Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code : 669)

ANNOUNCEMENT OF RESULTS FOR THE PERIOD ENDED 30TH JUNE, 2004

HIGHLIGHTS

	2004 HK$ million	2003 HK$ million	Changes
Turnover	**6,724**	4,815	+ 39.7%
Profit for the period	**299**	211	+ 41.8%
Earnings per share – basic (HK cents)	**22.49**	16.28	+38.2%
Interim dividend per share (HK cents)	**4.500**	3.625	+ 24.1%

The Board of Directors are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2004 together with the comparative figures in 2003.

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.

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 Board is recommending 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 product 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, 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 materials 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 operation.

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 promotions. 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.

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 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 Appliance Mfg. Co. (Royal) continued making progress as it gained product listings at its major retail customers with new products. Benefiting from its integration with TTI Group, Royal has improved its cost structure in North America and streamlined the product development process.

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.

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.

FINANCIAL REVIEW

Result Analysis
The Group reported a revenue growth of 39.7% for the period under review to HK$6.72 billion, 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 margins improved from 26.9% in the first six months of 2003 to 29.8% during the period under review. The improvement was the result of favorable product mix, combined with the Group's ability to leverage on 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 sales 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 increase 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 increase and 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 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 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, Mainland China amounted to approximately HK$28 million. Total capital committment 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.

OUTLOOK

Looking into the second half of 2004, we have every reason to be confident that the strong growth momentum will be maintained. The TTI 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 results 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.

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.

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, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 10th September, 2004.

PUBLICATION OF INTERIM RESULTS ON WEBSITE

The financial information required to be disclosed under paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and TTI's website at www.ttigroup.com in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises five executive directors, namely Mr. Horst Julius Pudwill, Mr. Roy Chi Ping Chung, Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan, Dr. Akio Urakami, and three independent non-executive directors, namely Mr. Vincent Ting Kau Cheung, Mr. Joel Arthur Schleicher and Mr. Christopher Patrick Langley.

By Order of the Board
Horst Julius Pudwill
Chairman and Chief Executive Officer

Hong Kong, 12th August, 2004

RESULTS SUMMARY

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th June, 2004

	Notes	**2004** HK$'000	2003 HK$'000
Turnover	2	**6,724,115**	4,814,649
Cost of sales		**(4,720,044)**	(3,519,725)
Gross profit		**2,004,071**	1,294,924
Other operating income		**14,074**	33,377
Interest income		**22,155**	5,361
Selling, distribution, advertising and warranty expenses		**(693,737)**	(474,426)
Administrative expenses		**(762,714)**	(496,323)
Research and development costs		**(164,759)**	(69,842)
Profit from operations	3	**419,090**	293,071
Finance costs		**(58,702)**	(38,990)
Profit before share of results of associates and taxation		**360,388**	254,081
Share of results of associates		**(626)**	187
Profit before taxation		**359,762**	254,268
Taxation	4	**(42,677)**	(30,437)
Profit before minority interests		**317,085**	223,831
Minority interests		**(18,227)**	(13,008)
Profit for the period		**298,858**	210,823
Dividend	6	**(118,444)**	(65,388)
Earnings per share	7		
Basic		**22.49 cents**	16.28 cents
Diluted		**21.78 cents**	15.91 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	**863,915**	904,356
Goodwill	**635,580**	652,760
Negative goodwill	**(31,023)**	(33,175)
Intangible assets	**178,669**	25,154
Interests in associates	**132,124**	118,394
Investments in securities	**38,608**	41,419
Deferred tax assets	**300,706**	273,937
Other assets	**1,195**	1,195
	2,119,774	1,984,040
Current assets		
Inventories	**2,539,274**	2,491,650
Trade and other receivables	**1,579,099**	2,197,789
Deposits and prepayments	**328,424**	293,408
Bills receivable	**122,984**	36,409
Investments in securities	**5,635**	5,575
Tax recoverable	**1,123**	51,274
Trade receivable from associates	**40**	48
Bank balances, deposits and cash	**1,970,998**	2,586,075
	6,547,577	7,662,228
Current liabilities		
Trade, bills and other payables	**3,427,325**	4,894,161
Warranty provision	**183,122**	208,552
Trade payable to an associate	**9,319**	3,230
Tax payable	**108,165**	68,114
Dividend payable	**118,444**	—
Obligations under finance leases – due within one year	**2,988**	5,485
Borrowings – due within one year	**549,011**	497,975
	4,398,374	5,677,517
Net current assets	**2,149,203**	1,984,711
Total assets less current liabilities	**4,268,977**	3,968,751
CAPITAL AND RESERVES		
Share capital	**133,663**	132,497
Reserves	**2,614,167**	2,380,387
	2,747,830	2,512,884
MINORITY INTERESTS	**64,601**	46,374
NON-CURRENT LIABILITIES		
Obligations under finance leases – due after one year	**3,148**	14,261
Borrowings – due after one year	**1,405,489**	1,348,497
Deferred tax liabilities	**47,909**	46,735
	1,456,546	1,409,493
	4,268,977	3,968,751

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

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	2003	**2004**	2003
	HK$'000	HK$'000	HK$'000	HK$'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	2003
	HK$'000	HK$'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	2003
	HK$'000	HK$'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. Share Subdivision

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 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.

6. 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.

7. 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	2003
	HK$'000	HK$'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.

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Please also refer to the publish version of this announcement in the South China Morning Post.