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, 2007

Highlights

	2007 *HK$' million*	2006 *HK$' million*	**Changes**
Turnover	**24,775**	21,823	+13.53%
Gross Profit	**7,809**	6,893	+13.29%
EBITDA	**1,219**	2,098	-41.90%
EBITDA (before restructuring costs and other restructuring and transition costs)	**1,962**	2,098	-6.48%
Profit attributable to equity holders of the parent	**125**	1,072	-88.34%
Profit attributable to equity holders of the parent (before restructuring costs and other restructuring and transition costs)	**868**	1,072	-19.03%
Earnings per share – basic (HK cents)	**8.41**	73.18	-88.51%
Earnings per share – basic (HK cents, before restructuring costs and other restructuring and transition costs)	**58.27**	73.18	-20.37%
Final dividend per share (HK cents)	**1.50**	12.60	-88.10%

- **Record sales**
- **Growth in Power Tools and Floor Care**
- **Gross margin strengthened in core business**
- **Hoover integration completed**
- **Strategic Repositioning Plan on track**

CHAIRMAN'S STATEMENT

TTI Group achieved record sales in 2007 of HK$24.8 billion, 13.53% over the prior year. This growth has been achieved in a challenging macroeconomic environment in the United States as we begin to see the rewards from the Group's strategic acquisitions and restructuring.

During the year, we strengthened our market leadership position in North America as Hoover and Stiletto joined our powerful brand portfolio. Strong growth momentum was maintained in Europe and with the appointment of a new management team there, as well as in the Middle East, Canada, Latin America, and Australasia, we are positioned for continued growth in our international operations. We also took steps to develop the best management talent within TTI by introducing our Leadership Development Program for college recruiting.

The 2007 sales increase was aided by an 11 months contribution of the Hoover acquisition. Our floor care business expanded 67.79% with the acquisition, and the core floor care business maintained positive underlying momentum, growing at a mid single digit rate. New innovative products boosted our power tool business delivering low single digit growth in both professional and consumer segments. We exited non strategic business in the outdoor products category, resulting in an overall decline of sales in the power equipment division.

The Company delivered an improved gross margin for the core business in a difficult cost environment. With Hoover, our consolidated gross margin of 31.52% was comparable to 31.59% in the prior year. The introduction of new products, ongoing programs for cost containment, leveraging our scale in purchasing and administration, and improved operational efficiencies offset rising commodity prices and inflationary pressures.

The operating margin before restructuring and transition costs narrowed in 2007 due to the acquisition and the planned increase in investment in sales, marketing and R&D activities. We expect the SG&A spend will support stronger and more profitable growth going forward. Our innovation stream will benefit from the increase in R&D spending from 1.96% in 2006 to 2.16% in 2007 of sales.

The Strategic Repositioning Plan, which we announced in August 2007, is an important strategic initiative for the future growth and profitability of the Company.

HK$743.02 million of restructuring and transition costs were charged against 2007 earnings. These included the costs to close Hoover's North Canton, Ohio manufacturing facility and relocate manufacturing to Texas, Mexico and China, plus the closure of two Milwaukee manufacturing facilities in North America. We are anticipating annual savings of approximately HK$550 million (US$70 million) resulting from the restructuring activities when completed.

Profit attributable to equity holders of the parent for 2007 totaled HK$125.26 million after restructuring costs. Before restructuring costs, earnings per share was HK58.27 cents. EPS, after restructuring costs, was HK8.41 cents.

DIVIDEND

The Directors have recommended a final dividend of HK1.50 cents per share for the year ended December 31, 2007 (2006: HK12.60 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on May 30, 2008. 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 31, 2008. This payment, together with the interim dividend of HK6.50 cents per share (2006: HK6.50 cents) paid on September 28, 2007, makes a total payment of HK8.00 cents per share for 2007 (2006: HK19.10 cents).

BUSINESS REVIEW

Our Power Tools and Accessories business experienced stronger second half growth in 2007. This was due to the successful launch of new lithium battery cordless tools and strong sales in Europe. Milwaukee improved against prior year in the second half and AEG continued solid expansion. Sales of Ryobi consumer tools benefited from the launch in the second half of the green lithium-ion battery line of tools, along with the continuing success of the One+ System. We are driving product development in all businesses through our Strategic Business Unit ("SBU") process that has established global platforms and directs development to the highest impact programs.

The Floor Care appliances business achieved positive sales growth in 2007 from the core business. The addition of Hoover to our brand portfolio is strategically important to providing a premium brand platform for future expansion. A timely integration of Hoover was a key priority in 2007 and as a result, we have greatly reduced manufacturing costs. We anticipate this turnaround to provide profit contribution in the future years.

OUTLOOK

Our goal is to be number one in the industries we serve and we will continue to focus on our strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence. Delivering innovative new products to our customers remains the core of our business and last year we were delighted with the performance of our new lithium ion cordless tools and lightweight outdoor gas products. We consider our brand portfolio to be the best in our industry providing tremendous opportunities for future geographic, new product, and business segment expansion.

Our concentration in 2008 will be the continued execution of the Strategic Repositioning Plan as we turn to our European operations, expanding the product categories and reach of our strong brand portfolio, and advancing the rigor of developing and marketing innovative products. At TTI, starting at the highest levels, we continue to nurture our strategic partnerships with major retailers and key customers. We expect some benefits in 2008 from our restructuring and are confident of achieving stronger growth in 2009 and beyond.

Our power tool, outdoor product, and floor care business benefit from exceptional brands that professionals and consumers trust. We expect to further our market leading position in North America during 2008 with the planned introduction of new innovate products. Outside the U.S. we expect sales expansion supported by continued growth of the Canadian economy and our intensified marketing efforts in Europe, the Middle East, Latin America, and Australasia. As a result, the Company has achieved double digit revenue growth in the first quarter of 2008 and expects such growth to be maintained over the year.

Joe Galli, our newly appointed Chief Executive Officer, successfully lead the acquisition and integration of Hoover. Under Joe's guidance leaders in our geographic, brand, product, and operational business units are seizing the opportunities for growth, product innovation, and operational efficiencies with enthusiasm. We recognize leadership development and a career roadmap are important to our employees who are the engines of our business. TTI is excited about our new initiatives that will grow our employee capital such as the Milwaukee global training center.

HOOVER ACQUISITION

On December 7, 2006 the Directors announced that the Company on December 6, 2006 (US Eastern Standard Time) entered into the conditional Purchase and Sale Agreement ("PSA") to purchase the Hoover Floor Care business from certain subsidiaries of Whirlpool Corporation. The total consideration for the purchase of the Hoover assets and two operating subsidiaries consists of the payment of US$107 million (approximately HK$831 million) in cash to Maytag Corporation (on behalf of itself and the other sellers).

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

We have finalized the evaluation of the acquired assets and liabilities according to HKFRS 3. Accounting for Business Combinations. For that purpose we retained appraisers and actuaries who worked on the valuation of the acquired property, plant and equipment, intangibles, and long-term post retirement benefits.

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's turnover for the year amounted to HK$24.8 billion, an increase of 13.53% as compared to the HK$21.8 billion reported in 2006. Profit attributable to equity holders of the parent amounted to HK$125.26 million, as compared to HK$1.1 billion reported in 2006. Basic earnings per share for the year was at HK8.41 cents as compared to HK73.18 cents in 2006. The HK$743.02 million restructuring and transition charges, together with negative contributions from the newly acquired operations, were major factors for the decrease in both profits and earnings per share.

EBITDA, before restructuring and transition charges, amounted to HK$2.0 billion, decreased by 6.48% as compared to HK$2.1 billion reported in 2006.

Following the Hoover acquisition, the Group's own brand business accounted for 85.90% of total turnover (2006: 80.24%), reinforcing the Group's strategy to continue to expand and capitalize on its strong brand portfolio. North America accounted for 73.07% (2006 : 73.69%) of the Group's revenue, after consolidating Hoover. This demonstrates the very healthy growth in markets beyond North America which grew by over 16% year on year.

Gross Margin

Gross margin remained comparable to that of last year despite raw material cost increases and the RMB appreciation as a result of favorable product mix and new products being launched during the year together with an effective cost containment program within the Group.

Operating Expenses

Total operating expenses increased by 28.66% to HK$6.9 billion (2006 : HK$5.4 billion), representing 27.90% of turnover (2006 : 24.62%). The increase was due to the less efficient operating costs of Hoover being consolidated in 2007.

Design and development expenses increased by 24.94% to HK$535.13 million, representing 2.16% turnover (2006: 1.96%). The Group will continue to invest in design and development not only to maintain sales growth momentum but also further enhance margin. This been best demonstrated by the fact that despite manufacturing costs been increasing, gross margin of the Group continues to maintain and improve.

As discussed in the interim report, included in the other income is settlement for disputed legal matters. The settlement agreement contains non-disclosure terms concerning the nature of dispute, the parties to the dispute and other terms of agreement.

Net interest expenses for the year amounted to HK$362.12 million as compared to HK$300.23 million reported in 2006, an increase of 20.61%. The increase was due to higher cost of funds during the year, additional working capital required for the Hoover operation and to finance the restructuring and transition costs under the Strategic Repositioning Plan. Interest coverage, expressed as a multiple of EBITDA before restructuring and transition was at 4.48 times (2006 : 5.59 times).

The effective tax rate, being tax charged for the year to before tax profits was at 23.05%. However, certain tax efficiencies arising from the restructuring and transition charges did not materialize in 2007 and have been deferred to 2008. The Group will leverage this and its global operations to further improve on overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to HK$6.9 billion, as compared to HK$7.0 billion reported last year as a result of share repurchased during the year and redemption of Convertible bonds, and after having accounted for the HK$743.02 million restructuring and transition costs.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing to equity attributable to equity holders, was at 104.32% as compared to 74.14% as reported last year. The increase is mainly due to the negative contributions from the newly acquired operations during the year together with additional working capital required for the Strategic Repositioning Plan (SRP). The Group remains confident that the gearing will improve after the successful implementation of the SRP, margin improvements from the acquired business, together with very focused and stringent working capital management.

Bank Borrowings

On June 12, 2007, the Group received notice that of the US$140 million Zero Coupon Convertible Bonds in issue, US$127.85 million, representing approximately 91% of the total bond outstanding, exercised their Put Option that the bonds be redeemed on July 8, 2007. The Put amount was fully settled on the due date.

Following the redemption of the convertible bonds, long term debts accounted for 41.27% of the total debt as compared to 62.54% in 2006.

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 and currency exposure therefore is low. Currency, interest rate exposures together with cash management functions are all being closely monitored and managed by the Group's treasury team.

Working Capital

Total inventory increased from HK$4.0 billion in 2006 to HK$5.9 billion in 2007 with the consolidation of Hoover's operation and additional inventory built during the year for the strategic repositioning plan. The number of days inventory increased by 6 days from 67 days to 73 days. The Group will focus in reducing the inventory level and improve inventory turns.

Trade receivable turnover days were at 56 days as compared to 54 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 extended by 3 days from 56 days reported in 2006 to 59 days in 2007.

Capital Expenditure

Total capital expenditure for the year amounted to HK$859.71 million with HK$265.80 million related to the China factory expansion and HK$130.22 million from the newly acquired Hoover business.

Capital Commitment and Contingent Liability

As at December 31, 2007, total capital commitments amounted to HK$391.35 million (2006: HK$620.09 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 23,685 employees (2006: 20,679 employees) in Hong Kong and overseas. Total staff costs for the period under review amounted to HK$3,186.75 million as compared to HK$2,456.31 million last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve the quality, competence and skills of all employees. It provides job related training and leadership development programs throughout the organization. The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

STRATEGIC REPOSITIONING PLAN

The Board of Directors approved in 2007 a series of strategic repositioning initiatives designed to significantly boost our future performance by exploiting the synergies and growth opportunities offered by our acquisitions and business scale. The plan includes:

- Re-deployment of our global manufacturing and product development capabilities;
- Reorganization into new product and regional business units for more efficient management of brands, products, and investments; and
- Expanding the marketing of our brands and products in markets where they are under-represented.

Costs and Savings

The total estimated non-recurring cost of the Strategic Repositioning Plan over three years is about US$150 million, including about US$55 million of non-cash and US$95 million of cash restructuring charges, and about US$22 million of related transition expenses. Once the redeployment and reorganization plans have been fully implemented, the anticipated annualized pre-tax savings should be over HK$550 million (US$70 million).

For full year 2007, the initiatives generated a pre-tax restructuring charge of HK$668.48 million (US$86 million), including HK$400.70 million (US$51 million) for Hoover, and HK$267.78 million (US$35 million) for other restructuring. The cash portion of these charges was HK$416.18 million, and the non-cash portion was HK$252.30 million. In addition to the restructuring charges in 2007, we incurred related pre-tax transition expenses of HK$74.54 million (US$9 million) that do not qualify as exit costs under HKFRS, including HK$34.19 million (US$4 million) for Hoover and HK$40.35 million (US$5 million) for other.

We estimate the future restructuring charges to be approximately HK$500 million (US$64 million), about 65% cash and 35% non-cash, all to be recognized in 2008. In addition to the further restructuring charges in 2008, we expect to incur related transition expenses of approximately HK$100 million (US$13 million) that do not qualify as exit costs under HKFRS.

Repositioning Status

- Redeployment of the Group's global manufacturing and product development capabilities is on schedule.

- Reorganization of the Group into new product and regional business units is nearing completion.

- Initiatives to expand marketing of our brands and products in under-represented markets were launched in several markets in 2007, and additional markets will be targeted in 2008.

Floor-Care Division

The Hoover integration is virtually complete, and the Hoover operation is on track to deliver positive operating results for 2008 and beyond.

- The production in North Canton, Ohio has been integrated into TTI's Texas and Mexico facilities and current China facilities.

- A global R&D center was constructed in Ohio to host all US R&D activities for Hoover and Royal, and to lead R&D globally. This investment will support a more robust new product design and development pipeline, ensuring the Group is able to leverage globally its market leading technology capability.

- Hoover's prior distribution activities have been migrated into Royal's existing facilities, yielding significant cost savings, improved shipping and handling productivity, and better service levels for customers.

Power Equipment Division

The move of Milwaukee production to China will yield significant cost savings in 2008 and beyond.

- The production transfer of Milwaukee cordless products to the Group's China facilities is complete, and the transfer of corded products is on target;

- TTI has announced the closure of 2 US facilities by the end of 2008.

- The construction of a new facility and test labs in China, dedicated to the manufacturing of professional tools, is almost completed and is expected to be in operation by the second half of 2008.

TTI is streamlining European operations to optimize the production of higher complexity products to meet the needs of the European and US markets. The majority of the European corded products have already been transferred to China.

Regional Business Units and Expansion into Under-Represented Markets

New regional business units established during 2007 included Europe and the Middle East, Canada, and Australasia. The leaders of these new regional units are responsible for streamlining existing operations, developing strategic partnerships, and expanding into under-represented markets. Under-represented markets given increased attention in 2007 included Canada, Eastern Europe, and the Middle East. Markets slated for increased attention in 2008 include certain countries in Western Europe, Latin America, and Asia including China.

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 Company and has discussed internal controls and financial reporting matters, including the review of the Group's consolidated financial statements for the year ended December 31, 2007. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 year ended December 31, 2007, save that:

1. The roles of Chairman and 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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiries with all its Directors, the Company confirms that during the year all its Directors have complied with the required standards as set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

A total of 4,358,500 ordinary shares of HK$0.10 each were repurchased by the Company during the year at prices ranging from HK$6.48 to HK$9.25 per share. The aggregate amount paid by the Company for such repurchases amounting to HK$35,175,000, 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 from May 28, 2008 to May 30, 2008, both days inclusive. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on May 27, 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on May 30, 2008 at 10:00 a.m. The notice of the annual general meeting will be published and dispatched to the shareholders of the Company in accordance with the requirement under the articles of association of the Company and the Listing Rules on or about 30 April, 2008.

APPRECIATION

Once again, I would like to close by thanking our employees for their passion and commitment in moving us forward in our vision of being the world leader in our core businesses. My fellow directors provided insight and thoughtful analysis throughout the year guiding our governance and vision. Finally, we truly appreciate the support of our shareholders, customers, and partners for their contribution.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, April 16, 2008

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

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

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

The use of the trademark Ryobi® is pursuant to a license granted by Ryobi Limited.

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

Sears® , Craftsman® and Kenmore® brands are registered trademarks of Sears Brands, LLC.

AEG® is a registered trademark and its use is pursuant to a License granted by Licentia Patent-Verwaltungs-GmbH.

RESULTS SUMMARY

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2007

	Notes	**2007** **HK$'000**	2006 HK$'000	**2007** **US$'000** **(Note 14)**	2006 US$'000 (Note 14)
Turnover	2	**24,774,987**	21,822,597	**3,176,280**	2,797,769
Cost of sales		**(16,965,980)**	(14,929,737)	**(2,175,125)**	(1,914,069)
Gross profit		**7,809,007**	6,892,860	**1,001,155**	883,700
Other income	3	**377,464**	43,423	**48,393**	5,567
Interest income		**97,658**	91,454	**12,520**	11,725
Selling, distribution, advertising and warranty expenses		**(3,478,699)**	(2,529,631)	**(445,987)**	(324,312)
Administrative expenses		**(2,898,057)**	(2,414,135)	**(371,546)**	(309,504)
Research and development costs		**(535,134)**	(428,311)	**(68,607)**	(54,912)
Finance costs	4	**(459,779)**	(391,679)	**(58,946)**	(50,215)
Profit before restructuring costs, other restructuring and transition costs, share of results of associates and taxation		**912,460**	1,263,981	**116,982**	162,049
Restructuring costs		**(668,481)**	—	**(85,703)**	—
Other restructuring and transition costs		**(74,537)**	—	**(9,556)**	—
Share of results of associates		**(270)**	(895)	**(35)**	(115)
Profit before taxation		**169,172**	1,263,086	**21,688**	161,934
Taxation	5	**(38,999)**	(184,017)	**(5,000)**	(23,592)
Profit for the year	6	**130,173**	1,079,069	**16,688**	138,342
Attributable to:					
Equity holders of the parent		**125,257**	1,071,864	**16,058**	137,418
Minority interests		**4,916**	7,205	**630**	924
		130,173	1,079,069	**16,688**	138,342
Dividends paid		**287,501**	279,845	**36,859**	35,878
Earnings per share (HK/US cents)	7				
Basic		**8.41**	73.18	**1.08**	9.38
Diluted		**7.40**	70.12	**0.95**	8.99

CONSOLIDATED BALANCE SHEET

As at December 31, 2007

	Notes	2007 HK$'000	2006 HK$'000	2007 US$'000 (Note 14)	2006 US$'000 (Note 14)
ASSETS					
Non-current assets					
Property, plant and equipment	8 &12	**2,612,534**	1,791,746	**334,940**	229,711
Lease prepayments		**78,799**	66,659	**10,102**	8,546
Goodwill		**4,164,129**	4,042,996	**533,863**	518,333
Intangible assets		**2,176,077**	1,620,181	**278,984**	207,716
Interests in associates		**203,637**	192,989	**26,107**	24,742
Available-for-sale investments		**17,058**	43,315	**2,187**	5,553
Deferred tax assets		**762,907**	706,493	**97,809**	90,576
		10,015,141	8,464,379	**1,283,992**	1,085,177
Current assets					
Inventories		**5,951,606**	4,019,883	**763,026**	515,370
Trade and other receivables	9	**4,471,844**	3,827,038	**573,313**	490,646
Deposits and prepayments		**470,147**	544,977	**60,275**	69,869
Bills receivable		**469,002**	578,560	**60,128**	74,174
Tax recoverable		**271,134**	150,312	**34,761**	19,271
Trade receivables from associates		**10,053**	8,554	**1,289**	1,097
Held-for-trading investments		**17,192**	7,800	**2,204**	1,000
Bank balances, deposits and cash		**3,293,327**	3,718,798	**422,221**	476,769
		14,954,305	12,855,922	**1,917,217**	1,648,196
Current liabilities					
Trade and other payables	10	**4,466,407**	3,118,120	**572,617**	399,759
Bills payable		**299,223**	335,455	**38,362**	43,007
Warranty provision		**474,386**	369,638	**60,819**	47,389
Trade payable to an associate		**—**	11,811	**—**	1,514
Tax payable		**286,069**	168,769	**36,676**	21,637
Restructuring provision		**418,380**	—	**53,638**	—
Obligations under finance leases — due within one year		**17,635**	18,535	**2,261**	2,376
Discounted bills with recourse		**3,036,449**	2,501,155	**389,288**	320,661
Unsecured borrowings — due within one year		**2,566,503**	421,849	**329,038**	54,083
Bank overdrafts		**418,369**	268,725	**53,637**	34,452
		11,983,421	7,214,057	**1,536,336**	924,878
Net current assets		**2,970,884**	5,641,865	**380,881**	723,318
Total assets less current liabilities		**12,986,025**	14,106,244	**1,664,873**	1,808,495

	Note	**2007** **HK$'000**	2006 *HK$'000*	**2007** **US$'000** **(Note 14)**	2006 *US$'000* *(Note 14)*
CAPITAL AND RESERVES					
Share capital	11	**150,125**	146,522	**19,247**	18,785
Reserves		**6,770,000**	6,850,008	**867,947**	878,208
Equity attributable to equity holders of the parent		**6,920,125**	6,996,530	**887,194**	896,993
Minority interests		**91,303**	81,445	**11,706**	10,442
Total equity		**7,011,428**	7,077,975	**898,900**	907,435
NON-CURRENT LIABILITIES					
Obligations under finance leases — due after one year		**134,693**	125,529	**17,268**	16,093
Convertible bonds		**98,299**	1,105,834	**12,602**	141,774
Unsecured borrowings — due after one year		**4,240,475**	4,464,353	**543,650**	572,353
Retirement benefit obligations		**980,528**	834,087	**125,709**	106,934
Deferred tax liabilities		**520,602**	498,466	**66,744**	63,906
		5,974,597	7,028,269	**765,973**	901,060
		12,986,025	14,106,244	**1,664,873**	1,808,495

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

In the current year, the Group has applied, for the first time, the following new standards ("HKAS" and "HKFRS"), amendment and interpretations ("HK(IFRIC)") (collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on January 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in the prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after January 1, 2009
2 Effective for annual periods beginning on or after July 1, 2009
3 Effective for annual periods beginning on or after March 1, 2007
4 Effective for annual periods beginning on or after January 1, 2008
5 Effective for annual periods beginning on or after July 1, 2008

HKAS 23 (Revised) eliminated the option available under the previous version of HKAS 23 to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, HKAS 23 (Revised) requires that they be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred. The Group currently expenses all borrowing costs as incurred. As a result of the application of HKAS 23 (Revised), borrowing costs related to the acquisition, construction or production of a qualifying asset will be capitalized.

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 1 July 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 a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipated 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.

2. Segment Information

Income Statement

For the year ended December 31, 2007

	Power Equipment *HK$'000*	Floor Care *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External sales	**16,877,407**	**7,897,580**	**—**	**24,774,987**
Inter-segment sales	**4,818**	**252,646**	**(257,464)**	**—**
Total	**16,882,225**	**8,150,226**	**(257,464)**	**24,774,987**

Inter-segment sales are charged at prevailing market rates.

	Power Equipment *HK$'000*	Floor Care *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Result				
Segment results before restructuring costs and other restructuring and transition costs	**1,225,677**	**146,562**	**—**	**1,372,239**
Restructuring costs	**(267,783)**	**(400,698)**	**—**	**(668,481)**
Other restructuring and transition costs	**(40,346)**	**(34,191)**	**—**	**(74,537)**
Segment results after restructuring costs and other restructuring and transition costs	**917,548**	**(288,327)**	**—**	**629,221**
Finance costs				**(459,779)**
Share of results of associates				**(270)**
Profit before taxation				**169,172**
Taxation				**(38,999)**
Profit for the year				**130,173**

For the year ended December 31, 2006

	Power Equipment *HK$'000*	Floor Care *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External sales	17,115,746	4,706,851	—	21,822,597
Inter-segment sales	14,914	207,099	(222,013)	—
Total	17,130,660	4,913,950	(222,013)	21,822,597

Inter-segment sales are charged at prevailing market rates.

	Power Equipment *HK$'000*	Floor Care *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Result				
Segment results	1,462,030	193,630	—	1,655,660
Finance costs				(391,679)
Share of results of associates				(895)
Profit before taxation				1,263,086
Taxation				(184,017)
Profit for the year				1,079,069

The segment of Laser and Electronics was grouped under Floor Care as the Group management has concluded that both segments were having the same marketing channels and were enhancing the consumer household branding category in a wide range of product.

	Turnover	
	2007	2006
	HK$'000	*HK$'000*
By geographical market location:		
North America	**18,103,801**	16,081,779
Europe	**5,688,905**	4,594,386
Other countries	**982,281**	1,146,432
	24,774,987	21,822,597

3. Other Income

Other income included settlement of a disputed legal matter. The settlement agreement contains non-disclosure terms concerning the nature of the dispute, the parties to the dispute and other terms of the agreement. Other income also included discount on acquisition arising on acquisition of subsidiaries taken to income amounted to HK$49,340,000.

Other than the disclosure of above items, the amount also included various releasing of overprovided accrued obligations and liabilities.

4. Finance Costs

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**224,724**	129,075
Obligations under finance leases	**9,567**	6,805
Fixed interest rate notes	**239,940**	228,272
Effective interest expense on convertible bonds	**14,385**	27,527
Total interest	**488,616**	391,679
Debt extinguishment gain	**(28,837)**	—
	459,779	391,679

5. Taxation

	2007	2006
	HK$'000	*HK$'000*
The total tax charge (credit) comprises:		
Hong Kong Profits Tax	**98,575**	56,085
Overseas Tax	**(22,918)**	184,649
Deferred Tax	**(36,658)**	(56,717)
	38,999	184,017

Hong Kong profits tax is calculated at 17.5% of the estimated assessable profits for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Profit for the Year

	2007	2006
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**559,972**	451,278
Amortization of lease prepayments	**1,544**	1,402
Amortization of intangible assets	**130,940**	89,417
Staff costs	**2,752,149**	2,170,339

Staff costs disclosed above do not include an amount of HK$434,599,000 (2006: HK$285,968,000) relating to research and development activities, which is included under research and development costs.

7. Earnings per Share

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

	2007	2006
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the parent	**125,257**	1,071,864
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	**14,385**	22,710
Debt extinguishment gain	**(28,837)**	—
Earnings for the purpose of diluted earnings per share	**110,805**	1,094,574
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,490,103,389**	1,464,595,829
Effect of dilutive potential ordinary shares:		
Share options	**1,071,527**	30,435,277
Convertible bonds	**5,722,679**	65,922,585
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,496,897,595**	1,560,953,691

8. Additions of Property, Plant and Equipment

During the year, the Group spent approximately HK$860 million (2006: HK$473 million) on the acquisition of property, plant and equipment.

9. 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:

	2007	2006
	HK$'000	*HK$'000*
0 to 60 days	**3,711,634**	3,143,989
61 to 120 days	**300,597**	230,131
121 days or above	**175,953**	103,977
Total trade receivables	**4,188,184**	3,478,097
Other receivables	**283,660**	348,941
	4,471,844	3,827,038

10. Trade and Other Payables

The aged analysis of trade payables is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 60 days	**1,947,377**	1,345,473
61 to 120 days	**370,703**	91,696
121 days or above	**43,254**	30,547
Total trade payables	**2,361,334**	1,467,716
Other payables	**2,105,073**	1,650,404
	4,466,407	3,118,120

11. Share Capital

	Number of shares		Share capital	
	2007	2006	**2007**	2006
			HK$'000	*HK$'000*
Ordinary shares				
Authorized:				
Shares of HK$0.1 each	**2,400,000,000**	2,400,000,000	**240,000**	240,000
Issued and fully paid:				
Shares of HK$0.1 each at January 1	**1,465,223,652**	1,461,720,652	**146,522**	146,172
Repurchase of shares	**(4,358,500)**	—	**(436)**	—
Issued on exercise of share options	**40,387,000**	3,503,000	**4,039**	350
Shares of HK$0.1 each at December 31	**1,501,252,152**	1,465,223,652	**150,125**	146,522

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

12. Capital Commitments

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment and a licence	**320,180**	516,648
Capital expenditure authorized but not contracted for in the financial statements in respect of the purchase of property, plant and equipment	**71,165**	103,443

13. Contingent Liabilities

	2007	2006
	HK$'000	*HK$'000*
Guarantees given to banks in respect of credit facilities utilised by associates	**30,865**	36,026

14. 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. These have been arrived at based on the fixed exchange rate of HK$7.8 to US$1.0.