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TECHTRONIC INDUSTRIES CO. LTD.
創 科 實 業 有 限 公 司
(incorporated in Hong Kong with limited liability)
(Stock code: 669)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2011

Highlights

	2011 US$' million	2010 US$' million	**Changes**
Turnover	**3,667**	3,383	**+8.4%**
EBITDA	**338**	280	**+20.5%**
EBIT	**218**	167	**+30.6%**
Profit attributable to Owners of the Company	**151**	95	**+58.9%**
Basic earnings per share (US cents)	**9.39**	5.93	**+58.3%**
Dividend per share (approx. US cents)	**1.64**	1.28	**+28.1%**

- **Record sales and profitability**
- **New products drive growth**
- **Continued geographic expansion**
- **Ongoing gross margin improvement**
- **Increased free cash flow**

BUSINESS HIGHLIGHTS

Techtronic Industries Company Limited ("TTI") delivered strong results in 2011, reporting record sales and profits, as our business continued to expand in key markets while successfully managing costs and delivering higher margins. This solid performance demonstrates the fundamental strengths of the Group, centred on our strategic drivers of Powerful Brands, Innovative Products, Exceptional People and Operational Excellence.

Dependable Performance

Sales for the year ended December 31, 2011 increased 8.4% over 2010 to US$3.7 billion as we outpaced the market in a demanding global economic environment. Gross profit margin increased to 32.6%, from 32.2% in 2010 and 31.3% in 2009 showing our ability to drive productivity gains in our operations and supply chain, despite the head winds from higher commodity prices and rises in other input costs. SG&A expenses were reduced from 26.9% of sales in 2010 to 26.8% in 2011. All these improvements drove 2011 earnings before interest and tax up by 30.6% to US$218 million, with margin improving by 100 basis points to 5.9%. Better interest expenses and tax management further lifted profit attributable to shareholders of the Company by 58.9% to US$151 million, while earnings per share rose by 58.3% over the previous year to US9.39 cents.

Sales at our largest business, Power Equipment, rose by 11.6% to US$2.7 billion, accounting for 72.6% of total sales, up from 70.5% in 2010. Floor Care and Appliances sales rose by 0.7% to US$1.0 billion, accounting for 27.4% of total sales. Despite a challenging market environment, we were able to grow our core North America and Europe businesses. Our geographic expansion program is gaining traction, delivering an 8.4% increase in sales.

Combined sales growth and improvements in operational efficiency drove positive free cash flow of US$149 million for the year. Our debt and working capital position remains comfortable and in line with our targets. Working capital as a percentage to sales improved from 21.9% in 2010 to 18.9% in 2011. Gearing continued to decline, reaching 59.3% at the end of 2011 from 66.1% as at June 30, 2011.

Dedicated Focus

We have a sound strategy with a dedicated focus on execution. We are delivering value to our customers and providing TTI with a scalable engine for growth.

TTI has a stable of powerful brands that occupy leadership positions in important markets across the globe. Our multi-brand approach in Power Tools, Outdoor Power Equipment and Floor Care allows us to segment end-users. An example of the power of our brands has been the transformation of RYOBI® power tools and accessories into a leader in the consumer segment. Behind this success is the RYOBI® One+ System® of cordless tools, which continues to expand its customer base. The success of the cordless system has now been leveraged into the consumer outdoor portable tools segment, which had a successful 2011, firmly establishing another growth category for the RYOBI® brand.

We understand that exciting new products are fundamental to winning customers and that user-focused innovation creates strong brand loyalty. We have invested in R&D every year, even in times of economic challenge resulting in new products contributing approximately one third of the Group's sales, the level targeted in our Strategic Roadmap.

We have an enviable track record of enhancing our existing product platforms while each year producing ground-breaking new products. This is clearly demonstrated by the Milwaukee game changing lithium ion cordless power tool innovations to enhance end-user productivity from their Red Lithium™ with best-in-class power, to the newly introduced FUEL™, which is the leading edge in unbeatable durability, energy efficiency, long charge life and power. As a result, Milwaukee has become one of the fastest growing industrial power tool brands in North America and other key markets.

Our dedicated focus on cost improvement and productivity follows a highly disciplined, company-wide process that delivers savings through value analysis of products, manufacturing and other supply chain efficiencies. This focus was an important contributor to our gross margin improvement in 2011, as it enabled us to offset input costs.

DIVIDEND

The Directors have recommended a final dividend of HK7.75 cents (approximately US1.00 cent) per share for the year ended December 31, 2011 (2010: HK6.25 cents (approximately US0.80 cent)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 25, 2012. 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 July 6, 2012. This payment, together with the interim dividend of HK5.00 cents (approximately US0.64 cent) per share (2010: HK3.75 cents (approximately US0.48 cent)) paid on September 16, 2011, makes a total payment of HK12.75 cents (approximately US1.64 cent) per share for 2011 (2010: HK10.00 cents (approximately US1.28 cents)).

REVIEW OF OPERATIONS

Power Equipment

The Power Equipment business, comprising of power tools, outdoor products and accessories, achieved an 11.6% increase in sales in 2011 to US$2.7 billion. This positive performance was the result of continued successful expansion of our MILWAUKEE® Red Lithium™ cordless platforms and strong growth in hand tools and accessories, as well as further expansion of our RYOBI® cordless lithium ion power tool and outdoor product ranges. The business accounted for 72.6% of Group turnover, against 70.5% in 2010.

Industrial

Our industrial power equipment business under the MILWAUKEE® brand had a strong year, delivering solid double-digit sales growth globally driven by further market penetration, built on the increasing adoption of lithium ion cordless products. During the year, MILWAUKEE® introduced Red Lithium™ and added a number of new products to their M12™ and M18™ lithium ion cordless systems. MILWAUKEE®'s game-changing cordless technology has won rapid end-user adoption in the industrial trade channels.

MILWAUKEE® power tool accessories achieved a good performance for the year, experiencing solid growth with the launch of the second generation of Shockwave® drilling and fastening accessories and wood Sawzall® blades with Fang Tip™ productivity-enhancing design and the advanced tooth Nail Guard™ feature. Our professional MILWAUKEE® hand tool program provided incremental growth building momentum with a successful second phase launch in 2011. The highly innovative range of hand tools targeted at professional users offers completely new features, providing the ultimate in productivity and performance.

Consumer and Professional

In 2011, sales of professional and consumer power tools increased, supported by strong new product introductions in cordless products and accessories, as we continued to expand our professional range under the AEG® brand, while refreshing the consumer Do-it-yourself consumer brand RYOBI® with a new line of products and the striking new Hyper green brand identity.

RYOBI® strengthened its position in North America as it enhanced the core 18-volt ONE+ System® by launching a range of new products that offer super-compact designs and improved performance. RYOBI® continues to build on its commitment to innovative product development and world-class marketing backed by a well trained in-store sales team. The success in product innovation, a key factor in driving growth, has established RYOBI® as the leading Do-it-yourself brand with a strong product portfolio, a substantial and loyal end-user following, and solid retail partnerships with broad distribution.

In Europe and rest of world, new product introductions throughout the year enabled our AEG® brand to deliver solid growth. Key among them was the launch of a new range of professional cordless tools using Lithium Pro™, the next generation high performance lithium-ion technology. The AEG® MultiTool™ 12-volt range has generated end-user excitement with its flexible multiple head attachments which deliver lithium power to perform different tasks for the professional user. In the consumer Do-it-yourself segment, sales of RYOBI® products increased, driven by new products and distribution partnerships.

Outdoor Products

Outdoor products had a good year, as they benefited from the tremendous success of the RYOBI® power tools 18-volt ONE+ System®, which is now being applied to the outdoor products segment. In North America, we refreshed and expanded the RYOBI® 18-volt ONE+ System® through the launch of new products, including a new line trimmer and a hedge trimmer with HedgeSweep™ technology. Additionally, the new RYOBI® cordless 24-volt lithium ion platform exceeded sales targets as it captured the interest of end-users and garden enthusiasts, transforming their view of cordless outdoor technology by virtue of the products' compactness, convenience, ergonomic design and high performance.

In Europe and rest of world, outdoor products benefited from the introduction of a range of RYOBI® 36-volt lithium ion cordless products. This technology breakthrough delivers power and run time performance that far exceeds other cordless products. As a result of the RYOBI® 36-volt range, consumers have a performance choice to re-place gas driven products.

Floor care and Appliances

Floor care and appliances sales rose by 0.7% over 2010 to US$1.0 billion, accounting for 27.4% of Group turnover. We are an industry leader with a strong portfolio of brands, HOOVER®, VAX®, and DIRT DEVIL®. The business continued to generate innovative products coupled with tight control of operating costs and supply chain efficiencies to offset rising input costs.

In North America, HOOVER® continued to grow market share in both the carpet washer and upright categories. Despite macro-economic headwinds, HOOVER® increased its penetration in key categories for the second consecutive year. HOOVER®'s highly rated MaxExtract™ deep cleaning carpet washers continue to deliver impressive sales results. A range of proprietary cleaning solutions for the MaxExtract™ technology has proved an incremental revenue stream. HOOVER® continued to grow in the core upright vacuum category, driven by a number of innovative products and promotions. The DIRT DEVIL® range benefited from a rebranding and the introduction of new cyclonic stick and steam cleaners. Both HOOVER® and DIRT DEVIL® vacuum cleaners received approval ratings from a well-regarded consumer publication during the year, with HOOVER® winning the top ratings in the two upright categories and also the "best buy" recommendation.

Sales of VAX® and DIRT DEVIL® increased steadily in Europe and rest of world. VAX® expanded sales in core categories, in particular carpet washers, and entered new distribution channels. The newly launched VAX® Mach Air™ premium product series was successful and supported by a consumer marketing campaign with our retail partners. The business continued to drive expansion into new customer channels for both brands and develop a management team to support future growth.

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's turnover for the year amounted to US$3.7 billion, an increase of 8.4% as compared to the US$3.4 billion reported in 2010. Profit attributable to Owners of the Company amounted to US$151 million as compared to US$95 million reported in 2010. Basic earnings per share for the year improved to US9.39 cents as compared to US5.93 cents in 2010.

EBITDA amounted to US$338 million, an increase of 20.5% as compared to US$280 million reported in 2010.

EBIT amounted to US$218 million, an increase of 30.6% as compared to US$167 million reported in 2010.

Gross Margin

Gross margin improved to 32.6% as compared to 32.2% reported last year. The margin improvement was the result of new product introduction, category expansion, all with higher margin, efficient production in the new PRC facility, effective supply chain management and volume leverage on our economies of scale.

Operating Expenses

Total operating expenses for the year amounted to US$985 million as compared to US$911 million reported in 2010. SG&A as a percentage of sales improved by 0.1% to 26.8%.

Investments in product design and development amounted to US$69 million, representing 1.9% of turnover (2010: 1.9%) reflecting our continuous investment in R&D even in times of economic challenge. With our new innovation centre in full operation in 2012, efficiency and cost effectiveness is expected to be further improved in the coming years.

Net interest expenses for the year amounted to US$58 million as compared to US$72 million reported in 2010. Interest coverage, expressed as a multiple of EBITDA to total interest was 5.4 times (2010: 3.8 times).

The effective tax rate, being tax charged for the year to before tax profits was at 5.8%. The Group will continue to leverage its global operations to further improve the overall tax efficiencies.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to US$1.2 billion as compared to US$1.1 billion in 2010. Book value per share was at US$0.78 as compared to US$0.69 as reported last year, an increase of 13.0%.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 59.3% as compared to 72.9% last year. One of the Group's primary objectives is to reduce gearing and we remain confident that gearing will improve further after the successful implementation of key initiatives to deliver focused and stringent working capital management.

In January 2012, some of the holders of the Company's convertible bonds converted convertible bonds of US$40,000,000 into shares of the Company at HK$5.20 per share for 59,615,384 shares. This will also lower our interest cost in future periods. Gearing on a pro-forma basis immediately improved to approximately 54.4% following the conversion.

Bank Borrowings

Long term borrowings accounted for 33.1% of total debts (44.8% at December 31, 2010).

The Group's major borrowings continued to be in US Dollars and in HK Dollars. Other than the fixed rate notes and the 5-year 8.5% Coupon Convertible Bonds, borrowings are predominantly 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 exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

During the year, the Group repaid US$5.6 million of fixed interest rate notes, refinanced by a new syndicated loan obtained in February 2011. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory increased from US$645 million in 2010 to US$704 million in 2011. Days inventory was maintained at 70 days. Part of the increase in inventory at year end was a result of pre-build of products before the Chinese New Year in mid-January 2012 to prepare for the sales in early February. The Group will continue to focus in reducing the inventory level and improve inventory turns.

Trade receivable turnover days were at 60 days as compared to 63 days as reported last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 53 days as compared to 55 days as reported last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were extended by 10 days from 52 days reported in 2010 to 62 days in 2011.

The Group's current ratio decreased from 1.34 times in 2010 to 1.23 times and the quick ratio also decreased to 0.79 from 0.89 in 2010. The decline was mainly due to the reclassification of convertible bonds from long term to current. Excluding the reclassification of convertible bonds, the current ratio and quick ratio were 1.35 and 0.87 respectively.

Working capital as a percentage of sales was at 18.9% as compared to 21.9% last year.

Capital Expenditure

Total capital expenditures for the year amounted to US$95 million (2010: US$93 million) including US$7 million (2010: US$2 million) related to the new Asia Industrial Park and Innovation Centre.

Capital Commitments and Contingent Liabilities

As at December 31, 2011, total capital commitments amounted to US$16 million (2010: US$14 million) and there were no material contingent liabilities or off balance sheet obligations.

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2011

(i) the Group's largest customer and five largest customers accounted for approximately 37.7% and 51.9% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 3.6% and 13.2% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

According to the knowledge of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

HUMAN RESOURCES

The Group employed a total of 17,818 employees (2010: 18,440 employees) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$495 million (2010: US$461 million).

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improving 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.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2011. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

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

The Company 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 "Code") throughout the year ended December 31, 2011, except none of the Directors are 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 general meeting of the Company and if eligible, offer themselves for re-election.

Apart from compliance of the code provisions set out in the Code, the Company also voluntarily complied with the recommended best practices set out in the Code in order to achieve and maintain a high standard of corporate governance and strike for the best interests of the Company and shareholders as a whole.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Model Code"). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

A total of 5,516,500 ordinary shares of HK$0.10 each were repurchased by the Company during the year at prices ranging from HK$4.62 to HK$6.33 per share. The aggregate amount paid by the Company for such repurchases amounting to US$3,817,000 was charged to the retained earnings.

The repurchased shares were cancelled and the issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value thereof.

The repurchase of the Company's shares during the year were effected by the Directors pursuant to the mandate from shareholders received at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

To ascertain members' eligibility to attend and vote at the 2012 Annual General Meeting, the register of members of the Company will be closed from May 17, 2012 to May 18, 2012, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for attend and vote for the 2012 Annual General Meeting, 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, Wanchai, Hong Kong for registration not later than 4:00 p.m. on May 16, 2012.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed from May 24, 2012 to May 25, 2012, both days inclusive, during which period no transfers of shares will be effected. 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, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on May 23, 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 18, 2012 and the notice of the annual general meeting will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

SEIZING GROWTH OPPORTUNITIES

TTI has been growing its business, improving profitability, generating free cash flow, and strengthening its balance sheet. We have created a leading position with our global brands portfolio, cost efficient production and stream of innovative products which are facilitating further expansion into new categories and new geographies. Global brands, rapid speed to market of new innovative products, and scale are necessary to achieve market leadership and superior growth. Our proven track record demonstrates that we have solid, executable plans in place to capture enormous growth potential going forward.

APPRECIATION

I wish to extend my appreciation to our many dedicated customers and business partners for their support during the year, to our people for their passion and hard work in turning TTI's vision into the reality of well made, cost effective products, my fellow directors for their sound contribution and to our many shareholders for their commitment.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, March 22, 2012

As at the date of this announcement, the Board comprises five group Executive Directors, namely Mr Horst Julius Pudwill (Chairman), Mr Joseph Galli Jr (Chief Executive Officer), Mr Patrick Kin Wah Chan, Mr Frank Chi Chung Chan and Mr Stephan Horst Pudwill, two Non-executive Directors, namely Prof Roy Chi Ping Chung BBS JP and 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).

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AEG® is a registered trademark and its use is pursuant to a License granted by AB Electrolux (publ).

RYOBI® is a registered trademark and its use is pursuant to a License granted by Ryobi Limited.

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011

	Notes	**2011** **US$'000**	2010 US$'000
Turnover	*2*	**3,667,058**	3,382,838
Cost of sales		**(2,473,407)**	(2,293,853)
Gross profit		**1,193,651**	1,088,985
Other income	*3*	**9,419**	17,078
Interest income		**5,055**	2,148
Selling, distribution, advertising and warranty expenses		**(510,357)**	(480,733)
Administrative expenses		**(404,995)**	(366,070)
Research and development costs		**(69,159)**	(64,608)
Finance costs	*4*	**(63,093)**	(74,301)
Profit before restructuring costs, share of results of associates and taxation		**160,521**	122,499
Restructuring costs	*5*	-	(26,653)
Share of results of associates		**(347)**	(155)
Profit before taxation		**160,174**	95,691
Taxation (charge) credit	*6*	**(9,242)**	70
Profit for the year	*7*	**150,932**	95,761
Other comprehensive income			
Exchange differences on translation of foreign operations		**5,643**	1,879
Other comprehensive income for the year		**5,643**	1,879
Total comprehensive income for the year		**156,575**	97,640

	Notes	**2011**	2010
		US$'000	US$'000
Profit for the year attributable to:			
Owners of the Company		**150,826**	94,890
Non-controlling interests		**106**	871
		150,932	95,761
Total comprehensive income attributable to:			
Owners of the Company		**156,414**	96,770
Non-controlling interests		**161**	870
		156,575	97,640
Earnings per share (US cents)	*8*		
Basic		**9.39**	5.93
Diluted		**9.21**	5.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

	Notes	**2011 US$'000**	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*9 & 13*	**360,082**	339,437
Lease prepayments		**36,432**	35,475
Goodwill		**530,856**	529,884
Intangible assets		**371,275**	353,431
Interests in associates		**20,165**	24,062
Available-for-sale investments		**1,269**	1,267
Deferred tax assets		**73,633**	68,527
		1,393,712	1,352,083
Current assets			
Inventories		**704,419**	644,510
Trade and other receivables	*10*	**673,457**	617,988
Deposits and prepayments		**72,897**	66,915
Bills receivable		**35,760**	38,875
Tax recoverable		**12,361**	10,995
Trade receivables from associates		**205**	38
Derivative financial instruments		**8,867**	10,883
Held-for-trading investments		**8,288**	10,732
Bank balances, deposits and cash		**459,650**	512,893
		1,975,904	1,913,829
Current liabilities			
Trade and other payables	*11*	**618,863**	483,265
Bills payable		**42,991**	55,207
Warranty provision		**44,748**	47,702
Trade payable to an associate		**4,037**	4,127
Tax payable		**10,937**	7,578
Derivative financial instruments		**9,002**	4,949
Restructuring provision		**3,743**	22,981
Obligations under finance leases - due within one year		**1,730**	2,963
Discounted bills with recourse		**518,897**	411,095
Unsecured borrowings - due within one year		**194,025**	361,055
Convertible bonds		**134,001**	-
Bank overdrafts		**19,972**	22,350
		1,602,946	1,423,272
Net current assets		**372,958**	490,557
Total assets less current liabilities		**1,766,670**	1,842,640

	Notes	2011 US$'000	2010 US$'000
Capital and Reserves			
Share capital	*12*	**20,533**	20,598
Reserves		**1,225,043**	1,094,161
Equity attributable to Owners of the Company		**1,245,576**	1,114,759
Non-controlling interests		**8,552**	14,948
Total equity		**1,254,128**	1,129,707
Non-current Liabilities			
Obligations under finance leases - due after one year		**4,755**	5,714
Unsecured borrowings - due after one year		**396,877**	466,358
Convertible bonds		-	127,225
Retirement benefit obligations		**82,937**	90,694
Deferred tax liabilities		**27,973**	22,942
		512,542	712,933
Total equity and non-current liabilities		**1,766,670**	1,842,640

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In the current year, the Group and the Company have applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at January 1, 2011:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2013
[3] Effective for annual periods beginning on or after January 1, 2015
[4] Effective for annual periods beginning on or after January 1, 2012
[5] Effective for annual periods beginning on or after July 1, 2012
[6] Effective for annual periods beginning on or after January 1, 2014

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosure regarding transfer of financial assets in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- With regards to financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. The adoption of HKFRS 9 will require the Group's and the Company's available-for-sale investments that are currently measured at cost less impairment to be measured at fair value instead of being measured at cost.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the amendments to HKAS 19 may have an impact on amounts reported in respect of the Groups' defined benefit plans. However, the Group currently recognises all changes in defined benefit obligations and in the fair value of plan assets in profit or loss when they occur. The directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

2. Segment Information

Information reported to the executive directors of the Company, being the Chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods sold.

The principal categories of goods supplied are “Power Equipment” and “Floor Care and Appliances”. The Group’s operating segment under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE®, AEG®, RYOBI® and HOMELITE® brand, plus original equipment manufacturer (“OEM”) customers.

2. Floor Care and Appliances – sales of floor care products and floor care accessories under the HOOVER®, DIRT DEVIL® and VAX® brand, plus OEM customers.

Information regarding the above segments is reported below.

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segment for the year under review:

For the year ended December 31, 2011

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment turnover				
External sales	**2,662,739**	**1,004,319**	**-**	**3,667,058**
Inter-segment sales	**18,314**	**4,389**	**(22,703)**	**-**
Total segment turnover	**2,681,053**	**1,008,708**	**(22,703)**	**3,667,058**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results before restructuring costs	**188,780**	**34,834**	**-**	**223,614**
Restructuring costs	-	-	-	-
Segment results	**188,780**	**34,834**	**-**	**223,614**
Finance costs				**(63,093)**
Share of results of associates				**(347)**
Profit before taxation				**160,174**
Taxation charge				**(9,242)**
Profit for the year				**150,932**

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

Segment turnover and results
For the year ended December 31, 2010

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment turnover				
External sales	2,385,590	997,248	-	3,382,838
Inter-segment sales	15,382	3,593	(18,975)	-
Total segment turnover	2,400,972	1,000,841	(18,975)	3,382,838

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results before restructuring costs	146,797	50,003	-	196,800
Restructuring costs	(26,653)	-	-	(26,653)
Segment results	120,144	50,003	-	170,147
Finance costs				(74,301)
Share of results of associates				(155)
Profit before taxation				95,691
Taxation credit				70
Profit for the year				95,761

Turnover from major products
The following is an analysis of the Group's turnover from its major products:

	2011 **US$'000**	2010 US$'000
Power Equipment	**2,662,739**	2,385,590
Floor Care and Appliances	**1,004,319**	997,248
Total	**3,667,058**	3,382,838

Geographical information

The Group's turnover from external customers by geographical location, determined based on the location of the customer by geographical location are detailed below:

	2011 **US$'000**	2010 US$'000
North America	**2,648,233**	2,461,122
Europe	**763,501**	712,998
Other countries	**255,324**	208,718
Total	**3,667,058**	3,382,838

Information about major customer

During the years ended December 31, 2011 and 2010, the Group's largest customer contributed total turnover of US$1,384,093,000 (2010: US$1,232,974,000), of which US$1,345,788,000 (2010: US$1,196,367,000) was under the Power Equipment segment and US$38,305,000 (2010: US$36,607,000) was under the Floor Care and Appliances segment. There is no other customer contributing more than 5% of total turnover.

3. Other Income

Other income in 2011 mainly comprises of the gain on disposal of property, plant and equipment, sales of scrap materials and claims and reimbursements from customers and vendors.

Other income in 2010 mainly comprises of the fair value gain on foreign currency forward contracts, sales of scrap materials, claims and reimbursements from customers and vendors, discount on acquisition taken to income, fair value gain on warrants and the fair value gain on held-for-trading investments.

4. Finance Costs

	2011 **US$'000**	2010 US$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**27,535**	33,588
Obligations under finance leases	**585**	444
Fixed interest rate notes	**16,257**	22,242
Effective interest expense on convertible bonds	**19,059**	18,155
Total borrowing costs	**63,436**	74,429
Less: amounts capitalised	**(343)**	(128)
	63,093	74,301

5. Restructuring Costs

Restructuring costs in 2010 mainly represent the Group's labor and staff cost provisions related to the relocation of production from Germany to lower cost locations.

6. Taxation (Charge) Credit

	2011	2010
	US$'000	US$'000
The total tax (charge) credit comprises:		
Hong Kong profits tax	**(2,715)**	(2,019)
Overseas tax	**(6,123)**	(18,045)
Deferred tax	**(404)**	20,134
	(9,242)	70

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year.

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

7. Profit for the Year

	2011	2010
	US$'000	US$'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**69,897**	70,370
Amortisation of lease prepayments	**765**	733
Amortisation of intangible assets	**49,084**	42,391
Staff costs	**427,532**	404,030

Staff costs disclosed above do not include an amount of US$67,434,000 (2010: US$57,162,000) relating to research and development activities.

8. Earnings per Share

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

	2011	2010
	US$'000	US$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**150,826**	94,890
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	**18,040**	-
Earnings for the purpose of diluted earnings per share	**168,866**	94,890
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,605,594,626**	1,601,053,496
Effect of dilutive potential ordinary shares:		
Share options	**3,391,650**	963,952
Convertible bonds	**223,557,000**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,832,543,276**	1,602,017,448

The computation of diluted earnings per share for the year ended December 31, 2010 does not assume the conversion of the Company's convertible bonds since their exercise would result in an increase in earnings per share and does not assume the exercise of certain of the Company's outstanding share options when the exercise price of those options was higher than the average market price for shares for both 2011 and 2010.

9. Additions of Property, Plant and Equipment

During the year, the Group spent approximately US$95 million (2010: US$93 million) on the acquisition of property, plant and equipment.

10. 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:

	2011	2010
	US$'000	US$'000
0 to 60 days	**569,695**	547,718
61 to 120 days	**17,145**	16,212
121 days or above	**19,806**	16,032
Total trade receivables	**606,646**	579,962
Other receivables	**66,811**	38,026
	673,457	617,988

11. Trade and Other Payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2011 **US$'000**	2010 US$'000
0 to 60 days	**259,435**	216,963
61 to 120 days	**93,376**	52,300
121 days or above	**7,048**	7,655
Total trade payables	**359,859**	276,918
Other payables	**259,004**	206,347
	618,863	483,265

The credit period on the purchase of goods ranges from 30 days to 120 days (2010: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

12. Share Capital

	2011 **Number of shares**	2010 Number of shares	**2011** **US$'000**	2010 US$'000
Ordinary shares				
Authorised:				
Shares of HK$0.10 each	**2,400,000,000**	2,400,000,000	**30,769**	30,769
Issued and fully paid:				
At the beginning of the year	**1,606,625,752**	1,591,252,152	**20,598**	20,401
Issue of shares upon exercise of warrants	-	14,903,600	-	191
Issue of shares upon exercise of share options	**455,000**	470,000	**6**	6
Repurchase of shares	**(5,516,500)**	-	**(71)**	-
At the end of the year	**1,601,564,252**	1,606,625,752	**20,533**	20,598

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares at HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid US$'000
September 2011	3,425,500	5.50	5.22	2,362
October 2011	2,091,000	6.33	4.62	1,455
	5,516,500			3,817

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of US$71,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately US$3,817,000 was charged to retained profits.

13. Capital Commitments

	2011 US$'000	2010 US$'000
Capital expenditure in respect of the purchase of property, plant and equipment and a licence:		
Contracted for but not provided	**15,484**	12,984
Authorised but not contracted for	**287**	842

14. Contingent Liabilities

	2011 US$'000	2010 US$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**10,858**	9,379

15. Event After The Reporting Period

In January 2012, some of the holders of the Company's convertible bonds converted convertible bonds of US$40,000,000 into shares of the Company at HK$5.20 per share for 59,615,384 shares.