



## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2006

HIGHLIGHTS	2006	2005	Changes
	HK\$'million	HK\$'million	
Turnover	21,823	22,358	-2.39%
EBITDA	2,098	1,989	+5.49%
Profit attributable to equity holders of the parent	1,072	1,019	+5.19%
Earnings per share — basic (HK cents)	73.18	73.53	-0.48%
Final dividend per share (HK cents)	12.60	12.60	0.00%

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

### CHAIRMAN'S STATEMENT

At TTI we have the vision to be number one in the industries we serve. Our passion for capturing market leadership is achieved through powerful brands, innovative products, best cost, superior execution, and exceptional people. 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.

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 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.

## **DIVIDEND**

The Directors have recommended a final dividend of HK12.60 cents per share for the year ended 31st December, 2006 (2005: HK12.60 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on 29th May, 2007. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about 5th July, 2007. This payment, together with the interim dividend of HK6.50 cents per share (2005: HK6.00 cents) paid on 28th September, 2006, makes a total payment of HK19.10 cents per share for 2006 (2005: HK18.60 cents).

## **BUSINESS REVIEW**

### **Power Equipment**

The Power Equipment business, which includes power tools, power tools accessories, and outdoor power equipment, produced record profit from operations, with growth from our professional brands, Milwaukee® and AEG® as well as strong sales from RIDGID® professional power tools manufactured by TTI. Profit from operations was HK\$1,462 million, a significant increase of 18.16% over 2005. Turnover reached HK\$17.12 billion, accounting for 79% of total Group turnover. Full year turnover was marginally down 0.35% from last year due to a sluggish North American market in the second half of the year. We improved profit margins to 8.54% from 7.20% last year in a difficult economic environment of rising raw material costs. Innovative new products, quality improvement initiatives, global procurement activities, product transfer programs, and CIP have positively impacted our operational performance.

### **Power Tools and Accessories**

For the year 2006, Milwaukee® expanded by continuing to lead the industry in the development of a broader line of lithium ion battery-based power tools aimed at professionals. The new V18™ line of products gained acceptance in the marketplace and combined with the V28™ lithium ion range, added incrementally to the cordless product category. Milwaukee® also strengthened its Sawzall® market position with new product introductions and marketing support, including specialized industry outreach programs, and supported by a full Sawzall® blades range. In addition, Milwaukee® grew in Europe as it continued to build recognition and expand distribution geographically.

The Ryobi® brand faced a challenging year in North America, but produced near double digit growth in turnover outside of North America with the first full year of the One+™ System distribution. The One+™ System under the Ryobi® brand offers 43 products including 9 new products such as the One+™ Angle Grinder and the One+™ Radio using the 18-volt battery & charger platform. The One+™ program has established a strong merchandising presence with growing end user demand that will drive future growth in our key retail partners across the globe.

We expect our North American business to rebound after a slowdown in the second half of last year. Business is on a positive trend for the beginning of 2007 and we have increased the consumer power tool promotion plans and marketing support over prior year levels. Innovative lithium ion cordless

products will be launched throughout the year, further enhancing TTI's leading position in the cordless category. Our European and rest of world businesses are continuing to track healthy growth. New products are the primary drivers, but new distribution in core territories and new geographies are also adding incremental turnover. The Ryobi<sup>®</sup> branded One+<sup>™</sup> System and Milwaukee<sup>®</sup> V18<sup>™</sup> programs are notable product ranges that are feeding the expansion.

## **Outdoor Power Equipment**

Outdoor Power Equipment turnover expanded in 2006. Turnover outside North America continued to make double digit gains primarily from the Homelite<sup>®</sup> and Ryobi<sup>®</sup> brands. The operational focus to improve our cost position delivered positive gains in the second half, marked by new product launch efficiency and productivity in our Asia supply chain. Manufacturing gains through rigorous application of management techniques, procurement programs, and savings from CIP were key factors to improving our cost position. The business benefited from investments to expand new product development engineering resources and product range rationalization.

We expect the market gains made in 2006 to continue into 2007. The gas-driven blower category, which experienced double digit growth in 2006, will help drive turnover going forward with several new introductions planned. Homelite<sup>®</sup>'s new MightyLite<sup>™</sup> range will be globally distributed for the full year. In North America, expectations are to grow both in existing channels and potential new channels, driven by innovative new products already in the development pipeline and improved marketing. Outside of North America our products and brands remain on track for turnover growth. The business has geographic expansion opportunities mirroring those of our Power Tool businesses in Eastern Europe, Middle East, South Africa, and Latin America.

## **Floor Care**

In 2006 our Floor Care business established the platforms for future growth, including the acquisition of the Hoover<sup>®</sup> floor care business. The powerful brand portfolio now includes Hoover<sup>®</sup>, Dirt Devil<sup>®</sup> and Vax<sup>®</sup>. In addition to the brands, the business is competitively positioned with an increased new product development capability, best cost supply chain scale, and full product category coverage. Distribution reach outside of North America will continue to expand geographically with our brands.

The Floor Care business completed the transition to focus on our own brands and as a result reported second half growth in North America and Europe. Turnover for the full year was HK\$4.43 billion, down 2.16% from last year, and accounting for 20% of the Group's total turnover. On the cost side, challenging raw material pricing was partially offset by our global sourcing programs and CIP savings. We promoted our innovative products with increased advertising support in key markets. Profit from operations was down to HK\$157 million, a margin of 3.54% of turnover.

In the United States, Dirt Devil<sup>®</sup> sold more vacuums than any other brand in 2006. The strength of the Dirt Devil<sup>®</sup> brand created the opportunity to migrate to higher price point products setting the stage for top and bottom line growth with additional introductions. Hoover<sup>®</sup> is a premium, best-in-class, vacuum and extraction brand. It will gain from the TTI best cost supply chain, the newly established TTI Floor Care global R&D center, and the combined marketing and distribution scale of TTI. Speed to integrate Hoover<sup>®</sup> with TTI is a priority. Sales, marketing, engineering, and back office synergies from a combined business are underway. We announced the closure of Hoover<sup>®</sup>'s North Canton manufacturing

plant and operational integrations have begun. We are excited that the combined floor care business will hold the leadership position in North America and we are ready to bring this business to new levels.

Outside North America, the business reported double digit turnover growth primarily driven by the strength of our Vax® business. Vax® strengthened its position as the number two vacuum brand in the UK delivering double digit top line growth in a very competitive market. Vax® launched over 50 new products and made geographic expansion efforts. The addition of Hoover® will provide new and incremental product opportunities for the Vax® business. Dirt Devil® in Europe faced a difficult year with a slower acceptance of new products than expected. A completely refreshed range is already launched with positive end user acceptance being seen. Overall, new products and an expanding geographic reach will continue to drive the business outside of North America forward.

2006 set the stage for growth in the floor care business. We now possess the most recognized brands in virtually all floor care categories. Dirt Devil® is positioned to continue its introduction of unique products through its ease of use strategy and advantages in manufacturing scale and supply chain efficiencies. There are multiple new product introductions planned for 2007 including the KURV™ and the KRUZ™, both hand-held vacuums and a new “i”™ upright vacuum. Our contract business remained in transition in 2006 as we increased our commitment to our own leading brands. This is still on track to rebound in 2007 as we begin delivering the new line of Sears® Kenmore® brand of vacuums in the first half.

### **Laser and Electronics**

The Laser and Electronics business result for 2006 was according to expectations, with a top line decline from the prior year due to the continuing correction in the laser based products market. Turnover in Europe was stable and infant care products delivered growth. Expenses were controlled through CIP programs while addressing the overhead expenses structure. Consequently, turnover was HK\$279 million, accounting for 1% of total Group turnover, and profit from operations was HK\$37 million.

There are signs that the laser market is beginning a slow recovery in 2007. The business has opportunities to grow in other electronic hand tools and detectors, solar lighting, and infant care products. New product development planning has expanded into new markets of electronic tools including digital thermometers and moisture meters, solar powered chargers, and a new range of electronic wall scanners, to name a few.

## **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<sup>®</sup> 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<sup>®</sup> FloorMate<sup>™</sup>, SteamVac<sup>™</sup>, All-Terrain<sup>™</sup>, and Wind-Tunnel<sup>™</sup>, plus the Dirt Devil<sup>®</sup> KONE<sup>™</sup>, Reaction<sup>™</sup>, and Broom Vac<sup>®</sup> 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<sup>®</sup> Kenmore<sup>®</sup> 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.

## **ACQUISITION**

On 7th December, 2006, the Directors announced that the Company has on 6th December, 2006 (US Eastern Standard Time) entered into the conditional Purchase and Sale Agreement (“PSA”) to purchase the Hoover<sup>®</sup> floor care business from certain subsidiaries of Whirlpool Corporation. The total consideration for the purchase of the Hoover Assets and two operating subsidiaries consists of the payment of US\$107.0 million (approximately HK\$831.4 million) in cash to Maytag Corporation (on behalf of itself and the other Sellers).

To effect the purchase of the Hoover<sup>®</sup> floor care business, the Company will assume certain Assumed Obligations as they exist at the Closing Date. Based on unaudited financial information provided by Whirlpool as of 30th September, 2006, the Assumed Obligation was approximately US\$127.9 million (approximately HK\$993.8 million) (consisting of approximately US\$74.3 million (approximately HK\$577.3 million) of accounts payable and other accrued liabilities, and approximately US\$53.6 million (approximately HK\$416.5 million) of long-term post-retirement medical and life insurance benefits for the Transferred Employees which shall be payable over the lifetimes of such employees).

The total unaudited asset value of the Hoover<sup>®</sup> floor care business as of 30th September, 2006 was approximately US\$353.5 million (approximately HK\$2,746.7 million)

All of the conditions set out in the PSA have been fulfilled as per our announcement dated 30th January, 2007 and the transaction was completed on January 31, 2007, and was fully settled at the closing of the transaction by internal resources.

The Directors believe that the acquisition of the Hoover<sup>®</sup> floor care business will enable the Company to enhance its position in the floor care industry on a world-wide basis. Through this acquisition, the Company will acquire Hoover<sup>®</sup>'s strong brand name, as well as its comprehensive line of products for general and special purpose vacuuming, including full-size uprights and canisters, deep cleaners, and hard-floor cleaners. The Directors believe that Hoover<sup>®</sup>'s engineering and design capability can be leveraged across the Company's existing product portfolio. The Company expects to benefit from many operational synergies and efficiencies through the combination of Hoover<sup>®</sup> with its Royal<sup>®</sup> and Dirt Devil<sup>®</sup> business and technological synergies through the combination of their patent portfolios and able engineering staffs. These, in conjunction with the Company's efficient manufacturing platform, are expected to strengthen and expand the Hoover<sup>®</sup> brand throughout the international markets in which it competes.

The Group is already preparing aggressive plans to integrate the business to reap the synergies as described above.

## **FINANCIAL REVIEW**

### **Financial Results**

#### ***Result Analysis***

The Group's turnover for the year was at HK\$21.82 billion, 2.39% lower than the HK\$22.36 billion reported last year. Profit attributable to equity holders of the parent amounted to HK\$1,072 million, an increase of 5.19% on HK\$1,019 million reported in 2005, with margin improved to 4.91% compared to 4.56% last year.

EBITDA increased by 5.49% to HK\$2.10 billion, representing a margin of 9.61% as compared to the 8.90% reported last year. EBIT margin also improved to 7.13% as compared to 6.57% in 2005.

Basic earnings per share for the year, 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.

#### ***Gross Margin***

Despite the continuous increase in raw material and component costs, gross margin continued to improve to 31.59% as compared to 31.05% reported last year. The improvement was the result of the Group's focused strategy of introducing a constant supply of new products to the market, favorable product mix, leveraging on the expanded volume of business and the results of the continuous cost improvement programs at all levels within the Group.

#### ***Operating Expenses***

Selling, distribution, advertising and warranty expenses remained comparable to that of last year at HK\$2,529.63 million (2005: HK\$2,537.56 million). Improvements as a result of synergies created amongst various newly acquired operations through integration and cost rationalization were partially offset by higher advertising and promotion spending during the year.

The Group's own brand business continues to account for 80.24% (2005: 79.96%) of total turnover. The long term strategy of the Group remains focused on developing and expanding its own brand business.

Investments in product design and development amounted to HK\$428.31 million representing 1.96% (2005: 2.20%) of the Group's turnover, reflecting the efficiency improvements from the consolidated, effectively structured R&D resources.

Administrative expenses reduced by HK\$28.90 million, an improvement of 1.18%. The improvement was mainly due to the synergies created with the acquired Milwaukee<sup>®</sup> and AEG<sup>®</sup> operations together with effective continuous cost improvement programs within the Group.

Net interest expenses for the year amounted to HK\$300.23 million as compared to HK\$292.67 million in 2005, an increase of only 2.58%. The increase was mainly due to full interest costs for the loans arranged for the acquisition for the year whereas only 9 months of interest was charged in 2005, and the overall increase in interest rates. Interest coverage, expressed as multiple of earnings before interest and tax to total net interest, remained at a healthy level of 5.18 times (2005: 5.02 times).

Effective tax rate for the year was at 14.57% as compared to 12.96% in 2005. The Group will continue to leverage its global operation to further improve the overall tax efficiencies.

The Group's major borrowings are in US Dollars and HK Dollars. Other than the fixed interest rate notes and the zero coupon convertible bonds outstanding, all borrowings are either LIBOR or Hong Kong best lending rates based. There's a natural hedge mechanism in place as the Group's major revenue are in US Dollars and currency exposure is relatively low. The Group's treasury team will continue to closely monitor and manage its currency and interest rate exposure.

## **Liquidity and Financial Resources**

### ***Shareholders' Funds***

Total shareholders' funds amounted to HK\$7.00 billion as compared to HK\$6.11 billion in 2005, representing an increase of 14.47%. Book value per share increased to HK\$4.78 as compared to HK\$4.18 as reported last year.

### ***Financial Position***

The Group's net gearing, expressed as a percentage of total net borrowing to equity attributable to equity holders of the parent was at 74.14%, improved from the 76.24% as reported in 30th June, 2006. The net gearing was higher than the 68.31% in 2005, mainly due to a more challenging market condition than expected in the second half of the year. The Group, however, remains comfortable even at this gearing level and expects continuous improvements through the successful integration of various operations and a focus on working capital management.

### ***Bank Borrowings***

The Group continues to maintain a well balanced and structured loan portfolio. We benefited from its fixed interest rate exposure through the fixed rate notes issued in 2003 and 2005 and other long term borrowings, which account for over 62.54% of the Group's total borrowing. The Group is comfortable with the current position to support its long term growth strategy.

### ***Working Capital***

The Group's net current assets increased by 16.60% to HK\$5.64 billion. Current ratio and quick ratio further improved to 1.78 (2005: 1.66) and 1.22 (2005: 1.12) respectively.

Total inventory value increased by 1.23% to HK\$4.02 billion. Average inventory days increased by 12 days, the increase in number of days was because of higher finished goods inventory at balance sheet date due to shipment and deliveries arrangements. A major portion of the finished goods inventory was delivered in early 2007.

Trade receivables turnover days increased by 8 days due to the increased volume of business in Europe, which normally carries a longer credit term. The Group has evaluated the quality of the customer portfolio and remains comfortable with the quality of the trade receivables carried.

Average trade and other payable days increased to 56 days (2005: 53 days).

### ***Capital Expenditure***

Capital expenditure for the year amounted to HK\$473 million. Excluding the factory expansion plan in China, the capital expenditure during the year on operating assets was in line with the Group's capital appropriate guideline.

### ***Capital Commitment and Contingent Liability***

As of 31st December, 2006 total capital commitment amounted to HK\$620 million (2005: HK\$269 million) and there were no material contingent liabilities or off balance sheet obligations.

### ***Charges***

None of the Group's assets are charged or subject to encumbrance.

### **Human Resources**

The Group employed a total of 20,679 employees (2005: 22,053 employees) in Hong Kong and overseas. Total staff cost for the year under review amounted to HK\$2,456 million as compared to HK\$2,533 million last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed in improving the quality, competence and skills of all employees and providing related training and leadership development programs. The Group offers competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

### **AUDIT COMMITTEE**

An Audit Committee of the Board (the "Audit Committee") was established in 1999 and on 11th April, 2006, the Board of Directors of the Company (the "Board") adopted written terms of reference for the role and function of the Audit Committee and published these on the Company's website, [www.ttigroup.com](http://www.ttigroup.com). The role and function of the Audit Committee is to assist the Board in ensuring that an



effective system of internal control and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations is in place, and to oversee the integrity of the financial statements of the Company.

The Audit Committee is comprised of three independent non-executive directors of the Company, namely Mr. Joel Arthur Schleicher (Chairman), Mr. Christopher Patrick Langley<sup>OBE</sup> and Mr. Manfred Kuhlmann. All members of the Audit Committee have professional, financial or accounting qualifications.

## **REVIEW OF FINANCIAL INFORMATION**

Disclosure of financial information in this preliminary announcement complies with Appendix 16 of the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the "Listing Rule"). The Audit Committee has reviewed with senior management of the Group and Messrs. Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Company and has discussed internal controls and financial reporting matters, including the review of the audited financial statements of the Company for the year ended 31st December, 2006. The Board acknowledges its responsibility for the preparation of the accounts of the Company.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in this preliminary announcement in respect of the Company's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2006 have been agreed by the Company's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company confirms that it has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2006, save that:

1. The roles of Chairman and the Chief Executive Officer are both performed by Mr. Horst Julius Pudwill. The Group does not currently propose to separate the functions of Chairman and Chief Executive Officer, as both the Board and senior management of the Group has significantly benefited from the leadership, support, and experience of Mr. Horst Julius Pudwill.
2. The Board formally adopted written procedures on 11th April, 2006 to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. This supplemented and enhanced the prior practice of the Board of delegating signing authority on a case-by-case basis for each significant agreement entered into by the Group. The work of the Audit Committee will include reviewing on an ongoing basis the Group's internal controls and the delegation and reporting procedures between the Board and senior management.

3. None of the directors is appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one third of the Board must retire by rotation at each annual general meeting of the Company and, if eligible, offer themselves for re-election.

## **COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES**

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”). The Company confirms that, after specific enquiry with each Director, all Directors have confirmed compliance with the Model Code during the year ended 31st December, 2006. The Board has also adopted a code of conduct, on terms no less onerous than the Model Code, which applies to securities transactions of all relevant employees who may be in possession of unpublished price-sensitive information in relation to the Company’s shares, and which has been published on the Company’s website, [www.ttigroup.com](http://www.ttigroup.com).

## **PURCHASE, SALE 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 year.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 25th May, 2007 to Tuesday, 29th May, 2007, both days inclusive. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 23rd May, 2007.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held at Harbour Room, Level 3, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on 29th May, 2007 at 9:30 a.m. The notice of the annual general meeting will be published in The Standard and Hong Kong Economic Times and dispatched to the shareholders of the Company on or about 30th April, 2007.

## **APPRECIATION**

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.

By order of the Board

**Horst Julius Pudwill**

*Chairman and Chief Executive Officer*

Hong Kong, 18th April, 2007

*This results announcement is published on the websites of the Company (www.tigroup.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The annual report will be dispatched to the shareholders of the Company and available to the same websites on or about 30th April, 2007.*

*As at the date of this announcement, the Board comprises five Group Executive Directors, namely Mr. Horst Julius Pudwill (Chairman and Chief Executive Officer), Dr. Roy Chi Ping Chung JP (Vice Chairman), Mr. Patrick Kin Wah Chan, Mr. Frank Chi Chung Chan and Mr. Stephan Horst Pudwill, one Non-executive Director, namely Mr. Vincent Ting Kau Cheung, and three Independent Non-executive Directors, namely Mr. Joel Arthur Schleicher, Mr. Christopher Patrick LangleyOBE and Mr. Manfred Kuhlmann.*

*All trademarks used are intellectual property of their respective owners and are protected under trademark law.*

*The use of the trademark Ryobi<sup>®</sup> is pursuant to a license granted by Ryobi Limited.*

*RIDGID<sup>®</sup> is a registered trademark of Ridgid, Inc., part of Emerson Professional Tools, a business of St. Louis-based Emerson (NYSE: EMR). The orange color used on these products and the combination of orange and grey are trademarks for RIDGID<sup>®</sup> brand power tools.*

*Sears<sup>®</sup>, Craftsman<sup>®</sup> and Kenmore<sup>®</sup> brands are registered trademarks of Sears Brands, LLC.*

# RESULTS SUMMARY

## Consolidated Income Statement

For the year ended 31st December, 2006

	<i>Notes</i>	<b>2006</b> <i>HK\$'000</i> <i>(Note 13)</i>	<b>2005</b> <i>HK\$'000</i> <i>(Note 13)</i>	<b>2006</b> <i>US\$'000</i>	<b>2005</b> <i>US\$'000</i>
Turnover	2	<b>21,822,597</b>	22,358,387	<b>2,797,769</b>	2,866,460
Cost of sales		<b>(14,929,737)</b>	(15,416,176)	<b>(1,914,069)</b>	(1,976,433)
Gross profit		<b>6,892,860</b>	6,942,211	<b>883,700</b>	890,027
Other income		<b>43,423</b>	46,630	<b>5,567</b>	5,978
Interest income		<b>91,454</b>	60,368	<b>11,725</b>	7,739
Selling, distribution, advertising and warranty expenses		<b>(2,529,631)</b>	(2,537,555)	<b>(324,312)</b>	(325,328)
Administrative expenses		<b>(2,414,135)</b>	(2,443,035)	<b>(309,504)</b>	(313,208)
Research and development costs		<b>(428,311)</b>	(492,234)	<b>(54,912)</b>	(63,107)
Finance costs	3	<b>(391,679)</b>	(353,041)	<b>(50,215)</b>	(45,262)
Profit before share of results of associates and taxation		<b>1,263,981</b>	1,223,344	<b>162,049</b>	156,839
Share of results of associates		<b>(895)</b>	(6,463)	<b>(115)</b>	(829)
Profit before taxation		<b>1,263,086</b>	1,216,881	<b>161,934</b>	156,010
Taxation	4	<b>(184,017)</b>	(157,714)	<b>(23,592)</b>	(20,220)
Profit for the year	5	<b>1,079,069</b>	1,059,167	<b>138,342</b>	135,790
Attributable to:					
Equity holders of the parent		<b>1,071,864</b>	1,018,984	<b>137,418</b>	130,638
Minority interests		<b>7,205</b>	40,183	<b>924</b>	5,152
		<b>1,079,069</b>	1,059,167	<b>138,342</b>	135,790
Dividends paid		<b>279,845</b>	251,469	<b>35,878</b>	32,240
Earnings per share (HK/US cents)	6				
Basic		<b>73.18</b>	73.53	<b>9.38</b>	9.43
Diluted		<b>70.12</b>	69.75	<b>8.99</b>	8.94

## Consolidated Balance Sheet

As at 31st December, 2006

	<i>Notes</i>	<b>2006</b> <i>HK\$'000</i> <i>(Note 13)</i>	2005 <i>HK\$'000</i> <i>(Note 13)</i>	<b>2006</b> <i>US\$'000</i>	2005 <i>US\$'000</i>
<b>ASSETS</b>					
Non-current assets					
Property, plant and equipment	7&11	<b>1,791,746</b>	1,755,025	<b>229,711</b>	225,003
Lease prepayments		<b>66,659</b>	65,829	<b>8,546</b>	8,440
Goodwill		<b>4,042,996</b>	3,990,967	<b>518,333</b>	511,662
Intangible assets		<b>1,620,181</b>	1,461,453	<b>207,716</b>	187,366
Interests in associates		<b>192,989</b>	189,453	<b>24,742</b>	24,289
Available-for-sale investments		<b>43,315</b>	15,558	<b>5,553</b>	1,994
Deferred tax assets		<b>706,493</b>	646,758	<b>90,576</b>	82,918
		<b>8,464,379</b>	8,125,043	<b>1,085,177</b>	1,041,672
Current assets					
Inventories		<b>4,019,883</b>	3,971,216	<b>515,370</b>	509,130
Trade and other receivables	8	<b>3,827,038</b>	3,265,355	<b>490,646</b>	418,635
Deposits and prepayments		<b>544,977</b>	466,030	<b>69,869</b>	59,748
Bills receivable		<b>578,560</b>	431,121	<b>74,174</b>	55,272
Tax recoverable		<b>150,312</b>	68,544	<b>19,271</b>	8,788
Trade receivables from associates		<b>8,554</b>	1,310	<b>1,097</b>	168
Held-for-trading investments in Hong Kong		<b>7,800</b>	—	<b>1,000</b>	—
Bank balances, deposits and cash		<b>3,718,798</b>	4,046,122	<b>476,769</b>	518,734
		<b>12,855,922</b>	12,249,698	<b>1,648,196</b>	1,570,475
Current liabilities					
Trade and other payables	9	<b>3,118,120</b>	3,590,699	<b>399,759</b>	460,346
Bills payable		<b>335,455</b>	550,964	<b>43,007</b>	70,636
Warranty provision		<b>369,638</b>	338,211	<b>47,389</b>	43,360
Trade payable to an associate		<b>11,811</b>	21,946	<b>1,514</b>	2,814
Tax payable		<b>168,769</b>	116,624	<b>21,637</b>	14,952
Obligations under finance leases					
— due within one year		<b>18,535</b>	18,107	<b>2,376</b>	2,321
Discounted bills with recourse		<b>2,501,155</b>	2,101,171	<b>320,661</b>	269,381
Unsecured borrowings					
— due within one year		<b>421,849</b>	434,349	<b>54,083</b>	55,685
Bank overdrafts		<b>268,725</b>	238,928	<b>34,452</b>	30,632
		<b>7,214,057</b>	7,410,999	<b>924,878</b>	950,127
Net current assets		<b>5,641,865</b>	4,838,699	<b>723,318</b>	620,348
Total assets less current liabilities		<b>14,106,244</b>	12,963,742	<b>1,808,495</b>	1,662,020

		2006	2005	2006	2005
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>US\$'000</i></b>	<i>US\$'000</i>
		<b><i>(Note 13)</i></b>	<i>(Note 13)</i>		
<b>CAPITAL AND RESERVES</b>					
Share capital	<i>10</i>	<b>146,522</b>	146,172	<b>18,785</b>	18,740
Reserves		<b>6,850,008</b>	5,966,167	<b>878,208</b>	764,895
		<hr/>	<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of the parent		<b>6,996,530</b>	6,112,339	<b>896,993</b>	783,635
		<hr/>	<hr/>	<hr/>	<hr/>
Minority interests		<b>81,445</b>	120,670	<b>10,442</b>	15,471
		<hr/>	<hr/>	<hr/>	<hr/>
Total equity		<b>7,077,975</b>	6,233,009	<b>907,435</b>	799,106
		<hr/>	<hr/>	<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>					
Obligations under finance leases					
— due after one year		<b>125,529</b>	125,467	<b>16,093</b>	16,086
Convertible bonds		<b>1,105,834</b>	1,078,307	<b>141,774</b>	138,244
Unsecured borrowings					
— due after one year		<b>4,464,353</b>	4,225,411	<b>572,353</b>	541,719
Retirement benefit obligations		<b>834,087</b>	786,337	<b>106,934</b>	100,812
Deferred tax liabilities		<b>498,466</b>	515,211	<b>63,906</b>	66,053
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>7,028,269</b>	6,730,733	<b>901,060</b>	862,914
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>14,106,244</b>	12,963,742	<b>1,808,495</b>	1,662,020
		<hr/>	<hr/>	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Basis of Preparation and Accounting Policies

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>6</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>7</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>6</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>7</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>8</sup> Effective for annual periods beginning on or after 1st January, 2008

## 2. Segment Information

### *Income Statement*

*For the year ended 31st December, 2006*

	<b>Power Equipment HK\$'000</b>	<b>Floor Care HK\$'000</b>	<b>Laser and Electronics HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Turnover</b>					
External sales	17,115,746	4,427,949	278,902	—	21,822,597
Inter-segment sales	14,914	188,768	18,331	(222,013)	—
Total	<u>17,130,660</u>	<u>4,616,717</u>	<u>297,233</u>	<u>(222,013)</u>	<u>21,822,597</u>

Inter-segment sales are charged at prevailing market rates.

Result					
Segment results	1,462,030	156,757	36,873	—	1,655,660
Finance costs					(391,679)
Share of results of associates					(895)
Profit before taxation					1,263,086
Taxation					(184,017)
Profit for the year					<u>1,079,069</u>

*For the year ended 31st December, 2005*

	<b>Power Equipment HK\$'000</b>	<b>Floor Care HK\$'000</b>	<b>Laser and Electronics HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Turnover</b>					
External sales	17,176,671	4,525,858	655,858	—	22,358,387
Inter-segment sales	187,074	25,718	221,922	(434,714)	—
Total	<u>17,363,745</u>	<u>4,551,576</u>	<u>877,780</u>	<u>(434,714)</u>	<u>22,358,387</u>

Inter-segment sales are charged at prevailing market rates.

Result					
Segment results	1,237,379	199,786	139,220	—	1,576,385
Finance costs					(353,041)
Share of results of associates					(6,463)
Profit before taxation					1,216,881
Taxation					(157,714)
Profit for the year					<u>1,059,167</u>



	Turnover		Contribution to results from ordinary activities before taxation	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical market location:				
North America	<b>16,081,779</b>	17,122,079	<b>1,383,832</b>	1,385,239
Europe and other countries	<b>5,740,818</b>	5,236,308	<b>271,828</b>	191,146
	<b><u>21,822,597</u></b>	<b><u>22,358,387</u></b>	<b><u>1,655,660</u></b>	<b><u>1,576,385</u></b>
Finance costs			<b>(391,679)</b>	(353,041)
Share of results of associates			<b>(895)</b>	(6,463)
Profit before taxation			<b><u>1,263,086</u></b>	<b><u>1,216,881</u></b>

### 3. Finance Costs

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interests on:		
Bank loans and overdrafts wholly repayable within five years	<b>129,075</b>	137,747
Obligations under finance leases	<b>6,805</b>	8,142
Fixed interest rate notes	<b>228,272</b>	180,102
Effective interest expense on convertible bonds	<b>27,527</b>	27,050
	<b><u>391,679</u></b>	<b><u>353,041</u></b>

### 4. Taxation

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
The total tax charge (credit) comprises:		
Hong Kong Profits Tax	<b>56,085</b>	64,456
Overseas Tax	<b>184,649</b>	168,814
Deferred Tax	<b>(56,717)</b>	(75,556)
	<b><u>184,017</u></b>	<b><u>157,714</u></b>

Hong Kong profits tax is calculated at 17.5% of the estimated assessable profits for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

### 5. Profit for the Year

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation on property, plant and equipment	<b>451,278</b>	471,178
Amortization of lease prepayments	<b>1,402</b>	1,402
Amortization of intangible assets	<b>89,417</b>	47,084
Staff costs	<b>2,170,339</b>	2,215,517

## 6. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the parent	1,071,864	1,018,984
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	<u>22,710</u>	<u>22,316</u>
Earnings for the purpose of diluted earnings per share	<u>1,094,574</u>	<u>1,041,300</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,464,595,829	1,385,789,675
Effect of dilutive potential ordinary shares:		
Share options	30,435,277	41,186,410
Convertible bonds	<u>65,922,585</u>	<u>65,922,585</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,560,953,691</u>	<u>1,492,898,670</u>

## 7. Additions of Property, Plant and Equipment

During the year, the Group spent approximately HK\$473 million (2005: HK\$533 million) on the acquisition of property, plant and equipment.

## 8. Trade and Other Receivables

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aged analysis of trade receivables is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 to 60 days	3,143,989	2,622,904
61 to 120 days	230,131	255,728
121 days or above	<u>103,977</u>	<u>115,733</u>
Total trade receivables	3,478,097	2,994,365
Other receivables	<u>348,941</u>	<u>270,990</u>
	<u>3,827,038</u>	<u>3,265,355</u>

## 9. Trade and Other Payables

The aged analysis of trade payables is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 to 60 days	1,345,473	1,552,235
61 to 120 days	91,696	278,482
121 days or above	<u>30,547</u>	<u>70,475</u>
Total trade payables	1,467,716	1,901,192
Other payables	<u>1,650,404</u>	<u>1,689,507</u>
	<u>3,118,120</u>	<u>3,590,699</u>

## 10. Share Capital

	Number of shares		Share capital	
	2006	2005	2006	2005
			<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares				
Authorized:				
Shares of HK\$0.1 each	<u>2,400,000,000</u>	<u>2,400,000,000</u>	<u>240,000</u>	<u>240,000</u>
Issued and fully paid:				
Shares of HK\$0.1 each at 1st January	1,461,720,652	1,352,304,652	146,172	135,230
Issued on share placement	—	96,000,000	—	9,600
Issued on exercise of share options	<u>3,503,000</u>	<u>13,416,000</u>	<u>350</u>	<u>1,342</u>
Shares of HK\$0.1 each at 31st December	<u>1,465,223,652</u>	<u>1,461,720,652</u>	<u>146,522</u>	<u>146,172</u>

The shares issued during the year rank pari passu in all respects with the existing shares.

## 11. Capital Commitments

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment and licence	<u>516,648</u>	<u>199,554</u>
Capital expenditure authorized but not contracted for in the financial statements in respect of the purchase of property, plant and equipment	<u>103,443</u>	<u>68,957</u>

## 12. Contingent Liabilities

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks in respect of credit facilities utilized by associates	<u>36,026</u>	<u>30,654</u>

## 13. US Dollar Equivalent

These are shown for reference only and have been arrived at based on the fixed exchange rate of HK\$7.8 to US\$1.0.

## 14. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

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