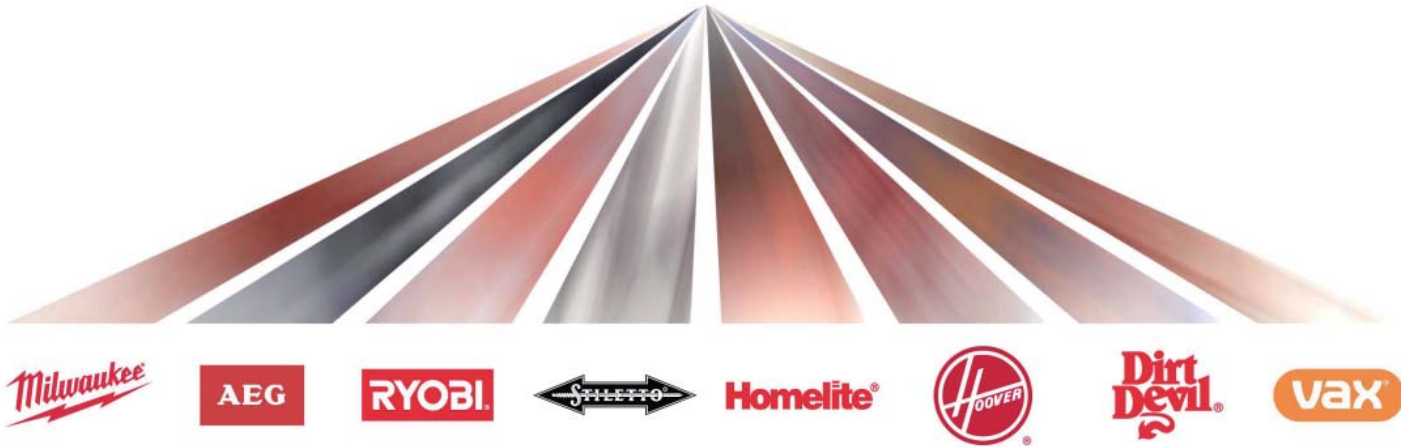




Interim Report 2008



**Powerful Brands  
Innovative Products  
Exceptional People  
Operational Excellence**



## A Leadership Platform

TTI is a world-class leader in quality consumer and professional products marketed to the home improvement and construction industries. An unrelenting strategic focus on powerful brands, innovative products and exceptional people drives our success.

TTI's powerful brand portfolio includes Milwaukee®, AEG® and Ryobi® power tools and accessories, Stiletto® hand tools, Ryobi® and Homelite® outdoor products, and Hoover®, Dirt Devil® and Vax® floor care appliances. Our products are distributed through major home centers and retailers, full-line tool distributors and other channels worldwide.

Our culture of innovation, firm commitment to R&D and extensive customer insight ensure our leading brands and high-quality products meet the specific needs of the customers, consumers and professionals that we serve and deliver long-term value to our shareholders.

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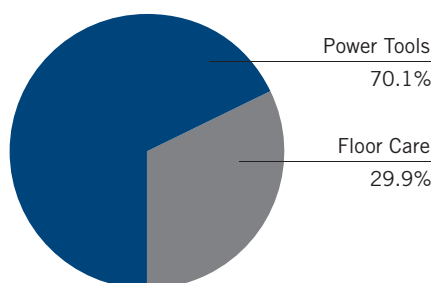
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# Financial Highlights

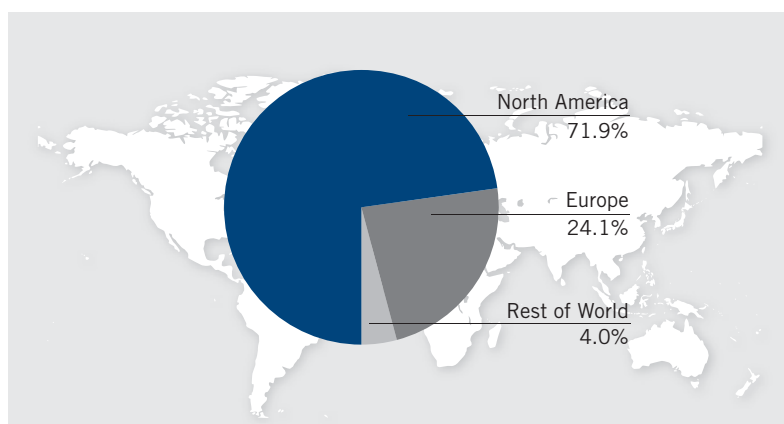
For the six months period ended June 30, 2008	2008 HK\$' million	2007 HK\$' million	2008 US\$' million	2007 US\$' million	Changes %
Turnover	<b>13,135.0</b>	11,928.3	<b>1,684.0</b>	1,529.3	10.1
EBIT (Before other income, restructuring and transition costs)	<b>769.6</b>	428.1	<b>98.7</b>	54.9	79.8
Other Income	<b>39.2</b>	327.1	<b>5.0</b>	41.9	(88.0)
EBIT (After other income, before restructuring and transition costs)	<b>808.8</b>	755.2	<b>103.7</b>	96.8	7.1
Restructuring and Transition Costs	<b>166.3</b>	—	<b>21.3</b>	—	N/A
Profit attributable to equity holders of the parent (Before other income, restructuring and transition costs)	<b>481.7</b>	182.2	<b>61.8</b>	23.4	164.4
Profit attributable to equity holders of the parent (After other income, restructuring and transition costs)	<b>354.6</b>	509.3	<b>45.5</b>	65.3	(30.4)
EPS (HK/US cents) (Before other income, restructuring and transition costs)	<b>32.09</b>	12.34	<b>4.11</b>	1.58	160.0
EPS (HK/US cents) (After other income, restructuring and transition costs)	<b>23.62</b>	34.50	<b>3.03</b>	4.42	(31.5)
Interim dividend per share (HK/US cents)	<b>3.00</b>	6.50	<b>0.38</b>	0.83	(53.8)

## TTI's Growth Continues

### Sales by Product



### Sales by Geographic Location



*For the six months period ended June 30, 2008*

# Management's Discussion and Analysis

## Highlights

- **Record sales and 10.1% growth last year**
- **EBIT increase 7.1% before restructuring**
- **Hoover® turnaround generates profits**
- **Strong gains from Outdoor Products**
- **Strategic Repositioning Plan savings ahead of target**

TTI achieved record sales in the first half driven by growth across all major business segments overcoming challenging macroeconomic conditions in key markets. Total Group sales in the first half were a record HK\$13.1 billion, an increase of 10.1% over the same period of 2007. The Power Equipment business had strong sales growth of 11.6% led primarily by penetration of new product categories from the Outdoor Products business and the expansion of cordless lithium ion technology across our power tool brands. The Floor Care business experienced sales growth of 6.8% aided by the profitable turnaround of Hoover and growth in Europe and Rest of World. The Company's commitment to new product development resulted in the launching of over 300 new products during the past 12 months. The geographic expansion efforts in Canada, Middle East, Eastern Europe, Latin America and Australia contributed to the sales growth in the first half.

The Hoover turnaround and the Milwaukee transfer program, both part of our Strategic Repositioning Plan, generated better than planned savings for the period. These savings, the ongoing Cost Improvement Programs, selective price increases and new product launches partially offset the inflationary pressures in China, a stronger China Yuan and increasing commodity prices. During the period, gross margins were 31.5% compared with 31.8% in the previous period. The Company's cost rationalization and volume leverage lowered. Operating Expenses were 25.5% of sales when compared to 28.2% during the first half last year. Profit Attributable to Equity Holders of the Parent (before other income, restructuring costs and other restructuring and transition costs) is HK\$481.7 million representing a year-on-year growth of 164.4%. Basic earnings per share (before other income, restructuring costs and other restructuring and transition costs) improved to HK\$32.09 cents, an increase of 160.0% as compared to the same period last year.

## Strategic Repositioning Plan

The Strategic Repositioning Plan delivered sustainable savings from the Hoover turnaround and Milwaukee transfer program in the first half. As part of the Plan the first phase of the new China Manufacturing and Innovation Campus opened its doors at the end of the first half. The spending in the first half was on track at HK\$166 million (US\$21.3 million) and savings were ahead of plan at HK\$246 million (US\$31.5 million). The total planned spending for the Strategic Repositioning Plan remains at HK\$1.3 billion (US\$172 million) and projected annual savings remains at HK\$550 million (US\$70 million) in the year 2010 and beyond.

## Business Review

### Power Equipment

The Power Equipment business which includes Power Tools & Accessories and Outdoor Products, comprised of our leading brands Milwaukee®, AEG®, Ryobi® and Homelite® delivered 11.6% growth in the first half of 2008. The business accounted for 70.1% of sales. Sales of professional tools and accessories expanded at a mid-single digit rate, as did sales of consumer tools and accessories. Outdoor Products, with the expansion into new categories, had solid double-digit sales growth. Profit margins attributable to operations declined to 7.3% from 8.3% for the same period last year impacted by inflationary pressures not yet offset by planned new product introductions, price increases, Cost Improvement Programs, and the reduction of inventory in preparation for the second half new product introductions.

The Company's relentless focus on the development and marketing of cordless power tools continues as a key growth driver as sales recorded double digit growth and the Ryobi® branded One+™ program has sold over 37 million tools. The lightweight and high performance cordless lithium ion technology which the Company developed for heavy duty applications was expanded from Milwaukee® into the AEG® and hyper-green Ryobi® cordless tools in late 2007. Across all brands the new platforms of 12V and 18V lithium tools accounted for nearly the entire cordless product growth in the first half. The business is well positioned to build on this success with the European and Rest of World launches set for later in 2008 and early 2009, as well as the continuing development of innovations around these two cordless platforms.

Significant gains were made by the Outdoor Products business in North America with double-digit sales growth also coming from Europe and the Rest of World. In North America, incremental sales were generated from product category expansion with the full range of Homelite® handheld electric tools and the launch of five high performance, best-in-class gas pressure washers. Globally sales improvements were fueled by the introduction of about 108 new products. Late in the first half, the innovative first-of-its-kind Ryobi® gas trimmers with electric Touch Start were introduced in North America and will be launched in Europe and Rest of World during the second half of 2008.

### Floor Care

The Floor Care business, including the Hoover contribution, reported a 6.8% increase in turnover to HK\$3.9 billion, accounting for 29.9% of total TTI sales. Profit from operations improved significantly with the Hoover turnaround. Profit margin attributable to operations is at 4.4% up from 3.3% for the same period last year.

In North America the core business grew during the first half as new Hoover® products were successfully launched including the Hoover® 100 Year Anniversary Series™ celebrating the brand's centenary year, including four differentiated uprights and one canister utilizing two technologies unique to Hoover®. In addition, the new Platinum Collection™ will be introduced offering new models across Bagged Upright, Bagless Upright, Shampooer, Canister Cordless Stick and Cordless Hand held. The LiNX™ Cordless Stick and Hand Vacs will be powered by lithium ion battery technology. The Platinum Collection™ will also feature Hoover®'s new Visual Brand Language.

## Management's Discussion and Analysis

Dirt Devil® launched AccuCharge™ cordless hand and stick vacuums in the first half, the first Energy Star rated vacuum that reduce energy costs without sacrificing performance. The Dirt Devil® Designer Series continues to gain popularity for Dirt Devil®. The Designer Series' three new products will be added throughout 2008; KRUZ®, a cordless stick vac, BRUM™, a cordless broom vac and KWIK™, a detailer for fine electronic components and other delicate surfaces.

In Europe, the Vax® and Dirt Devil® businesses delivered strong double-digit growth. Growth in Vax came mainly from the UK and Russia, driven by sales of the Mach™ series Uprights that was successfully adapted and launched from the Hoover® USA product platform. Dirt Devil®'s double-digit sales growth in the period was driven by its principal German market and strong expansion in France and Spain.

### Outlook

The growth of TTI is underpinned by our Strategic Roadmap that focuses on four elements of Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence. Our powerful brand portfolio last year added the Hoover® and Stiletto® brands which are now primed for growth with new product line-ups. We believe in the power of the brands in our portfolio. Our focus on brand value and new innovative products by leveraging our leadership in cordless products and lithium ion battery technologies are creating higher vitality rates across the group and this will continue in the second half of 2008. Our goal is to add to the heritage of our brands by delivering products that excite end users and retail partners with improved convenience and greater performance.

The Power Equipment business has performed well during a challenging North American economic climate making market gains in the growing cordless power tool category with our innovative lithium ion tools. The second half will benefit from major new launches of 12V and 18V lithium ion cordless tools under the Milwaukee®, RIDGID®, AEG®, and Ryobi® brands. Milwaukee will continue to focus on serving the fast growing global infrastructure industry and the tools being developed are targeted at these demanding users. A clear new product winner is the cutting edge Milwaukee® M-Spector™ digital inspection camera that exploits the Milwaukee® M12™ lithium ion platform and introduces a breakthrough digital imaging inspection technology that enhances everyday productivity of the professional trades. Outdoor Products should continue the strong first half expansion driven by the Homelite® electric handheld tools and gas pressure washers as well as the launch of new Homelite® gas chainsaws. A growth program of gas generators will positively impact the second half and is targeted to be an ongoing growth category.

The outlook for Floor Care is exciting with the new product launch plans for Hoover® and growth plans for key geographic markets like Canada and Russia. The Hoover® Platinum Collection™ will be introduced in the second half of the year which includes the Hoover® LiNX™ Cordless Stick and Hand Vacs powered by 18V lithium ion battery technology. Through LiNX™ TTI will further extend lithium ion into the cordless vacuum cleaner market, delivering consumers cordless convenience with the power and run time that they desire. An exciting new partnership with the leading office supply retailer Staples to produce a complete range of paper shredders begins in the second half. The full product range consists of world class design and performance with several patents pending.

The management of the Group is committed to executing the Strategic Repositioning Plan and is confident this will deliver sustainable long term profitability as TTI emerges stronger, more efficient and market focused. As the integration and transitioning program is completed, resources are increasingly focusing on accelerated Cost Improvement Programs to offset cost pressures. This program will expand gross margins, improve working capital management and help to achieve the goal of growing free cash flow. The company has proven ability to grow sales and expand profitably during challenging economic conditions. The sales momentum generated in the first half is expected to continue throughout the second half.

# Financial Review

## Financial Results

### Result Analysis

Turnover for the period under review amounted to HK\$13.1 billion, an increase of 10.1% as compared to the same period last year. Profit after other income, restructuring and transition costs attributable to equity holders of the parent amounted to HK\$354.6 million, as compared to HK\$509.3 million reported last year. Profit attributable to equity holders of the parent before other income, restructuring and transition costs amounted to HK\$481.7 million, an increase of 164.4% as compared to last year.

Basic earnings per share was at HK23.62 cents (2007: HK34.50 cents). Excluding other income, restructuring and transition costs, earnings per share amounted to HK32.09 cents, improved as compared to HK12.34 cents per share as reported same period of last year.

EBIT, before other income, restructuring and transition costs, amounted to HK\$769.6 million, an increase of 79.8% compared to the HK\$428.1 million reported last year.

### Gross Margin

Gross profit margin remained stable at 31.5% as compared to 31.8% in the same period last year. New products launched during the period and cost containment programs and Group synergies partially offset the commodity, raw material costs increase, higher manufacturing costs and the China Yuan appreciation.

### Operating Expenses

Total operating expenses remained the same as that of last period, amounting to HK\$3.4 billion, representing 25.5% (2007: 28.2%) of turnover. The Group managed to control the non-strategic SG&A expenses and reinvested into the strategic SG&A as planned.

Interest expenses for the period amounted to HK\$262.3 million, as compared to HK\$215.5 million reported last year. The increase was due to higher cost of funds during the period and the additional working capital required for the restructuring and factory expansion. Interest cover, expressed as a multiple of EBITDA to total interest was at 4.5 times (2007: 5.3 times).

Effective tax rate for the period was at 12.6% (2007: 13.3%). The restructuring of the Group's operations will offer additional opportunities for more efficient and effective tax planning.

## Liquidity and Financial Resources

### Shareholders' Funds

Total shareholders' funds amounted to HK\$7,295.8 million, as compared to HK\$6,920.1 million at December 31, 2007, an increase of 5.4%.

### Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing to equity attributable to equity holders, was at 95.3%, as compared to 104.3% as at December 31, 2007. The Group remains confident that gearing will further improve after the completion of the Strategic Repositioning Plan and initiatives to deliver very focused and stringent working capital management.



## Bank Borrowings

Long term borrowing accounted for 42.6% of total debts (41.3% at December 31, 2007).

The Group's major borrowings continued to be in US Dollars and HK Dollars. Other than the fixed rate notes and the unredeemed portion of the Zero 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. Currency, interest rate exposure together with cash management functions are all closely managed and monitored.

## Working Capital

Total inventory was at HK\$6.0 billion, comparable to the HK\$6.0 billion as at December 31, 2007. The number of days inventory improved from 88 days as at December 31, 2007 to 84 days for period under review.

Trade receivable turnover days improved to 57 days as compared to 62 days as at December 31, 2007. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payable days declined from 66 days reported as at December 31, 2007 to 63 days.

Working capital as a percentage of sales was at 21.4% as compared to 22.9% at December 31, 2007.

## Capital Expenditure

Total capital expenditure for the period amounted to HK\$411.1 million (2007: HK\$309.3 million), of which HK\$180.7 million was for the new China Industrial Manufacturing and Innovation Campus. The Group's total capital expenditure was in line with the Group's capital appropriation guideline.

## Capital Commitment and Contingent Liability

As at June 30, 2008, total capital commitments amount to HK\$288.9 million (2007: HK\$391.3 million) and there were no material contingent liabilities or off balance sheet obligations.

## Charges

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

## Human Resources

The Group employed a total of 21,619 employees, down 8.7% compared to 23,674 employees in 2007. Total staff cost for the period under review amounted to HK\$1,631.8 million as compared to HK\$1,532.0 million in the same period last year. This increase in staff cost reflects the Company's on-going investment in R&D, geographic expansion and other strategic areas.

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.

# Interim Dividend

The Directors have resolved to declare an interim dividend of HK3.00 cents (2007: HK6.50 cents) per share for the six months period ended June 30, 2008. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 19, 2008. It is expected that the interim dividend will be paid on or about September 29, 2008.

## Closure of Register of Members

The register of members of the Company will be closed from September 17, 2008 to September 19, 2008, 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, 2008.

# Report on Review of Interim Financial Information

## Deloitte.

## 德勤

To the Board of Directors of  
Techtronic Industries Company Limited

### Introduction

We have reviewed the interim financial information set out on pages 10 to 20 which comprise the condensed consolidated balance sheet of Techtronic Industries Company Limited as of June 30, 2008 and the related condensed consolidated income statement, condensed statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

August 21, 2008

# Financial Statements

## Condensed Consolidated Income Statement (Unaudited)

For the six months period ended June 30, 2008

	Notes	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 US\$'000 (Note 13)	2007 US\$'000 (Note 13)
Turnover	2	<b>13,135,041</b>	11,928,328	<b>1,683,980</b>	1,529,273
Cost of sales		<b>(9,003,836)</b>	(8,138,094)	<b>(1,154,337)</b>	(1,043,345)
Gross profit		<b>4,131,205</b>	3,790,234	<b>529,643</b>	485,928
Other income		<b>39,236</b>	327,133	<b>5,030</b>	41,940
Interest income		<b>26,522</b>	47,914	<b>3,400</b>	6,143
Selling, distribution, advertising and warranty expenses		<b>(1,818,118)</b>	(1,503,172)	<b>(233,092)</b>	(192,714)
Administrative expenses		<b>(1,324,883)</b>	(1,581,014)	<b>(169,857)</b>	(202,694)
Research and development costs		<b>(211,873)</b>	(273,253)	<b>(27,163)</b>	(35,032)
Finance costs		<b>(262,316)</b>	(215,519)	<b>(33,630)</b>	(27,631)
Profit before restructuring costs, other restructuring and transition costs, share of results of associates and taxation		<b>579,773</b>	592,323	<b>74,331</b>	75,940
Restructuring costs	3	<b>(129,602)</b>	—	<b>(16,616)</b>	—
Other restructuring and transition costs	3	<b>(36,684)</b>	—	<b>(4,703)</b>	—
Share of results of associates		<b>(1,315)</b>	(1,097)	<b>(169)</b>	(141)
Profit before taxation		<b>412,172</b>	591,226	<b>52,843</b>	75,799
Taxation	4	<b>(52,062)</b>	(78,402)	<b>(6,675)</b>	(10,052)
Profit for the period	5	<b>360,110</b>	512,824	<b>46,168</b>	65,747
Attributable to:					
Equity holders of the parent		<b>354,669</b>	509,270	<b>45,470</b>	65,291
Minority interests		<b>5,441</b>	3,554	<b>698</b>	456
		<b>360,110</b>	512,824	<b>46,168</b>	65,747
Dividends	14	<b>(22,519)</b>	(189,636)	<b>(2,887)</b>	(24,312)
Earnings per share (HK/US cents)	6				
Basic		<b>23.62</b>	34.50	<b>3.03</b>	4.42
Diluted		<b>23.60</b>	33.17	<b>3.03</b>	4.25

# Condensed Consolidated Balance Sheet (Unaudited)

As at June 30, 2008

	Notes	June 30 2008 HK\$'000 (Unaudited)	December 31 2007 HK\$'000 (Audited)	June 30 2008 US\$'000 (Note 13)	December 31 2007 US\$'000 (Note 13)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7&11	2,714,388	2,612,534	347,998	334,940
Lease prepayments		85,080	78,799	10,908	10,102
Goodwill		4,176,400	4,164,129	535,436	533,863
Intangible assets		2,284,811	2,176,077	292,924	278,984
Interests in associates		213,788	203,637	27,409	26,107
Available-for-sale investments		17,058	17,058	2,187	2,187
Deferred tax assets		728,376	762,907	93,382	97,809
		<b>10,219,901</b>	10,015,141	<b>1,310,244</b>	1,283,992
<b>Current assets</b>					
Inventories		5,988,839	5,951,606	767,800	763,026
Trade and other receivables	8	4,357,087	4,471,844	558,601	573,313
Deposits and prepayments		461,382	470,147	59,152	60,275
Bills receivable	8	171,933	469,002	22,043	60,128
Tax recoverable		333,859	271,134	42,802	34,761
Trade receivables from associates		3,500	10,053	449	1,289
Held-for-trading investments		3,692	17,192	473	2,204
Bank balances, deposits and cash		2,678,392	3,293,327	343,384	422,221
		<b>13,998,684</b>	14,954,305	<b>1,794,704</b>	1,917,217
<b>Current liabilities</b>					
Trade and other payables	9	4,470,264	4,466,407	573,111	572,617
Bills payable	9	280,832	299,223	36,004	38,362
Warranty provision		465,193	474,386	59,640	60,819
Tax Payable		366,558	286,069	46,995	36,676
Restructuring provision		203,973	418,380	26,150	53,638
Dividend payable		22,519	—	2,887	—
Obligations under finance leases					
— due within one year		18,045	17,635	2,313	2,261
Discounted bills with recourse		1,806,674	3,036,449	231,625	389,288
Unsecured borrowings					
— due within one year		3,094,675	2,566,503	396,754	329,038
Bank overdrafts		466,872	418,369	59,855	53,637
		<b>11,195,605</b>	11,983,421	<b>1,435,334</b>	1,536,336
Net current assets		<b>2,803,079</b>	2,970,884	<b>359,370</b>	380,881
Total assets less current liabilities		<b>13,022,980</b>	12,986,025	<b>1,669,614</b>	1,664,873

## Condensed Consolidated Balance Sheet (Unaudited)

	Notes	June 30 2008 HK\$'000 (Unaudited)	December 31 2007 HK\$'000 (Audited)	June 30 2008 US\$'000 (Note 13)	December 31 2007 US\$'000 (Note 13)
<b>CAPITAL AND RESERVES</b>					
Share capital	10	150,125	150,125	19,247	19,247
Reserves		7,145,634	6,770,000	916,109	867,947
Equity attributable to equity holders of the parent		7,295,759	6,920,125	935,356	887,194
Minority interests		96,780	91,303	12,408	11,706
Total equity		7,392,539	7,011,428	947,764	898,900
<b>NON-CURRENT LIABILITIES</b>					
Obligations under finance leases — due after one year		137,978	134,693	17,689	17,268
Convertible bonds		99,537	98,299	12,761	12,602
Unsecured borrowings — due after one year		4,005,069	4,240,475	513,470	543,650
Retirement benefit obligations		874,485	980,528	112,113	125,709
Deferred tax liabilities		513,372	520,602	65,817	66,744
		5,630,441	5,974,597	721,850	765,973
Total equity and non-current liabilities		13,022,980	12,986,025	1,669,614	1,664,873

# Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months period ended June 30, 2008

	June 30 2008 HK\$'000 (Unaudited)	June 30 2007 HK\$'000 (Unaudited)	June 30 2008 US\$'000 (Note 13)	June 30 2007 US\$'000 (Note 13)
Net cash from operating activities	<b>858,624</b>	460,213	<b>110,080</b>	59,004
Net cash used in investing activities	<b>(469,566)</b>	(1,267,085)	<b>(60,201)</b>	(162,447)
Net cash (used in) from financing activities	<b>(1,075,387)</b>	666,288	<b>(137,870)</b>	85,421
Net decrease in cash and cash equivalents	<b>(686,329)</b>	(140,584)	<b>(87,991)</b>	(18,022)
Cash and cash equivalents at 1st January	<b>2,874,958</b>	3,450,073	<b>368,584</b>	442,317
Effect of foreign exchange rate changes	<b>22,891</b>	(52,264)	<b>2,936</b>	(6,702)
Cash and cash equivalents at June 30	<b>2,211,520</b>	3,257,225	<b>283,529</b>	417,593
Analysis of the balances of cash and cash equivalents Represented by:				
Bank balances, deposits and cash	<b>2,678,392</b>	3,677,219	<b>343,384</b>	471,438
Bank overdrafts	<b>(466,872)</b>	(419,994)	<b>(59,855)</b>	(53,845)
	<b>2,211,520</b>	3,257,225	<b>283,529</b>	417,593

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended June 30, 2008

	Equity attributable to equity holders of the parent									Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Translation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At January 1, 2007	146,522	2,754,849	—	26,334	56,486	13,794	3,998,545	6,996,530	81,445	7,077,975
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	32,401	—	—	32,401	1	32,402
Profit for the period	—	—	—	—	—	—	509,270	509,270	3,554	512,824
Total recognised income and expense for the period	—	—	—	—	32,401	—	509,270	541,671	3,555	545,226
Shares issued at a premium	3,983	138,989	—	—	—	—	—	142,972	—	142,972
Recognition of equity-settled share based payments	—	—	—	—	—	4,997	—	4,997	—	4,997
Final dividend — 2006	—	—	—	—	—	—	(189,636)	(189,636)	—	(189,636)
At June 30, 2007	150,505	2,893,838	—	26,334	88,887	18,791	4,318,179	7,496,534	85,000	7,581,534
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	(30,559)	—	—	(30,559)	61	(30,498)
Profit for the period	—	—	—	—	—	—	(384,013)	(384,013)	1,362	(382,651)
Total recognised income and expense for the period	—	—	—	—	(30,559)	—	(384,013)	(414,572)	1,423	(413,149)
Shares issued at a premium	56	4,808	—	—	—	—	—	4,864	—	4,864
Repurchase of shares	(436)	—	436	—	—	—	—	(35,175)	—	(35,175)
Effect of early redemption of convertible bonds	—	—	—	(49,920)	—	—	—	(49,920)	—	(49,920)
Release of deferred tax liabilities on early redemption of convertible bonds	—	—	—	5,101	—	—	—	5,101	—	5,101
Transfer to retained earnings upon early redemption of convertible bonds	—	—	—	20,770	—	—	(20,770)	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	11,158	—	11,158	—	11,158
Share options lapsed	—	—	—	—	—	(2,152)	2,152	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	4,880	4,880
Interim dividend — 2007	—	—	—	—	—	—	(97,865)	(97,865)	—	(97,865)
At December 31, 2007 and at January 1, 2008	150,125	2,898,646	436	2,285	58,328	27,797	3,782,508	6,920,125	91,303	7,011,428
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	31,609	—	—	31,609	36	31,645
Profit for the period	—	—	—	—	—	—	354,669	354,669	5,441	360,110
Total recognised income and expense for the period	—	—	—	—	31,609	—	354,669	386,278	5,477	391,755
Recognition of equity-settled share based payments	—	—	—	—	—	11,875	—	11,875	—	11,875
Final dividend — 2007	—	—	—	—	—	—	(22,519)	(22,519)	—	(22,519)
<b>At June 30, 2008</b>	<b>150,125</b>	<b>2,898,646</b>	<b>436</b>	<b>2,285</b>	<b>89,937</b>	<b>39,672</b>	<b>4,114,658</b>	<b>7,295,759</b>	<b>96,780</b>	<b>7,392,539</b>



# Notes to the Condensed Consolidated Financial Statement (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.

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new interpretations”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on January 1, 2008.

HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding requirements and their interaction

The adoption of the new interpretations had no material effect on how the results or financial position of the Group for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32&1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidations <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>

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

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

<sup>3</sup> Effective for annual periods beginning on or after July 1, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

## Notes to the Condensed Consolidated Financial Statement (Unaudited)

### 2. Segment information

	Six months period ended June 30 Turnover	
	2008 HK\$'000	2007 HK\$'000
By principal activity:		
Manufacturing and trading of:		
Power Equipment	9,205,570	8,248,963
Floor Care	3,929,471	3,679,365
	<b>13,135,041</b>	11,928,328
By geographical market location:		
North America	9,441,390	8,742,494
Europe	3,172,937	2,770,858
Other countries	520,714	414,976
	<b>13,135,041</b>	11,928,328

	Six months period ended June 30					
	Power Equipment HK\$'000	2008 Floor Care HK\$'000	Consolidated HK\$'000	Power Equipment HK\$'000	2007 Floor Care HK\$'000	Consolidated HK\$'000
Segment results before restructuring costs and other restructuring and transition cost	667,979	174,110	842,089	685,964	121,878	807,842
Restructuring costs	(87,937)	(41,665)	(129,602)	—	—	—
Other restructuring and transition costs	(29,605)	(7,079)	(36,684)	—	—	—
Segment results after restructuring costs and other restructuring and transition cost	550,437	125,366	675,803	685,964	121,878	807,842
Finance costs			(262,316)			(215,519)
Share of results of associates			(1,315)			(1,097)
Profit before taxation			412,172			591,226
Taxation			(52,062)			(78,402)
Profit for the period			360,110			512,824

### 3. Restructuring and transition costs

The Group continues the strategic repositioning plans during the period. The relevant restructuring provisions were charged as restructuring costs. Other restructuring and transition costs mainly represents relocation and related expenses for property, plant and equipment of relevant plants were charged to profit or loss as incurred.

### 4. Taxation

	Six months period ended June 30	
	2008 HK\$'000	2007 HK\$'000
Current tax:		
Hong Kong	43,318	23,536
Overseas Tax	(27,076)	66,059
Deferred Tax	35,820	(11,193)
	<b>52,062</b>	78,402

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

### 5. Profit for the period

	Six months period ended June 30	
	2008 HK\$'000	2007 HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	264,757	275,633
Amortisation of lease prepayment	859	722
Amortisation of intangible assets	86,490	60,992
Total depreciation and amortisation	<b>352,106</b>	337,347
Exchange gain	(85,994)	(66,621)
Staff costs	<b>1,631,822</b>	1,531,983

## Notes to the Condensed Consolidated Financial Statement (Unaudited)

### 6. 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	
	2008	2007
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to equity holders of the parent	354,669	509,270
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	1,033	11,454
Earnings for the purpose of diluted earnings per share	355,702	520,724
Weighted average number of ordinary shares for the purpose of basic earnings per share:	1,501,252,152	1,476,088,480
Effect of dilutive potential ordinary shares:		
Share options	124,230	27,805,574
Convertible bonds	5,722,679	65,922,585
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,507,099,061	1,569,816,639

### 7. Additions of property, plant and equipment

During the period, the Group spent approximately HK\$411 million (for the six months ended June 30, 2007: HK\$309 million) on the acquisition of property, plant and equipment.

### 8. Trade and other receivables

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

	June 30	December 31
	2008	2007
	HK\$'000	HK\$'000
0 to 60 days	3,321,522	3,711,634
61 to 120 days	463,162	300,597
121 days or above	252,911	175,953
Total trade receivables	4,037,595	4,188,184
Other receivables	319,492	283,660
	4,357,087	4,471,844

All the Group's bills receivable at June 30, 2008 are due within 120 days.

## 9. Trade and other payables

The aging analysis of trade payables is as follows:

	June 30 2008 HK\$'000	December 31 2007 HK\$'000
0 to 60 days	2,451,501	1,947,377
61 to 120 days	277,159	370,703
121 days or above	18,584	43,254
Total trade payables	2,747,244	2,361,334
Other payables	1,723,020	2,105,073
	<b>4,470,264</b>	<b>4,466,407</b>

All the Group's bills payable at June 30, 2008 are due within 120 days.

## 10. Share capital

	Number of shares		Share capital	
	June 30 2008	December 31 2007	June 30 2008 HK\$'000	December 31 2007 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised	<b>2,400,000,000</b>	2,400,000,000	<b>240,000</b>	240,000
Issued and fully paid:				
Shares of HK\$0.10 each at beginning of the period	<b>1,501,252,152</b>	1,465,223,652	<b>150,125</b>	146,522
Repurchase of shares	—	(4,358,500)	—	(436)
Issued on exercise of share options	—	40,387,000	—	4,039
Shares of HK\$0.10 each at end of the period	<b>1,501,252,152</b>	1,501,252,152	<b>150,125</b>	150,125

The shares issued during the period ended June 30, 2007 rank pari passu in all respects with the existing shares.

## Notes to the Condensed Consolidated Financial Statement (Unaudited)

### 11. Capital commitments

	June 30 2008 HK\$'000	December 31 2007 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment and licence	<b>266,175</b>	320,180
Capital expenditure authorised but not contracted for in the financial statements in respect of the purchase of property, plant and equipment	<b>22,713</b>	71,165

### 12. Contingent liabilities

	June 30 2008 HK\$'000	December 31 2007 HK\$'000
Guarantees given to banks in respect of credit facilities utilised by associates	<b>33,422</b>	30,865

### 13. Presentation and functional currencies

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

### 14. Interim dividend

A dividend of HK1.50 cents per share (2006: HK12.60 cents) was paid to shareholders as the final dividend for 2007 on July 31, 2008.

The Directors have determined that an interim dividend of HK3.00 cents per share (2007: HK6.50 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 19, 2008.

# Corporate Governance and Other Information

## Directors' and Chief Executive's Interests

As at June 30, 2008, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and as adopted by the Company, were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	114,282,000	400,000	338,601,794	22.55%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	223,159,794 <sup>(2)</sup>	—		
Dr Roy Chi Ping Chung JP	Beneficial owner	126,405,948	960,000	164,576,978	10.96%
	Interests of spouse	136,000	—		
	Interests of controlled corporation	37,075,030 <sup>(3)</sup>	—		
Mr Joseph Galli Jr.	Beneficial owner	814,500	2,500,000	3,314,500	0.22%
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.07%
Mr Chi Chung Chan	Beneficial owner	—	3,000,000	3,000,000	0.20%
Mr Stephan Horst Pudwill	Beneficial owner	4,054,500	100,000	4,154,500	0.28%
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	—	1,920,000	0.13%
Mr Joel Arthur Schleicher	Beneficial owner	100,000	300,000	460,000	0.03%
	Interests of spouse	—	60,000 <sup>(1)</sup>		
Mr Christopher Patrick Langley OBE	Beneficial owner	500,000	200,000	700,000	0.05%
Mr Manfred Kuhlmann	Beneficial owner	—	100,000	100,000	0.01%

## Corporate Governance and Other Information

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions of the Company.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives, which were held as beneficial owner, represent share options granted to them respectively pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below. These share options are physically settled and unlisted.

The interests of the spouse of Mr Joel Arthur Schleicher in the underlying shares pursuant to listed equity derivatives represent an interest in 60,000 underlying shares held in the form of 12,000 American Depositary Receipts, each representing 5 shares of the Company.

- (2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	186,084,764
Cordless Industries Company Limited *	37,075,030
	<b>223,159,794</b>

- (3) These shares were held by Cordless Industries Company Limited\* in which Dr Roy Chi Ping Chung JP has a beneficial interest.

\* *Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Dr Roy Chi Ping Chung JP.*

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at June 30, 2008.



## Share Options

The following table discloses movements in the Company's share options during the six months period ended June 30, 2008:

Share option holder	Date of share options granted	Share option scheme category <sup>(1)</sup>	Outstanding at beginning of the period	Granted during the period <sup>(2)</sup>	Exercised during the period <sup>(3)</sup>	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
<b>Directors</b>									
Mr Horst Julius Pudwill	25.2.2004	C	400,000	—	—	—	400,000	12.170	25.2.2004–24.2.2009
Dr Roy Chi Ping	19.9.2003	C	560,000	—	—	—	560,000	8.685	19.9.2003–18.9.2008
Chung JP	25.2.2004	C	400,000	—	—	—	400,000	12.170	25.2.2004–24.2.2009
Mr. Joseph Galli, Jr.	1.11.2006	C	1,500,000	—	—	—	1,500,000	11.252	1.11.2006–31.10.2011
	6.3.2007	C	1,000,000	—	—	—	1,000,000	10.572	6.3.2007–5.3.2012
Mr Kin Wah Chan	1.3.2004	C	1,000,000	—	—	—	1,000,000	12.525	1.3.2004–28.2.2009
Mr Chi Chung Chan	17.7.2003	C	1,000,000	—	—	—	1,000,000	7.625	17.7.2003–16.7.2008
	19.9.2003	C	500,000	—	—	—	500,000	8.685	19.9.2003–18.9.2008
	25.2.2004	C	1,000,000	—	—	—	1,000,000	12.170	25.2.2004–24.2.2009
	1.3.2004	C	500,000	—	—	—	500,000	12.525	1.3.2004–28.2.2009
Mr Stephan Horst Pudwill	1.3.2004	C	100,000	—	—	—	100,000	12.525	1.3.2004–28.2.2009
Mr Joel Arthur Schleicher	17.7.2003	C	200,000	—	—	—	200,000	7.625	17.7.2003–16.7.2008
	25.2.2004	C	100,000	—	—	—	100,000	12.170	25.2.2004–24.2.2009
Mr Christopher Patrick Langley OBE	17.7.2003	C	100,000	—	—	—	100,000	7.625	17.7.2003–16.7.2008
	25.2.2004	C	100,000	—	—	—	100,000	12.170	25.2.2004–24.2.2009
Mr Manfred Kuhlmann	7.2.2005	C	100,000	—	—	—	100,000	17.750	7.2.2005–6.2.2010
<b>Total for directors</b>			<b>8,560,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,560,000</b>		

## Corporate Governance and Other Information

Share option holder	Date of share options granted	Share option scheme category <sup>(1)</sup>	Outstanding at beginning of the period	Granted during the period <sup>(2)</sup>	Exercised during the period <sup>(3)</sup>	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
<b>Employees</b>	17.7.2003	C	2,606,000	—	—	124,000	2,482,000	7.625	17.7.2003–16.7.2008
	19.9.2003	C	204,000	—	—	52,000	152,000	8.685	19.9.2003–18.9.2008
	1.3.2004	C	5,084,000	—	—	242,000	4,842,000	12.525	1.3.2004–28.2.2009
	14.4.2004	C	200,000	—	—	—	200,000	12.950	14.4.2004–13.4.2009
	5.5.2004	C	100,000	—	—	—	100,000	11.050	5.5.2004–4.5.2009
	7.6.2004	C	200,000	—	—	—	200,000	12.000	7.6.2004–6.6.2009
	2.10.2004	C	1,000,000	—	—	—	1,000,000	15.350	2.10.2004–1.10.2009
	13.12.2004	C	250,000	—	—	—	250,000	15.710	13.12.2004–12.12.2009
	7.2.2005	C	100,000	—	—	—	100,000	17.750	7.2.2005–6.2.2010
	7.4.2005	C	200,000	—	—	—	200,000	17.210	7.4.2005–6.4.2010
	27.4.2005	C	25,000	—	—	—	25,000	17.660	27.4.2005–26.4.2010
	1.6.2005	C	20,000	—	—	—	20,000	17.420	1.6.2005–31.5.2010
	17.6.2005	C	250,000	—	—	—	250,000	17.950	17.6.2005–16.6.2010
	27.6.2005	C	500,000	—	—	—	500,000	19.200	27.6.2005–26.6.2010
	1.1.2006	C	300,000	—	—	—	300,000	18.690	1.1.2006–31.12.2010
	1.3.2006	C	3,277,000	—	—	—	3,277,000	13.970	1.3.2006–28.2.2011
	25.4.2006	C	20,000	—	—	—	20,000	13.700	25.4.2006–24.4.2011
	15.6.2006	C	200,000	—	—	—	200,000	10.270	15.6.2006–14.6.2011
	17.6.2006	C	350,000	—	—	—	350,000	10.550	17.6.2006–16.6.2011
	3.7.2006	C	25,000	—	—	—	25,000	10.700	3.7.2006–2.7.2011
	4.10.2006	C	75,000	—	—	—	75,000	11.628	4.10.2006–3.10.2011
	3.11.2006	C	100,000	—	—	—	100,000	11.480	3.11.2006–2.11.2011
	8.11.2006	C	30,000	—	—	—	30,000	12.200	8.11.2006–7.11.2011
	4.12.2006	C	150,000	—	—	—	150,000	10.952	4.12.2006–3.12.2011
	13.12.2006	C	20,000	—	—	—	20,000	10.560	13.12.2006–11.12.2011
	1.1.2007	C	150,000	—	—	—	150,000	10.080	1.1.2007–31.12.2011
	6.3.2007	C	6,330,000	—	—	—	6,330,000	10.572	6.3.2007–5.3.2012
	20.7.2007	D	300,000	—	—	—	300,000	10.060	20.7.2007–19.7.2012
	24.8.2007	D	2,710,000	—	—	—	2,710,000	8.390	24.8.2007–23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007–17.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007–6.11.2017
	23.11.2007	D	500,000	—	—	—	500,000	7.578	23.11.2007–22.11.2017
	14.1.2008	D	—	—	2,035,000	—	40,000	1,995,000	7.566
17.4.2008	D	—	—	2,225,000	—	—	2,225,000	7.780	17.4.2008–16.4.2018
24.4.2008	D	—	—	100,000	—	—	100,000	7.818	24.4.2008–23.4.2018
14.5.2008	D	—	—	240,000	—	—	240,000	7.500	14.5.2008–13.5.2018
30.5.2008	D	—	—	640,000	—	—	640,000	7.546	30.5.2008–29.5.2018
<b>Total for employees</b>			25,391,000	5,240,000	—	458,000	30,173,000		
<b>Total for all categories</b>			<b>33,951,000</b>	<b>5,240,000</b>	<b>—</b>	<b>458,000</b>	<b>38,733,000</b>		

Notes:

- (1) Scheme C is the share option scheme adopted by the Company on March 28, 2002 and has expired on March 27, 2007. The Company adopted Scheme D on May 29, 2007.
- (2) The closing prices of the Company's shares immediately before various dates of grant ranged from HK\$7.46 to HK\$7.75.
- (3) The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK\$7.52.
- (4) No option was cancelled during the period.
- (5) The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price HK\$	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
14.1.2008	7.566	3 years	35%	2.082%	1.5%
17.4.2008	7.780	3 years	35%	1.731%	1.5%
24.4.2008	7.818	3 years	35%	1.888%	1.5%
14.5.2008	7.500	3 years	35%	2.248%	1.5%
30.5.2008	7.546	3 years	35%	2.447%	1.5%

All the share options are fully vested at grant date.

For the purposes of the calculation of fair value, no adjustment has been made in respect of share options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing price of the Company's shares on various dates of grant was HK\$7.52 per option.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimated, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised total expense of HK\$11,875,000 for the six months period ended June 30, 2008 in relation to share options granted by the Company.

The fair values of the share options granted in the period measured as at various dates of grant ranged from HK\$1.66 to HK\$1.79 per option. The weighted average fair value of the share options granted in the period was HK\$1.75 per option.

## Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## Corporate Governance and Other Information

### Substantial Shareholders' Interests

As at June 30, 2008, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares (L/S)*	Approximate aggregate percentage of interests
Capital Research and Management Company <sup>(1)</sup>	117,596,600 (L)	7.83% (L)
Prudential plc <sup>(2)</sup>	103,569,130 (L)	6.90% (L)
Morgan Stanley <sup>(3)</sup>	77,193,815 (L)	5.14% (L)
	78,145,381 (S)	5.21% (S)
Daniel Saul Och <sup>(4)</sup>	285,758,800 (L)	19.03% (L)

\* (L/S) represents (Long position/Short position)

Notes:

- (1) The capacity of Capital Research and Management Company in holding the 117,596,600 shares was as an investment manager. Its 100% controlling shareholder is The Capital Group Companies, Inc.
- (2) The following is a breakdown of the interests in shares of Prudential plc:

Name	Remarks	Total interests in shares			Approximate percentage of interests
		Direct Interests	(L/S)	Deemed interests	
Prudential plc	(2a)	—	—	103,569,130	(L) 6.90%
Prudential Holdings Ltd	(2b)	—	—	103,569,130	(L) 6.90%
Prudential Corporation Holdings Ltd	(2b)	—	—	103,569,130	(L) 6.90%
Prudential Asset Management (Hong Kong) Ltd	(2b)	103,569,130	(L)	—	— 6.90%

Remarks:

- (2a) The capacity of Prudential plc in holding 103,569,130 shares was as controlled corporation. Prudential plc is listed on the London Stock Exchange.
- (2b) Prudential Holdings Ltd, Prudential Corporation Holdings Ltd and Prudential Asset Management (Hong Kong) Ltd were all direct or indirect subsidiaries of Prudential plc and by virtue of the SFO, Prudential plc was deemed to be interested in the shares held by these subsidiaries.

(3) The following is a breakdown of the interests in shares of Morgan Stanley:

Name	Remarks	Total interests in shares		Deemed interests	(L/S)	Approximate percentage of interests
		Direct Interests	(L/S)			
Morgan Stanley	(3a)	—	—	77,193,815	(L)	5.14%
		—	—	78,145,381	(S)	5.21%
Morgan Stanley Capital Management, L.L.C.	(3b)	—	—	62,651,715	(L)	4.17%
		—	—	65,427,430	(S)	4.36%
Morgan Stanley Domestic Holdings, Inc.	(3b)	—	—	62,651,715	(L)	4.17%
		—	—	65,427,430	(S)	4.36%
Morgan Stanley International Incorporated	(3b)	—	—	62,651,715	(L)	4.17%
		—	—	65,427,430	(S)	4.36%
Morgan Stanley International Limited	(3b)	—	—	62,614,215	(L)	4.17%
		—	—	65,427,430	(S)	4.36%
Morgan Stanley Group (Europe)	(3b)	—	—	62,614,215	(L)	4.17%
		—	—	65,427,430	(S)	4.36%
Morgan Stanley UK Group	(3b)	—	—	62,614,215	(L)	4.17%
		—	—	65,427,430	(S)	4.36%
Morgan Stanley & Co. International plc.	(3b)	62,614,215	(L)	—	—	4.17%
		65,427,430	(S)	—	—	4.36%
Morgan Stanley Swiss Holdings GmbH	(3b)	37,500	(L)	—	—	0.00%
Morgan Stanley Capital Services Inc.	(3b)	1,824,149	(L)	—	—	0.12%
Morgan Stanley & Co. Inc.	(3b)	12,717,951	(L)	—	—	0.85%
		12,717,951	(S)	—	—	0.85%

Remarks:

(3a) Morgan Stanley is listed on the New York Stock Exchange.

The capacity of Morgan Stanley in holding the 77,193,815 shares of long position and 78,145,381 shares of short position respectively was as controlled corporation.

(3b) Morgan Stanley Capital Management, L.L.C., Morgan Stanley Domestic Holdings, Inc, Morgan Stanley International Incorporated, Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co. International plc., Morgan Stanley Swiss Holdings GmbH, Morgan Stanley Capital Services Inc., and Morgan Stanley & Co. Inc. were all direct or indirect subsidiaries of Morgan Stanley and by virtue of the SFO, Morgan Stanley was deemed to be interested in the shares held by these subsidiaries.

## Corporate Governance and Other Information

(4) The following is a breakdown of the interests in shares of Daniel Saul Och:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct Interests	(L/S)	Deemed interests	(L/S)	
Daniel Saul Och	(4a)	—	—	285,758,800	(L)	19.03%
Och-Ziff Capital Management Group LLC	(4a)	—	—	285,758,800	(L)	19.03%
Och-Ziff Holding Corporation	(4a)	—	—	285,758,800	(L)	19.03%
OZ Management L.P.	(4a)	285,758,800	(L)	—	—	19.03%
OZ Asia Master Fund, Ltd.	(4a), (4b)	148,061,000	(L)	—	—	9.86%
OZ Master Fund, Ltd.	(4a)	121,615,200	(L)	—	—	8.10%
Gordel Holdings Ltd.	(4a)	2,242,300	(L)	—	—	0.15%
GPV LVII LLC	(4a)	3,744,000	(L)	—	—	0.25%
Goldman Sachs & Co. Profit Sharing Master Trust	(4a)	2,058,900	(L)	—	—	0.14%
OZ Global Special Investments Master Fund, L.P.	(4a)	8,037,400	(L)	—	—	0.54%

Remarks:

(4a) Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corporation and OZ Management, L.P. were directly or indirectly controlled by Daniel Saul Och. OZ Asia Master Fund, Ltd., OZ Master Fund, Ltd., Gordel Holdings Ltd., GPV LVII LLC, Goldman Sachs & Co. Profit Sharing Master Trust, OZ Global Special Investments Master Fund, L.P. were all managed by OZ Management, L.P. By virtue of the SFO, Daniel Saul Och was deemed to be interested in the shares held by the aforesaid entities.

(4b) Direct interests of 151,949,900 shares was reported under a Form 2 - Corporate Substantial Shareholder Notice submitted to the Company on June 24, 2008.

Save as disclosed, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at June 30, 2008.

## Compliance with Code on 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 (the “CG Code”) set out in Appendix 14 of the Listing Rules throughout the six months period ended June 30, 2008, save that:

1. The roles of Chairman and the Chief Executive Officer of the Company were performed by Mr Horst Julius Pudwill until February 1, 2008. Mr Joseph Galli Jr. was appointed Chief Executive Officer and Executive Director of the Company effective February 1, 2008. Mr Pudwill continues in his role as Chairman and Executive Director. This is to allow Mr Pudwill to focus on the strategic planning and development of the Group. These changes are made in respond to the ongoing expansion and development of the Group and to comply with the requirement of the recommended code provision A.2.1 of the CG Code that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual.
2. 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 annual general meeting of the Company and, if eligible, offer themselves for re-election.

## Compliance with the Model Code of the Listing Rules

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 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, 2008 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](http://www.ttigroup.com)).

## Committees of the Board

**Audit Committee:** The main role and function of the Audit Committee is to assist the Board to ensure that an effective system of internal control and compliance with the Company’s obligations under the Listing Rules and other applicable laws and regulations is in place, and to oversee the integrity of the financial statements of the Company. The written terms of reference of the Audit Committee have been published on the Company’s website ([www.ttigroup.com](http://www.ttigroup.com)).

The Audit Committee is comprised of three Independent Non-executive Directors of the Company, namely Mr Joel Arthur Schleicher (Chairman), Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann. All members of the Audit Committee have professional, financial or accounting qualifications.

The Audit Committee held four meetings during the period.

**Remuneration Committee:** The main role and function of the Remuneration Committee is to assist the Board in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group and the remuneration of directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications and competence, and having regard to the Company’s operating results, individual performance and comparable market statistics. The written terms of reference of the Remuneration Committee have been published on the Company’s website ([www.ttigroup.com](http://www.ttigroup.com)).

The Company has maintained share option schemes and has adopted a Share Award Scheme on January 9, 2008 as an incentive to retain directors and eligible employees for the continual operation and development of the Company and to attract suitable personnel for further development of the Company. Details of the movements in the Company’s share options during the six months period ended June 30, 2008 is set out under the heading of “Share Options” of this section. No share has been awarded under the Share Award Scheme during the period.

The Remuneration Committee is comprised of five members, and is chaired by Mr Vincent Ting Kau Cheung (Non-executive Director), the other members being Mr Christopher Patrick Langley OBE, Mr Joel Arthur Schleicher, Mr Manfred Kuhlmann and Mr. Peter David Sullivan (all being Independent Non-executive Directors).

The Remuneration Committee held two meetings during the period.

## Corporate Governance and Other Information

**Nomination Committee:** The main role and function of the Nomination Committee is to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitable candidates and make recommendations for consideration of the Board and the shareholders of the Company. The written terms of reference of the Nomination Committee have been published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)).

The Nomination Committee is comprised of four members, and is chaired by Mr Horst Julius Pudwill (Chairman), the other members being Mr Vincent Ting Kau Cheung (Non-executive Director), Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann (both being Independent Non-executive Directors).

The Nomination Committee held two meetings during the period.

### Review of Accounts

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee, in conjunction with the senior management of the Group, has reviewed this report. Together with the Company's external auditors, Deloitte Touche Tohmatsu, it has reviewed the unaudited financial statements of the Company for the six months period ended June 30, 2008. It has also reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

### Investor Relations and Shareholder Communications

The Company understands the importance of maintaining effective communication with our shareholders and the investment community. The Board has adopted a Policy on Market Disclosure, Investor and Media Relations, published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)), to ensure that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

The Company continues to maintain an effective communication pathway by holding regular meetings with institutional shareholders and analysts. All of the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations at press conference can be easily accessed from the Company's website ([www.ttigroup.com](http://www.ttigroup.com)).



## Directors' Interests in Contracts of Significance

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

## Purchase, Sales or Redemption of Shares

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

By order of the Board

**Horst Julius Pudwill**

*Chairman*

Hong Kong

August 21, 2008

# Corporate Information

## Board of Directors

### Group Executive Directors

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  
Mr Stephan Horst Pudwill

### Non-executive Director

Mr Vincent Ting Kau Cheung

### Independent Non-executive Directors

Mr Joel Arthur Schleicher  
Mr Christopher Patrick Langley OBE  
Mr Manfred Kuhlmann  
Mr Peter David Sullivan

## Financial Calendar 2008

June 30:	Six months interim period end
July 31:	Final dividend payment for 2007
August 21:	Announcement of 2008 interim results
September 16:	Last day to register for 2008 interim dividend
September 17 to 19:	Book closure period for interim dividend
September 29:	Interim dividend payment for 2008
December 31:	Financial year end

## Investor Relations Contact

Investor Relations and Communications  
Techtronic Industries Co. Ltd.  
24/F., CDW Building  
388 Castle Peak Road  
Tsuen Wan, N.T.  
Hong Kong  
email: ir@tti.com.hk

## Website

www.ttigroup.com

Earnings results, annual/interim reports are available online.

## Listing Information

The Stock Exchange of Hong Kong Limited  
Ordinary Shares (stock code: 669)  
Zero Coupon Convertible Bonds 2009 (code: 2591)  
ADR Level 1 Programme (symbol: TTNDY)

## Share Registrar and Transfer Office

Tricor Secretaries Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong  
Tel: (852) 2980 1888

## ADR Depository

The Bank of New York

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited  
Citibank N.A.  
Standard Chartered Bank  
Hang Seng Bank Ltd.

## Solicitors

Vincent T K Cheung Yap & Co

## Auditors

Deloitte Touche Tohmatsu

## Qualified Accountant

Mr Frank Chi Chung Chan

## Company Secretary

Mr Frank Chi Chung Chan

## Trademarks

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