest in consumer/end user research driving step change thinking based on market grounded strategies. We are proud of the results. We were the first to market to introduce lithium ion battery technology to heavy duty power tools which boosted power in the field while cutting the battery weight significantly. We were the first to market with a unified battery system, the Ryobi® branded One+™ System allowing users to have a variety of tools at hand that use the same battery.

We also introduced and have the lightest handheld gas driven outdoor power equipment products on the market, including line trimmers, brushcutters, hedge trimmers, and blowers. We invented and introduced the first bagless vacuum technology to the floor care industry and continue to create the easiest to use vacuums in the world. Our commitment to innovation also penetrates our manufacturing operations, administrative processes, and our approach to customer relationships. Innovation is the key to profitable growth and we are proud to say that we truly reflect a company wide culture of innovation.

Exceptional People



WARNING
To reduce the risk of injury, keep
laser beam from striking people,
pets, vehicles, trees, bushes,
and other work.

Max Output: 5mw
Wavelength: 635nm
Class II Laser Product

Laser radiation.
Avoid direct eye exposure.

RYOBI



Quite simply, we want to be number one in every market in which we compete.

We believe it is critically important for an organization to be clear when it comes to strategy, culture, and values. With over 20,000 employees, we work hard to ensure everyone lives and breathes the same goal. Quite simply, we want to be number one in every market in which we compete.

Being number one requires a key ingredient above all others: passion. Our people understand the demands of leadership and possess the passion and intellectual capital to lead in every arena. From product development to supply chain logistics; from targeted acquisitions to full-fledged marketing campaigns, we strive to lead the industry with groundbreaking ideas that grow our business with profitable performance.

A close-up photograph of a white plastic handle for a power tool. The handle features a red rectangular logo with the word 'RYOBI' in white, bold, sans-serif capital letters. To the left of the logo is a black ventilation grille with several horizontal slats. The background is a blurred outdoor scene with green foliage and a tree trunk.

RYOBI

Best Cost



Great ideas will never reach the marketplace unless executed effectively.

Our culture of innovation is equally matched by our best cost approach. Best cost means executing at the highest level, the most competitive cost, and the best value in every aspect of our business. We continually evaluate every aspect of our operations with a passion that goes well beyond gradual improvement. Great ideas will never reach the marketplace unless executed effectively. Our global scale creates opportunities across all business units with product cross-fertilization, shared market research, and manufacturing economies of scale.

We possess the agility organizationally to respond quickly to the changing market conditions while maintaining our ability to leverage our best cost supplier base. This competitive flexibility creates strategic advantage through efficient supply chain management resulting in solid margin improvements. There is tremendous power in the synergy of innovative products and our best cost approach. These enable our customers and end users worldwide to get the best possible product at the least possible cost.