Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)
(Stock Code: 669)

Announcement of results for the six months period ended June 30, 2009

HIGHLIGHTS

	2009 HK$' million	2008 HK$' million	**2009 US$' million**	2008 US$' million	Changes %
Turnover	**11,342**	13,135	**1,454**	1,684	(13.7)
EBITDA	**905**	995	**116**	128	(9.0)
Profit attributable to owners of the parent	**258**	355	**33**	45	(27.3)
EPS (HK/US cents)	**17.18**	23.62	**2.20**	3.03	(27.3)
Interim dividend per share (HK/US cents)	**3.00**	3.00	**0.38**	0.38	-

- **Sales outperformed our peer group**
- **Consumer Power Equipment grew low single-digit in North America**
- **Gross Profit Margin improved to 31.7% of sales vs. 31.5% last year**
- **New products accounted for over one third of sales through continuous investment in R&D**
- **Working Capital improved to 17.7% of sales vs. 21.4% last year**

The board of directors (the "Directors" or the "Board") of Techtronic Industries Company Limited ("TTI" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months period ended June 30, 2009 together with the comparative figures in 2008.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.00 cents (2008: HK3.00 cents) per share for the six months period ended June 30, 2009. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 18, 2009. It is expected that the interim dividend will be paid on or about September 29, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales outperformed our peer group

In a difficult economic environment, we have achieved our objectives by outperforming our peer group. We remain optimistic on our prospects for the rest of the year.

TTI achieved its strategic objectives and further strengthened the group's businesses in the first half, continuing to introduce new products, improve gross margins, generate free cash flow, and gain market share in this challenging global economy. Total Group sales decreased 13.7% in the first half to HK$11.3 billion over the same period of 2008. This reflects a 3% negative impact from the translation of foreign currency.

Group sales outperformed the market as new product sales helped to overcome the challenging conditions in all markets. Power Equipment sales decreased by 11.4% with Consumer Power Equipment achieving positive growth, growing low single-digit in North America. Outdoor Products delivered strong gains including double-digit growth in North America primarily driven by further penetration of new products. The Floor Care & Appliances business experienced an 18.9% sales decline while revenues were lowered by the negative impact of currency translation and a strategic decision to exit lower margin Dirt Devil® products. A new generation of floor care products will be rolled out to replace these exited lines in 2010. The Iconic brand Hoover® continues to revitalize and grow market share with the launch of the Platinum Collection™® in North America.

The Company's commitment to new product development resulted in the launch of a series of new businesses in the period including TEK4™ lithium-ion cordless tools, Painting Systems and Tile Saws. Sales across all new product categories accounted for more than one third of total sales in the period.

The completion of both the Strategic Repositioning Plan and the transfer of production to the new facility in China have contributed to improved cost efficiency and gross margins. During the period gross margins increased to 31.7% from 31.5% in the same period last year despite lower volume. Profit attributable to Owners of the Parent is HK$258 million (US$33 million). Basic earnings per share is HK17.18 cents (US2.20 cents).

Gross Profit Margin improved to 31.7% of sales vs. 31.5% last year

During the period, gross profit margins increased to 31.7% which is a positive trend representing an increase from the 30.2% gross margin in the second half of 2008 and 31.5% in the first half of 2008. Gross profit margin was supported by the benefits of the Company's restructuring programs, gains from aggressive cost reduction efforts, the impact of the roll out of higher margin new product and manufacturing efficiency in our new China manufacturing campus.

As part of the plan to improve cost competitiveness, TTI continued with reductions to non-strategic SG&A in the first half of 2009. Advertising and promotion expenditure increased, reflecting the higher-levels of new products introduced in the period. At the same time the Company continued its commitment to invest in R&D to fuel future new product development.

In the first half of 2009, management continued to prioritize lowering the cost base to improve the competitiveness of the business and maximize cash flow by rigorously controlling working capital. TTI achieved HK$207 million free cash flow in the first half of 2009.

Tight controls on trade receivables and payables were imposed to manage credit risk and cash management. Receivable turnover days were lowered to 55 from 57 days last year. Inventory ended HK$926 million or 15.5% below June 2008 and closing inventory days improved to 74 from 84 days for the same period last year, but were higher than year end as we build up products for delivery in the second half. We controlled our CAPEX with a 31.7% reduction when compared to the same period last year.

Working capital improved to 17.7% of sales from 21.4% last year

The focus on inventory, receivables, payables and CAPEX helped us reduce working capital as a percentage of sales from 21.4% last year to 17.7% in the first half of 2009. This, together with new capital raised in the period strengthened the Group's balance sheet and financial position. In April, US$150 million of convertible bonds were successfully placed.

BUSINESS REVIEW

Power Equipment

The Power Equipment business which includes Power Tools and Accessories and Outdoor Products delivered HK$8.2 billion in sales, 11.4% lower than in the first half of 2008. The business accounted for 71.9% of sales.

Professional and Industrial

Professional power tools were impacted by lower construction, industrial and infrastructure demand in the major geographic regions. We secured better operational results in the second quarter with stronger new product differentiation and continued customer engagement. We gained market share by the aggressive initiatives converting the skilled trade to use the new Milwaukee® M12™ and M18™ Lithium-ion cordless platforms. There was a consistent flow of new products across both corded and cordless tools. The increased breadth of the M12™ line and superior performance of the M18™ products have driven conversions in a highly competitive market place resulting in market share gains. Soon to enter the market is a premium range of high-performance Milwaukee® ShockWave™ Impact Duty Accessories that address the wear and tear of new high-torque tools on standard accessories.

Consumer and Trade

The Consumer Power Tool and Accessory business gained encouraging market share in a difficult environment due to strong sales of innovative new products and high impact promotional activities.

The Ryobi® One+ System™ continues to achieve success and deliver customer loyalty with strong acceptance of the 18V Lithium-ion battery which can convert NiCad tools to high performance Lithium-ion tools. New Lithium-ion tools and innovations in charging technology were launched to reinforce the winning proposition of the Ryobi® One+ System™ product range to contractors and heavy users. The new 6 port energy saving Lithium-ion / NiCad dual chemistry charger offers the convenience of charging 6 batteries sequentially at one time.

Beyond Ryobi's® traditional Power Tool and accessory platform, the brand introduced three new programs in the first half of the year.

* A Power Paint Sprayer system which increases the speed and performance of painting for the DIY enthusiast.

* A Tile Saw product line empowering DIY'ers with Pro-tile cutting and shaping performance for more cost effective and convenient tile cutting.

* The TEK4™ System delivering highly innovative electronic jobsite products that use a single 4V Lithium-ion battery which allows superior performance while being environmentally sustainable.

All three programs experienced success upon introduction into the mainstream market and have enjoyed market acceptance by offering the end-user a wide range of innovative solutions for the DIY'ers and budget conscious contractors.

Outdoor Products

Positive sales performance was achieved in the Outdoor Product business with sales up double-digit in North America. Sales gains were led by the new Ryobi® branded 4-cycle gas powered products, gas pressure washers, gas generators and a complete range of outdoor accessories. The gas generator product range was expanded following its launch in the second half of 2008 to include a range of new attachments and accessories. New products accounted for more than two thirds of North American outdoor product sales.

Floor Care and Appliance

The Floor Care business, reported an 18.9% decrease in turnover to HK$3.2 billion, accounting for 28.1% of total TTI sales.

In North America the Floor Care market remained challenging with Hoover® achieving market share gains. It benefited from the launch of the Hoover® Platinum Collection™ that targets the best-in-class in all key Hoover® categories. Notable success has been achieved with the innovative, powerful Hoover® LiNX™ Lithium-ion Cordless Stick Vac and the re-launching of its core line of uprights.

A strategic decision to selectively exit lower margin products in the Dirt Devil® brand was made resulting in lowered overall divisional turnover. We plan to re-enter those category with more innovative and higher margin products over the next year.

In Europe, the Vax® and Dirt Devil® brands have continued to build market share by launching a new series of products. The new innovative products launched by both brands have been well accepted in the market, achieving new listings across Europe and solid end-user acceptance.

FINANCIAL REVIEW

Financial Results

Result Analysis
Turnover for the period under review amounted to HK$11.3 billion, 13.7% lower than the HK$13.1 billion reported for the same period last year. Profit attributable to owners of the parent amounted to HK$258 million, as compared to HK$355 million reported last year. Basic earnings per share was at HK17.18 cents (2008: HK23.62 cents).

EBITDA amounted to HK$905 million, a decrease of 9.0% as compared to the HK$995 million reported in the same period last year.

EBIT amounted to HK$509 million, a decrease of 20.9% as compared to the HK$643 million reported in the same period last year.

Gross Margin
Gross margin improved to 31.7% as compared to 31.5% in the same period last year. The improvement was the result of new products launched during the period, the Strategic Repositioning Plan, cost containment programs, and more cost efficient manufacturing operations in the new factory in China.

Operating Expenses
Total operating expenses for the period amounted to HK$3.1 billion as compared to HK$3.4 billion reported for the same period last year. The Group managed to control non-strategic SG&A expenses and reinvested into strategic SG&A as planned.

Net interest expenses for the period amounted to HK$232 million as compared to HK$236 million reported for the same period last year. Interest cover, expressed as a multiple of EBITDA to total interest was at 3.8 times (2008: 3.9 times).

Effective tax rate for the period was at 6.8% (2008: 12.6%). The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds
Total shareholders' funds amounted to HK$7.3 billion, as compared to HK$6.8 billion at December 31, 2008, an increase of 6.2%. Book value per share was HK$4.84 as compared to HK$4.56 at December 31, 2008, an increase of 6.1%.

Financial Position
The Group's net gearing, expressed as a percentage of total net borrowings to equity attributable to equity holders, was at 85.0% as compared to 94.6% as at December 31, 2008. The Group remains confident that gearing will improve further following the successful implementation of the Strategic Repositioning Plan and initiatives to deliver focused and stringent working capital management.

On July 29, 2009, the Group placed an aggregate of 90,000,000 shares to independent investors at a price of HK$6.73 per share. The new placed shares represented approximately 6.0% of the issued share capital of the Company of 1,501,252,152 shares at the date of placement and approximately 5.7% of the issued capital of the Company of 1,591,252,152 shares as enlarged by the placement. The net proceeds were HK$590 million, and the Group's pro-forma net gearing will further decrease to 71.1% after this share placement.

Bank Borrowings
Long term borrowing accounted for 44.6% of total debts (32.4% at December 31, 2008).

The Group's major borrowings continued to be in US Dollars and HK Dollars. Other than the fixed rate notes, the Zero Coupon Convertible Bonds, and the 5-year 8.5% Coupon Convertible Bonds, all borrowings are either LIBOR or Hong Kong best lending rates based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposure, and cash management functions are all being closely monitored and managed by the Group's treasury team.

During the period, the Group issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of US$150,000,000, approximately HK$1,170,000,000 ("Convertible Bonds 2014") and 55,888,500 warrants ("Warrants 2012"). Unless previously redeemed, converted or purchased and cancelled, Convertible Bonds 2014 will be redeemed at its principal amount on the maturity date on April 30, 2014.

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HK$5.20 per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014. Warrants 2012 are exercisable at any time from April 30, 2010 to April 30, 2012 at an exercise price of HK$5.10 per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company.

Working Capital
Total inventory was at HK$5.1 billion as compared to HK$6.0 billion for the same period last year. The number of days inventory was at 74 days as compared to 84 days as at June 30, 2008. When compared to the year end level, inventory at the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year.

Trade receivables turnover days were at 55 days as compared to 57 days as at June 30, 2008. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 65 days (63 days as at June 30, 2008).

Working capital as a percentage of sales was at 17.7% as compared to 21.4% for the same period last year.

Capital Expenditure
Total capital expenditure for the period amounted to HK$281 million (2008: HK$411 million), of which HK$71 million related to the new China Industrial Manufacturing and Innovation Campus.

Capital Commitment and Contingent Liability
As at June 30, 2009, total capital commitments amounted to HK$143 million (2008: HK$289 million).

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 18,628 employees (2008: 21,619 employees) in Hong Kong and overseas. Total staff cost for the period under review amounted to HK$1.5 billion as compared to HK$1.6 billion in the same period last year.

The Group regards human capital as 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 and leadership development programs throughout the organization. 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

As we turn towards the second half, we are optimistic that we will continue to outperform the market and will deliver strong results given the challenging economic environment.

TTI continues to execute its Strategic Roadmap focusing on four key elements: Powerful Brands, Innovative New Products, Exceptional People, and Operational Excellence. This has been a challenging first half, but with our strategy clearly in place, we plan to deliver new innovative products to our customers and improve operating efficiency. Our ongoing efforts on cost reduction programs in the first half of 2009 have left the Company stronger and well positioned for the future.

TTI has a flexible and cost-competitive manufacturing platform to right-size the business in response to fluctuating demand conditions across our global markets. This allows us to maintain the investment in R&D that drives new products while greatly reducing capital expenditures on product development and product costs. We are now positioned to achieve our goals to expand gross margins and grow free cash flow.

Milwaukee is on course to consolidate its leadership position in professional Lithium-ion cordless tools and growing popularity with the professional tradesman with compelling new product innovation. Consumer power tools will drive demand through new product programs launched in the first half as well as introduce new Ryobi® One+ System™ products. In Outdoor Products, the strong first half momentum in sales from new product innovation, new product categories and accessory listings is expected to deliver solid results.

The outlook for Floor Care and Appliances is encouraging as substantial progress has been made to improve the competiveness of our product portfolio and distribution reach. The manufacturing cost containment program is enhancing margins through lower production costs and the continuing launch of new products.

The Group has been highly successful in Canada and Australia as we have driven our brands and innovative new products through key partnerships with the leading retailers and distributors in these markets. We experienced a difficult first half in Europe. We are committed to improving our results through a series of aggressive actions which are currently being deployed. Our European business represents an important part of our future and these actions will enable us to achieve our potential. We are excited about our future in Latin America, our next area of focus and expansion.

The management of the Group is confident that strong companies such as TTI can capitalize on the opportunity to aggressively build market share in the prevailing challenging market conditions. At the heart of TTI's success are people who are deeply immersed in a culture of productivity and innovation and whose strict discipline to deliver on process and execution sets the Company up for organic growth.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months period ended June 30, 2009, except that none of the directors were appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association of the Company.

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 of the Listing Rules (the "Model Code"). The Company has made specific enquiry of the Directors regarding any non-compliance with the Model Code during the six months period ended June 30, 2009 and all of them confirmed that they have fully complied with the required standards as set out in the Model Code. The Board has also adopted another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the "Code for Securities Transactions by Relevant Employees"). Both the Model Code and the Code for Securities Transactions by Relevant Employees have been published on the Company's website (www.ttigroup.com).

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the Company's external auditors, Deloitte Touche Tohmatsu, and the senior management of the Group the unaudited financial statements of the Company for the six months period ended June 30, 2009, the accounting principles and practices adopted by the Group and the internal controls and financial reporting matters. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

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 September 17, 2009 to September 18, 2009, 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, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00p.m. on September 16, 2009.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.ttigroup.com) and the HKExnews website (www.hkexnews.hk) of Hong Kong Exchanges and Clearing Limited. The 2009 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, August 27, 2009

As at the date of this announcement, the Board comprises six group Executive Directors, namely Mr Horst Julius Pudwill (Chairman), Dr Roy Chi Ping Chung JP (Vice Chairman), Mr Joseph Galli Jr (Chief Executive Officer), 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 four Independent Non-executive Directors, namely Mr Joel Arthur Schleicher, Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann and Mr Peter David Sullivan.

This results announcement is published on the websites of the Company (www.ttigroup.com) and the HKExnews website (www.hkexnews.hk).

RESULTS SUMMARY

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months period ended June 30, 2009

	Notes	**2009 HK$'000 (Unaudited)**	2008 HK$'000 (Unaudited)	**2009 US$'000 (Note 18)**	2008 US$'000 (Note 18)
Turnover	3	**11,341,885**	13,135,041	**1,454,088**	1,683,980
Cost of sales		**(7,748,843)**	(9,003,836)	**(993,441)**	(1,154,337)
Gross profit		**3,593,042**	4,131,205	**460,647**	529,643
Other income		**33,340**	39,236	**4,274**	5,030
Interest income		**6,378**	26,522	**818**	3,400
Selling, distribution, advertising and warranty expenses		**(1,688,524)**	(1,818,118)	**(216,477)**	(233,092)
Administrative expenses		**(1,300,441)**	(1,324,883)	**(166,723)**	(169,857)
Research and development costs		**(131,005)**	(211,873)	**(16,796)**	(27,163)
Finance costs		**(238,552)**	(262,316)	**(30,584)**	(33,630)
Profit before restructuring and relocation costs, share of results of associates and taxation		**274,238**	579,773	**35,159**	74,331
Restructuring and relocation costs	4	**-**	(166,286)	**-**	(21,319)
Share of results of associates		**(1,281)**	(1,315)	**(164)**	(169)
Profit before taxation		**272,957**	412,172	**34,995**	52,843
Taxation charge	5	**(18,486)**	(52,062)	**(2,370)**	(6,675)
Profit for the period	6	**254,471**	360,110	**32,625**	46,168
Other comprehensive income					
Exchange differences on translation of foreign operations		**29,350**	31,645	**3,763**	4,057
Other comprehensive income for the period (net of tax)		**29,350**	31,645	**3,763**	4,057
Total comprehensive income for the period		**283,821**	391,755	**36,388**	50,225
Profit for the period attributable to:					
Owners of the parent		**257,845**	354,669	**33,058**	45,470
Minority interests		**(3,374)**	5,441	**(433)**	698
		254,471	360,110	**32,625**	46,168
Total comprehensive income attributable to:					
Owners of the parent		**287,188**	386,278	**36,819**	49,523
Minority interests		**(3,367)**	5,477	**(431)**	702
		283,821	391,755	**36,388**	50,225
Earnings per share (HK/US cents)	8				
Basic		**17.18**	23.62	**2.20**	3.03
Diluted		**16.66**	23.60	**2.14**	3.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at June 30, 2009

	Notes	**June 30 2009 HK$'000 (Unaudited)**	December 31 2008 HK$'000 (Audited)	**June 30 2009 US$'000 (Note 18)**	December 31 2008 US$'000 (Note 18)
ASSETS					
Non-current assets					
Property, plant and equipment	9 & 16	**2,275,427**	2,354,914	**291,721**	301,912
Lease prepayments		**364,569**	283,573	**46,740**	36,356
Goodwill		**4,069,856**	4,071,585	**521,776**	521,998
Intangible assets		**2,531,231**	2,446,548	**324,517**	313,660
Interests in associates		**185,059**	206,328	**23,726**	26,452
Available-for-sale investments		**38,247**	17,058	**4,904**	2,187
Deferred tax assets		**606,335**	637,361	**77,735**	81,713
		10,070,724	10,017,367	**1,291,119**	1,284,278
Current assets					
Inventories		**5,062,946**	4,522,366	**649,096**	579,791
Trade and other receivables	10	**3,950,162**	3,515,583	**506,431**	450,716
Deposits and prepayments		**901,192**	732,400	**115,537**	93,897
Bills receivable	10	**166,378**	238,092	**21,331**	30,525
Tax recoverable		**413,964**	313,172	**53,072**	40,150
Trade receivables from an associate		**2,186**	109	**280**	14
Foreign currency forward contracts		**-**	53,576	**-**	6,869
Interest rate swap		**12,735**	-	**1,633**	-
Held-for-trading investments		**3,176**	3,451	**407**	442
Bank balances, deposits and cash		**2,931,944**	2,392,931	**375,890**	306,786
		13,444,683	11,771,680	**1,723,677**	1,509,190
Current liabilities					
Trade and other payables	11	**4,397,237**	3,777,793	**563,748**	484,333
Bills payable	11	**547,600**	152,759	**70,205**	19,584
Warranty provision		**376,113**	426,578	**48,220**	54,689
Trade payables to an associate		**132**	1,407	**17**	180
Tax payable		**429,809**	284,256	**55,104**	36,443
Restructuring provision		**36,362**	145,426	**4,662**	18,644
Foreign currency forward contracts		**12,252**	-	**1,571**	-
Dividend payable		**45,038**	-	**5,774**	-
Obligations under finance leases					
- due within one year		**18,416**	16,815	**2,361**	2,156
Discounted bills with recourse		**2,736,378**	2,462,611	**350,818**	315,719
Unsecured borrowings - due within one year	12	**1,784,316**	3,089,852	**228,759**	396,135
Convertible bonds		**102,068**	100,805	**13,086**	12,924
Bank overdrafts		**341,432**	263,732	**43,773**	33,811
		10,827,153	10,722,034	**1,388,098**	1,374,618
Net current assets		**2,617,530**	1,049,646	**335,579**	134,572
Total assets less current liabilities		**12,688,254**	11,067,013	**1,626,698**	1,418,850

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at June 30, 2009

	Notes	**June 30 2009 HK$'000** (Unaudited)	December 31 2008 HK$'000 (Audited)	**June 30 2009 US$'000** (Note 18)	December 31 2008 US$'000 (Note 18)
CAPITAL AND RESERVES					
Share capital	13	**150,125**	150,125	**19,247**	19,247
Reserves		**7,114,239**	6,689,010	**912,081**	857,568
Equity attributable to owners of the parent		**7,264,364**	6,839,135	**931,328**	876,815
Minority interests		**104,936**	108,303	**13,453**	13,885
Total equity		**7,369,300**	6,947,438	**944,781**	890,700
NON-CURRENT LIABILITIES					
Obligations under finance leases					
- due after one year		**57,707**	60,265	**7,398**	7,726
Convertible bonds	14	**914,963**	-	**117,303**	-
Unsecured borrowings - due after one year	12	**3,148,043**	2,870,703	**403,595**	368,038
Retirement benefit obligations		**737,763**	768,236	**94,585**	98,492
Deferred tax liabilities		**460,478**	420,371	**59,036**	53,894
		5,318,954	4,119,575	**681,917**	528,150
Total equity and non-current liabilities		**12,688,254**	11,067,013	**1,626,698**	1,418,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

A number of new or revised standards, amendments and interpretations are effective for the financial year beginning on January 1, 2009. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended December 31, 2008, except for the adoption of HKAS 23 (revised) and accounting policies of warrants.

HKAS 1 (revised 2007) "Presentation of Financial Statements"
(effective for annual periods beginning on or after January 1, 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKAS 23 (revised) "Borrowing Costs"
(effective for annual periods beginning on or after January 1, 2009)

HKAS 23 (revised) eliminated the option available under the previous version of HKAS 23 to recognize all borrowing costs immediately as an expense. To the extent borrowing costs related to the acquisition, construction or production of a qualifying asset, HKAS 23 (revised) requires that they be capitalized as part of the cost of the asset. All other borrowing costs should be expensed as incurred. The Group has applied the transitional provision in HKAS 23 (revised) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. As the revised accounting policy has been applied prospectively since January 1, 2009, the change has had no impact on accounts reported in prior accounting periods. For the six months period ended June 30, 2009, borrowing costs of HK$13,564,000 have been capitalized in property, plant and equipment.

Warrants
Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company’s own equity instruments is equity. The proceed received from the issue of warrants is recognized in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of warrants. When the warrants are still not exercised at the expiry date, the amount previously recognized in warrant reserve will be transferred to retained profits.

3. Segment information

The Group has adopted Hong Kong Financial Reporting Standards ("HKFRSs") 8 "Operating Segments" with effect from January 1, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in the redesignation of the Group’s reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The following is an analysis of the Group’s revenue and results by operating segment for the period under review:

For the period ended June 30, 2009

	Power Equipment HK$’000	**Floor Care and Appliances HK$’000**	**Eliminations HK$’000**	**Consolidated HK$’000**
Turnover				
External sales	**8,156,104**	**3,185,781**	**-**	**11,341,885**
Inter-segment sales	**7,141**	**123,050**	**(130,191)**	**-**
	8,163,245	**3,308,831**	**(130,191)**	**11,341,885**

For the period ended June 30, 2008

	Power Equipment HK$’000	Floor Care and Appliances HK$’000	Eliminations HK$’000	Consolidated HK$’000
Turnover				
External sales	9,205,570	3,929,471	-	13,135,041
Inter-segment sales	13,576	80,347	(93,923)	-
	9,219,146	4,009,818	(93,923)	13,135,041

Inter-segment sales are charged at prevailing market rates.

3. Segment information - continued

	Six months period ended June 30					
	2009			2008		
	Power Equipment HK$'000	**Floor Care and Appliances HK$'000**	**Consolidated HK$'000**	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Consolidated HK$'000
Segment results before restructuring and relocation costs	**414,338**	**98,452**	**512,790**	667,979	174,110	842,089
Restructuring and relocation costs	**-**	**-**	**-**	(117,542)	(48,744)	(166,286)
Segment results	**414,338**	**98,452**	**512,790**	550,437	125,366	675,803
Finance costs			**(238,552)**			(262,316)
Share of results of associates			**(1,281)**			(1,315)
Profit before taxation			**272,957**			412,172
Taxation			**(18,486)**			(52,062)
Profit for the period			**254,471**			360,110

Segment profit represents the profit earned by each segment without allocation of share of results of associates and finance costs. This is the measure reported to the Group's Chief Executive Officer, the CODM of the Group, for the purpose of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment reported to CODM of the Group:

	June 30 2009 HK$'000	December 31 2008 HK$'000
Power Equipment	**14,633,019**	13,233,658
Floor Care and Appliances	**4,745,087**	5,005,597
	19,378,106	18,239,255

4. Restructuring and relocation costs

The Strategic Repositioning Plan of the Group was completed in 2008. The relevant restructuring provisions were charged as restructuring costs in 2008. Relocation costs in 2008 mainly represented expenses that did not qualify to be recognized as part of the restructuring provision but that still related to the Group's restructuring activities.

5. Taxation charge

	Six months period ended June 30	
	2009 HK$'000	2008 HK$'000
Current tax:		
Hong Kong	**44,047**	43,318
Overseas Tax	**(54,768)**	(27,076)
Deferred Tax	**29,207**	35,820
	18,486	52,062

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

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

6. Profit for the period

	Six months period ended June 30	
	2009	2008
	HK$'000	HK$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortization of property, plant and equipment	**261,436**	264,757
Amortization of lease prepayment	**4,855**	859
Amortization of intangible assets	**130,613**	86,490
Total depreciation and amortization	**396,904**	352,106
Exchange loss (gain)	**25,528**	(85,994)
Staff costs	**1,520,161**	1,631,822

7. Dividends

A dividend of HK3.00 cents per share (2007: HK1.50 cents per share) was paid to shareholders as the final dividend for 2008 on July 31, 2009.

The Directors have determined that an interim dividend of HK3.00 cents per share (2008: HK3.00 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 18, 2009.

8. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	Six months period ended June 30	
	2009	2008
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the parent	**257,845**	354,669
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds (net of tax)	**4,744**	1,033
Earnings for the purpose of diluted earnings per share	**262,589**	355,702
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,501,252,152**	1,501,252,152
Effect of dilutive potential ordinary shares:		
Share options	**36,685**	124,230
Convertible bonds	**61,388,372**	5,722,679
Warrants	**13,916,237**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,576,593,446**	1,507,099,061

9. Additions of property, plant and equipment

During the period, the Group spent approximately HK$281 million (for the six months ended June 30, 2008: HK$411 million) on the acquisition of property, plant and equipment.

10. Trade and other receivables/Bills receivable

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

	June 30 2009 HK$'000	December 31 2008 HK$'000
0 to 60 days	**3,229,789**	2,652,165
61 to 120 days	**207,751**	353,212
121 days or above	**296,107**	299,582
Total trade receivables	**3,733,647**	3,304,959
Other receivables	**216,515**	210,624
	3,950,162	3,515,583

All the Group's bills receivable at June 30, 2009 are due within 120 days.

11. Trade and other payables/Bills payable

The aging analysis of trade payables is as follows:

	June 30 2009 HK$'000	December 31 2008 HK$'000
0 to 60 days	**2,313,429**	1,560,330
61 to 120 days	**540,908**	483,519
121 days or above	**39,956**	27,579
Total trade payables	**2,894,293**	2,071,428
Other payables	**1,502,944**	1,706,365
	4,397,237	3,777,793

All the Group's bills payable at June 30, 2009 are due within 120 days.

12. Unsecured bank borrowings

During the period, the Group obtained new bank borrowings in the amount of HK$986 million (2008: HK$703 million) which are either LIBOR or Hong Kong best lending rates based. The proceeds were used for refinancing of the Group's short term debt including the repayment of a syndicated loan of US$134,000,000, approximately HK$1,045,200,000.

13. Share capital

	Number of shares		Share capital	
	June 30 2009	December 31 2008	**June 30 2009 HK$'000**	December 31 2008 HK$'000
Ordinary shares of HK$0.10 each				
Authorised	**2,400,000,000**	2,400,000,000	**240,000**	240,000
Issued and fully paid at beginning and end of the period	**1,501,252,152**	1,501,252,152	**150,125**	150,125

14. Convertible bonds

During the period, the Group issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of US$150,000,000, approximately HK$1,170,000,000 ("Convertible Bonds 2014") and 55,888,500 warrants ("Warrants 2012"). Unless previously redeemed, converted or purchased and cancelled, Convertible Bonds 2014 will be redeemed at its principal amount on the maturity date at April 30, 2014. The Warrants 2012 are detachable from the Convertible Bonds 2014.

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HK$5.20 (to be converted to United States dollar at the fixed exchange rate of HK$7.75 = US$1.0) per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014 ("Conversion Rights"). The conversion will result in the Company issuing a fixed number of shares of the Company in settlement of a fixed amount of cash.

Warrants 2012 are exercisable at any time from April 30, 2010 to April 30, 2012 at an exercise price of HK$5.10 (to be converted to United States dollar at the fixed exchange rate of HK$7.75 = US$1.0) per share, subject to anti-dilutive adjustment, to subscribe for shares of the Company.

The fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar bond without the Conversion Rights and Warrants 2012. The residual amount is assigned as the equity component, representing the estimated fair value of Warrants 2012 with the remaining balance allocated to the Conversion Rights and is included in shareholders' equity.

The weighted average effective interest rate of the Convertible Bonds 2014 is 15.57%.

15. Contingent liabilities

	June 30 2009 HK$'000	December 31 2008 HK$'000
Guarantees given to banks in respect of credit facilities utilized by associates	**29,042**	31,659

16. Capital commitments

	June 30 2009 HK$'000	December 31 2008 HK$'000
Capital expenditure in respect of the purchase of property, plant and equipment and licence:		
Contracted for but not provided	**132,314**	242,739
Authorised but not contracted for	**10,956**	16,076

17. Post balance sheet event

On July 29, 2009, the Group placed an aggregate of 90,000,000 shares to independent investors at a price of HK$6.73 per share. The new shares placed represent approximately 6.0% of the issued share capital of the Company of 1,501,252,152 shares at the date of placement and approximately 5.7% of the issued capital of the Company of 1,591,252,152 shares as enlarged by the placement.

18. Presentation and functional currencies

The functional currency of the Company is United States dollar. The presentation currency of the Group is Hong Kong dollar as the Company is a public limited company incorporated in Hong Kong. The financial statements include the condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position which are presented in United States dollar for reference only which have been arrived at based on the fixed exchange rate of HK$7.8 to US$1.0.