MANAGEMENT DISCUSSION AND ANALYSIS

The Group delivered strong growth despite the difficult economic environment in the US, reporting a substantial increase in turnover of 74% over the previous corresponding period to HK$2.3 billion and an increase in profit of 20% to HK$95.8 million for the six months ended 30th June 2001. Excluding finance costs and taxation, the Profit from operation grew by over 52%, amounting to HK$156 million as compared to HK$103 million in the previous six months period. This significant growth reflects the successful integration of the North American Ryobi power tools business ("North American Ryobi") acquired in August 2000, and the robustness of the two major Divisions – Power Tools and Floor Care Appliances. The Group anticipates further cost benefits will be obtained in North American Ryobi through the continued application of our integration plan.

The Group has continued the integration of North American Ryobi by expanding the power tool manufacturing and product development capabilities in Asia. These actions center around expanding the Asia manufacturing from the core cordless power tools into corded and bench power tools, both in-house and with key contract manufacturing partners, along with research and development investments in engineering capacity. All are aimed at providing the Group with low cost, high volume, high quality manufacturing and extensive technical base for innovative product development, which is the platform to drive future growth.

In North American, the Ryobi management team has focused on improving operating efficiencies, strengthening marketing efforts, and deepening commitments to customers. A comprehensive program to reduce the cost structure has resulted in a significant 26% reduction in inventory during the period. A strengthened and reinvigorated marketing department is aggressively working with each customer to develop and deliver effective, customized programs to support the customer's brand. The team successfully secured a long-term supply agreement with the world's largest home improvement retailer, The Home Depot, for the supply of Ryobi brand power tools, providing a significant outlet for the Ryobi products in the future.

Following the successful acquisition and integration of North American Ryobi, the Group has acquired the European Ryobi power tools and outdoor products business ("European Ryobi") from Ryobi Limited on 7th August 2001. These businesses principally involve the power tools and outdoor products marketing and distribution operations located in France and the United Kingdom and the perpetual right for the "RYOBI" brand name in Europe. This acquisition provides TTI with a major brand presence in the world's two largest power tool markets, North America and Europe, bringing the Group closer to the fulfillment of its vision to become a global Own Brand Manufacturer (OBM). The purchase consideration for the acquisition was US$6.7 million, based on the net book value of the two operations, and was financed by internal resources.

REVIEW OF OPERATIONS

Power Tools

Turnover in the power tools business for the first half of the year doubled to HK$1.6 billion in comparison to the previous year. This represented 69.1% of total Group turnover. The North American Ryobi acquisition immediately expanded TTI's power tools product platform beyond cordless tools to corded portable and bench power tools. These new product segments contributed significantly to the turnover of the Division for the first half of the year.

The power tool business in North America was less sensitive to the weakening US economy, as housing starts, sales of existing homes and remodeling all remained relatively buoyant during the first half of 2001. The Division has benefited from the launch of a substantial number of new or upgraded portable and bench power tools during the first half. As a result, the Division was able to improve their market share in the competitive North American power tool market. The private label and Ryobi brand programs are being supported with promotions and new products to maintain the momentum for the second half year.

The Division was able to increase turnover in Europe during the first half over last year. A major new private label customer in the United Kingdom introduced a range of cordless power tools during the period. The second half outlook is promising, as the product range will increase with this customer. The acquisition of European Ryobi is set to provide the necessary brand name, marketing and logistic capabilities that will be the platform for growth in Europe.

Floor Care Products

The Floor Care Division recorded impressive turnover growth of 37.3% for the first half of the year in comparison to the previous year, accounting for 22.7% of total Group turnover. Despite a weakening US retail economic sector, the Division's North American OEM businesses recorded encouraging growth. This growth was fueled by positive consumer acceptance of new products and retail product promotions. New product development programs with the customers have remained vibrant through the first half. This has positioned the Division well for the second half as many of the new products are scheduled for introduction later this year.

During the first six months, the Division has been actively strengthening its Vax brand businesses, aiming to expand the product range, boost the marketing activities, and streamline operations. The Vax core carpet-washing category continues to provide strong turnover in key markets. Vax anticipates a solid second half with the introduction of a new technically innovative Advanced Vacuum Cleaner (AVC) marketed under Vax in key markets. Additionally, the Division has successfully obtained a multi-year supply agreement with BSH Bosch and Siemens, whereby BSH will globally market the AVC and future generations of the product.

Continuous drive to improve cost efficiencies has led to rationalizing the manufacturing operations in the UK and Indonesia, resulting in placing all manufacturing in the Division's China facilities. The Division maintains research & development teams in the UK, Hong Kong and China, which are focused on developing both ODM and OBM products. The benefits from these improvements will have impact later in 2001.

Others

Solar powered lighting, electronic measuring devices, and other trading delivered turnover improvement from the prior year period. These businesses continue to contribute positively to the Group. Although faced a difficult competitive situation caused by the weak European currencies, turnover of solar lighting increased with the introduction of new low cost models and the penetration of new markets and customers. Turnover of laser and electronic measuring products continue to be driven by the introduction of new OEM products. The Group is optimistic about the synergy potential between the fast growing laser and electronic measuring products category and the newly acquired Ryobi brand.

FINANCIAL RESOURCES

As at 30th June 2001, the Group had an unaudited consolidated net asset value of approximately HK$895.0 million *(30th June 2000: HK$723.5 million)*. Total net tangible asset value per share was HK$1.56 *(30th June 2000: HK$1.28)*.

Net debt to equity ratio has at 91.1% as compared to net cash position last year. The increase was due to the acquisition of the North America power tools operations financed by term loans maturing in 2003 and 2005 respectively.

Interest coverage is at 3.59 times. Despite the reduction as compared to last period, the coverage continued to be at a comfortable level. With the decline in interest rates and substantial working capital inflow in the second half of the year, the coverage is expected to improve.

The Group's revenue continued to be denominated in US Dollars and major borrowings are in HK or US Dollars, there is a natural hedge between the currencies and substantially reduced the Group's exchange exposures.