

HORST JULIUS PUDWILL

Chairman and Chief Executive Officer

2000 HIGHLIGHTS

RECORD BASIC EARNINGS PER SHARE OF HK 34.02 CENTS, **UP 20.9%**

RECORD TURNOVER OF HK\$ 4.6 BILLION, **UP 69%**

FIVE-YEAR COMPOUND **ANNUAL RATE**
OF 24.0% IN EARNINGS PER SHARE

ACQUIRED AND BEGAN INTEGRATION OF THE **RYOBI**
NORTH AMERICA POWER TOOLS BUSINESS

CHAIRMAN'S STATEMENT

2000 PERFORMANCE I am again pleased to report that Techtronic Industries set new records in turnover, profit and earnings per share. This is a direct result of the strategic growth initiatives that have established TTI as a leader in the global power tools industry and generated new business opportunities in our appliance and electronic segments. We experienced strong growth in our core businesses and, with the Ryobi acquisition, added market share penetration and a platform for future growth. TTI is well positioned entering into 2001.

FINANCIAL RESULTS We have accelerated the rate of growth, reporting an increase in consolidated turnover of 68.6% over last year to a record HK\$ 4.6 billion. All Divisions contributed with double-digit turnover growth over the last year. The compound annual rate of growth for the previous five-year period is a healthy 27.0%.

For the sixth consecutive year the Group recorded double-digit growth in net profit with an increase of 21.4% over 1999 to HK\$ 190.5 million. The basic earnings per share in 2000 grew 20.9% to HK 34.02 cents from HK 28.15 cents per share in 1999. The Group has been able to deliver consistent performance as demonstrated by solid five-year compound annual rate of 26.8% in net profit and 24.0% in earnings per share.

INCREASED DIVIDENDS The Directors recommend a final dividend of HK 6 cents per share. Subject to the approval of the shareholders at the Annual General Meeting to be held on 25th May 2001.

The final dividend will be paid to shareholders listed on the register of members of the Company on 22nd June 2001. It is expected that the final dividend will be paid on or about 30th July 2001. This payment together with the interim dividend of HK 4 cents per share paid on 31st October 2000 makes a total payment of HK 10 cents per share, up from HK 9.3 cents in 1999.

FINANCIAL STRENGTH The Group's financial strength, established over many years of organic growth, has enabled TTI to move ahead with aggressive expansion plans. We have financed several strategic brand acquisitions, including the Vax floor care appliance operations in the United Kingdom and Australia in October 1999 and the Ryobi power tools operation in North America in August 2000.

The cost of finance has increased the net bank debt to equity ratio, mainly due to the acquisition of the North America power tools operations. This purchase was financed by 3-5 year term loans. Based on current orders and turnover forecasts for the enhanced Group, the anticipated level of positive cash flow generation should contribute to a progressive reduction in gearing.

MAJOR GROWTH INITIATIVES TTI has identified several dynamic growth strategies that will enable the company to establish leadership positions in each of our business segments. These initiatives are interconnected and provide the synergy for total Group growth and long-term profitability.

CHAIRMAN'S STATEMENT

The Ryobi Power Tools acquisition is the foundation for the future growth of our power tools business. The strength of this world-wide brand adds significant value to our retail customer base in North America. The integration provides electric motor technology and market entrance to an additional product range of corded portable, benchtop, and stationary power tools. We can now offer our global customer base a full range of power tools benefiting from new product innovation and low cost volume manufacturing. TTI is established as one of the world leaders in this industry.

We are creating new alliances with some of our most powerful retail and brand name manufacturing partners. This strategic action will dramatically impact our market penetration opportunities and we fully expect to increase our market share in the North American power tools market with these new alliances. Our dedication to delivering superior levels of service to our retail and brand name manufacturing partners is a core strategy for driving our success in all our Divisions.

We believe in becoming an integral part of our customers' operations by working closely with them on the design, manufacturing and distribution process, and by offering flexible, highly responsive services. The Group develops strong customer relationships through a management approach which fosters rapid decision-making and a customer service orientation that responds quickly to frequently changing customer product and production requirements.

We will leverage our world class manufacturing facilities. TTI strives to maintain a competitive advantage in the manufacturing arena. With our recent acquisitions, we are improving our overall cost position through supply chain savings and the integration of manufacturing and marketing.

We employ extensive quality programs and have the ability for direct shipment from our low cost Asian factories to high volume retailers, effectively eliminating the need for in-country warehousing, thus reducing the cost to the end-user.

TTI plans to spin-off the floor care appliance business. Our existing business relationships with major brand manufacturers in the floor care appliance industry remain very strong and we expect continued growth in this segment. In fact, the excellent growth of this business has triggered the need for an independent management team that can focus solely on this business unit. The board has announced its plan to separate list the business on the main board of The Stock Exchange of Hong Kong Limited. Please refer to the Management Review section for details.

This strategic initiative delivers excellent benefits to all parties. Shareholders benefit by owning shares in both entities. TTI benefits by allowing management to focus on the core business, the power tools business. The new floor care appliance company benefits by having a separate, dedicated management team and independent financial relationships.

OUTLOOK TTI has strong momentum entering 2001 and is well prepared for a more difficult environment, with the slowing economy in the US and strong dollar against the Yen and Euro. Our outlook remains robust as we have concluded long-term beneficial supply agreements with the leading power tools retailers in North America, which will drive our growth with significant opportunities to gain market share in our power tools business.

CHAIRMAN'S STATEMENT

In addition, the broadening of our power tools product offering and technologies are allowing the Group to substantially increase the flow of products into our traditional customer base. The Group is pleased to report that our order book is well ahead of last year.

The integration of the Ryobi acquisition will contribute positively to our operations during the second half of 2001. Key benefits of the integration include leveraging our low cost manufacturing base in Asia and marketing organization in North America, expansion of the Ryobi and private label product ranges through an increased level of product development in corded portable, benchtop and stationary power tools, and strengthening of our customer relationships. Looking to reach beyond our organic growth initiatives and improve our presence outside of North America, we are currently examining opportunities to expand into Europe and add to our brand portfolio.

Our existing business relationships with major brand name manufacturers in the floor care appliance industry remain very strong and we expect continued growth in this segment. The business has benefited over the past few years from an increase in new development projects requiring higher value-added engineering and moves to outsource production by our customer base. This trend is continuing in 2001. We are expanding engineering and development services to handle the increased rate of new projects and are restructuring operations to assure a competitive cost position, consolidating manufacturing into our high volume facilities in China.

Our Vax business has added to their product range in 2000, positioning them for growth in 2001. Vax is commercializing an exciting new, technically innovative, Advanced Vacuum Cleaner (AVC) in mid 2001. We have a supply and development agreement with a major brand name customer to globally market our AVC product technology beyond the core markets for Vax. This is the first of many new products that will flow from the joint development between Vax and TTI.

We are confident that our initiatives in customer partnerships, product development, brand acquisition and the considered spin-off of our floor care appliance business will deliver powerful benefits to our customers, our employees and, most of all, our shareholders. The ability to compete for leadership positions on a global market demands independent, dedicated management teams within each division. Our new structure creates the dynamic environment needed for aggressive growth and healthy profitability.

APPRECIATION On behalf of the board, I express our grateful appreciation to our shareholders, customers, employees, and suppliers for their support throughout the past year. These are exciting times at TTI. With nearly 8,000 employees, a growing base of high volume customers, strong brands and a competent management team, we look forward to another exceptional year in 2001.

HORST JULIUS PUDWILL

Chairman and Chief Executive Officer