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, 2010

Highlights

	2010 HK$' million	2009 HK$' million	**2010 US$' million**	2009 US$' million	**Changes**
Turnover	**26,386**	23,985	**3,383**	3,075	**+10.0%**
EBITDA (before restructuring costs)	**2,396**	1,784	**307**	229	**+34.3%**
EBITDA	**2,188**	1,784	**280**	229	**+22.6%**
EBIT (before restructuring costs)	**1,510**	978	**194**	125	**+54.4%**
EBIT	**1,302**	978	**167**	125	**+33.1%**
Profit attributable to Owners of the Company (before restructuring costs)	**948**	491	**122**	63	**+93.1%**
Profit attributable to Owners of the Company	**740**	491	**95**	63	**+50.7%**
Basic earnings per share (HK/US cents)	**46.23**	31.87	**5.93**	4.09	**+45.1%**
Dividend per share (HK/US cents)	**10.00**	7.50	**1.28**	0.96	**+33.3%**

- **Continued execution of our strategies produced strong results**
- **Net profit increase of 50.7%**
- **Sales growth of 10.0% driven by new product innovation and geographic expansion**
- **Operational efficiencies improve gross profit by 13.3%**

BUSINESS HIGHLIGHTS

A Quarter Century of Success

Techtronic Industries' ("TTI") 25th year was marked with solid performance across all businesses resulting in excellent growth. This exceptional achievement was the result of strength in new products, continued geographic expansion, and significant operational efficiencies in a period of rising input costs.

Sales were HK$26.4 billion (US$3.4 billion) for the full year, representing a 10.0% increase over 2009. Our full year profit attributable to owners of the company was HK$740 million (US$95 million), an increase of 50.7% and earnings per share increased 45.1% to HK46.23 cents over the prior year.

TTI continued to invest in developing exciting new products, building our brands, expanding global operations, and implementing cost containment programs. These actions have further strengthened TTI's market leadership position and have increased demand for our superior brands and products. Our strong growth and improvement in profit margins underscores the effectiveness of our strategies.

During the period, our gross profit margin increased to 32.2%, up from 31.3% in 2009. This was a result of ongoing new product introductions and efficiency gains through broad, systematic cost reduction and productivity programs put in place that countered rising input costs. SG&A expenses were reduced from 27.7% of sales in 2009 to 26.9% in 2010 through strategic spending cuts and greater volume leverage.

Earnings before interest and tax increased by 33.1% to HK$1,302 million (US$167 million) representing a margin improvement of 80 basis points. Additionally, we initiated the restructuring of our German power tool manufacturing and gradual relocation to our Czech Republic and China facilities which will further enhance profitability going forward. A non-recurring provision of HK$208 million (US$27 million) was taken for the full year and no further charges are expected. Earnings before interest, tax and one-time charges was HK$1,510 million (US$194 million), 54.4% above 2009.

We continue to manage our working capital with an improvement in inventory days. We are comfortable with our current working capital level to meet our service requirements and fund our business growth. Our gearing position improved to 72.9% at the end of the year from 78.6% in the first half of 2010.

Powerful Brands Deliver Strong Performance

TTI's portfolio of leading brands continued to generate outstanding growth through brand extensions into new products and categories. Our brands hold leading positions in their respective markets and have created a loyal following with end-users. We are expanding our brand reach into new product categories and under-represented markets.

New Products Fuel Growth

Our commitment to launching new innovative products and our leadership position in cordless technology, particularly lithium-ion, continues to drive growth. New products accounted for approximately one third of global sales in 2010. TTI's new product development process maximizes speed-to-market, with a deep understanding of our customers' needs, allowing us to deliver a continuous stream of innovative new products that help grow our market share.

Aggressive Cost Management Culture

Our relentless focus on cost containment has been beneficial to the Group with gross margin improvements over the past two consecutive years. Value engineering projects and supplier initiatives across the Group continue to offset rising material and labor costs, building sustainable margin improvements. Product mix, volume leverage and accelerated integration of our production facilities are further improving operating performance.

Our recently constructed Asia Industrial Park has absorbed the increase in production volumes from the relocation of our outdoor products manufacturing into the facility in 2010 as well as higher volume from our businesses. At the beginning of 2011, the completion of our Asia Innovation Centre will bring R&D synergies and productivity efficiencies that will further enhance our already best-in-class, speed-to-market capabilities.

DIVIDEND

The Directors have recommended a final dividend of HK6.25 cents per share for the year ended December 31, 2010 (2009: HK4.50 cents) payable to the Company's shareholders whose names appear on the register of members of the Company on May 20, 2011. 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 8, 2011. This payment, together with the interim dividend of HK3.75 cents per share (2009: HK3.00 cents) paid on September 29, 2010, makes a total payment of HK10.00 cents per share for 2010 (2009: HK7.50 cents).

REVIEW OF OPERATIONS

Power Equipment Business Review

Our Power Equipment business comprising of power tools, outdoor products, and accessories delivered HK$18.6 billion in sales, an increase of 9.6% over the prior year. The business accounted for 70.5% of Group turnover in 2010. The business segment result before restructuring grew by 35.2%. This strong performance was driven by continued successful expansion of our lithium-ion cordless platforms, new ranges of consumer tools, innovative accessory programs, and growth momentum from new outdoor product categories.

Industrial

In North America, Europe, and Australasia, strong gains were realized with double-digit sales growth. MILWAUKEE® gained market share in the global power tool market with its innovative best-in-class lithium-ion cordless tool and accessory range. This was a result of new product launches, increased distribution channel presence, and expanded geographic reach.

Our innovative, trade-specific application solutions and promotions further improved the market position of MILWAUKEE® M12™ in the compact cordless power tool category. Continued gains were produced by the M18™ lithium-ion product range driven by trade-channel focus, consistent and effective marketing programs, and new products. To further secure our leadership, MILWAUKEE® has launched its next generation of lithium-ion, Red Lithium™, which significantly enhances performance, durability, and value to further drive end-user productivity across the MILWAUKEE® cordless offering.

MILWAUKEE® power tool accessories launched the innovative Ice Hardened™ hole saws and Shockwave Impact Duty™ accessories. These fueled growth and provided end-users with visually differentiated, high performance accessories. The launch of MILWAUKEE® hand tools was successful and has set the stage for further expansion.

Consumer and Professional

In North America, our business remained robust. RYOBI® maintained its market leadership in the US and Canadian consumer segments by expanding the cost effective and comprehensive ONE+System® cordless power tool range for DIY home repairs and renovation. In the professional tool segment, RIDGID® launched a first-to-market, interchangeable tool head JobMax™ system of 12 volt lithium-ion cordless tools.

In Europe, product and marketing investments have continued to pay off in 2010 with double-digit growth across the business units. Professional AEG® cordless products have been a key to delivering outstanding sales growth, driven by its new range of improved and more competitively positioned cordless and corded tools. We are encouraged by the introduction of the new AEG® multi-tool 12 volt cordless platform, which generated strong demand in late 2010. The multi-tool offers a range of job site solutions on a single power platform, thereby offering convenience, value and efficiency to users. Strong gains were made in adding new distribution, particularly in Nordic markets, and through newly launched products driving gains in targeted distribution channels.

New hyper-green color RYOBI® power tools were successfully introduced resulting in solid sales growth and improved retail listings, which positions the business for further growth. Our partnerships with leading DIY retailers were enhanced through aggressive new product introductions and intensive marketing support.

In Australasia, RYOBI® is a leading consumer brand and had another solid year led by new product introductions of corded and cordless tools in hyper-green and new marketing initiatives. AEG® professional tools successfully delivered growth. We have built a uniquely powerful retail partnership in the region where we closely coordinate aggressive product development and marketing to drive demand for both our brands.

Outdoor Products

Outdoor Products & Accessories exhibited growth with product innovation in new categories, particularly lithium-ion cordless tools and accessories under the RYOBI® and HOMELITE® brands.

In North America, our innovative, lightweight 4-cycle engine that powers RYOBI® trimmers and wheeled products with energy efficient performance generated strong end-user demand. Sales of RYOBI® cordless mowers, gas trimmers, and pressure washers all grew. RYOBI® ONE+System® tools proved successful with consumers. Our expanded new product line-up supported by aggressive marketing helped drive sales growth.

HOMELITE® electric products in core categories of trimmers, mowers, and gas-powered chain saws targeted at the value segment of the market were strong performers. There was also encouraging growth in HOMELITE®'s gas powered generators in North America.

Floor care and Appliances

Floor Care and Appliances sales were HK$7.8 billion, accounting for 29.5% of total TTI sales. This represented an 11.1% increase compared to the same period last year. The business segment result grew by 161.9%. The impressive improvement reflects the benefits of the recent product line streamlining activities and aggressive cost improvement programs. New products are a primary business driver and accounted for one third of sales during the year.

In North America, HOOVER® continued to strengthen its market position. The brand has established a strong position in upright vacuums with its highly successful WindTunnel® T-Series™ which reached a significant milestone selling its one millionth unit, underscoring the power of this technology platform. The HOOVER® Max Extract proved to be a high impact new product with strong end-user acceptance. It incorporates patented cleaning functions and technology including 'pressurized cleaning', 'SpinScrub® technology', and 'smart tanks system'. The Max Extract also drives sales of proprietary cleaning solutions that reinforce the platform's competitive advantage as well as providing incremental revenue streams. The iconic HOOVER® brand continues to prove its value, facilitating brand extension into new products such as steam cleaning, sanitizing cleaners, and FloorMate® for hard floor washing.

DIRT DEVIL® sales were driven by the introduction of a new range in its traditional red color and the brand's expansion into outdoor cleaning products. New products including cyclonic quick vacs, 2-in-1 cordless stick vacs and electric pressure washers were introduced at strategic price points. The expansion of product offerings beyond floor care to electric pressure washers offered a simple and intuitive solution to outdoor cleaning tasks. Targeted promotional activities combined with refreshed packaging supported the DIRT DEVIL® performance in 2010.

In Europe, we achieved double-digit growth through channel expansion and new products under our DIRT DEVIL® and VAX® brands. DIRT DEVIL® continued to expand distribution and solidified its position as a leader in Germany. The brand also ran a highly successful advertising campaign to celebrate the 20th anniversary of DIRT DEVIL®. UK sales were led by the success of the VAX® ultra light weight Mach Air® vacuum which was supported by aggressive marketing and advertising campaigns, and new steam cleaning products.

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's turnover for the year amounted to HK$26.4 billion, 10.0% higher than the HK$24.0 billion reported in 2009. Profit attributable to Owners of the Company amounted to HK$740 million as compared to HK$491 million reported in 2009. Basic earnings per share for the year improved to HK46.23 cents as compared to HK31.87 cents in 2009.

EBITDA amounted to HK$2.2 billion, an increase of 22.6% as compared to HK$1.8 billion reported in 2009.

EBIT amounted to HK$1.3 billion, an increase of 33.1% as compared to HK$978 million reported in 2009.

Gross Margin

Gross margin improved to 32.2% as compared to 31.3% reported last year. The margin gain was the result of new product introduction, favorable product mix with higher margin products, efficient production in the new PRC facilities, effective supply chain management and improved economies of scale.

Operating Expenses

Total operating expenses for the year amounted to HK$7.1 billion as compared to HK$6.6 billion reported in 2009. The Group managed to control the non-strategic SG&A expenses and reinvested into the strategic SG&A as planned.

Investments in product design and development amounted to HK$504 million, representing 1.9% of turnover (2009: 2.1%) reflecting efficiency improvements from the consolidated and effectively structured R&D resources.

Net interest expenses for the year amounted to HK$563 million as compared to HK$550 million reported in 2009, an increase of 2.4%. The increase was mainly due to the Group having issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of US$150 million in April 2009. Interest coverage, expressed as a multiple of EBITDA to total interest was 3.8 times (2009: 3.2 times).

During the year, there were tax credits of HK$1 million which translated to an effective tax rate of -0.1% as a result of effective global tax planning.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to HK$8.7 billion as compared to HK$8.1 billion in 2009. Book value per share was at HK$5.41 as compared to HK$5.08 as reported last year.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivable which is without recourse in nature) to equity attributable to equity holders, was at 72.9% as compared to 68.7% last year. The Group remains confident that gearing will improve further after the successful implementation of the Strategic Repositioning Plan and initiatives to deliver focused and stringent working capital management.

During the year, holders of unlisted warrants previously issued by the Company, entitling the holder to subscribe for new shares of the Company at an exercise price of HK$5.10 per share between April 30, 2010 and April 30, 2012 (the "Warrants"), exercised 14,903,600 Warrants at the exercise price resulting in the issuance of 14,903,600 new shares of the Company.

During the year, the Group bought back 40,984,900 Warrants from the Warrants holders for a consideration of HK$101,843,000.

Bank Borrowings

Long term borrowings accounted for 44.8% of total debts (40.0% at December 31, 2009).

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

During the year, the Group repaid HK$1,354 million of fixed interest rate notes, refinanced by a new syndicated loan obtained in February 2010. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory increased from HK$4.8 billion in 2009 to HK$5.0 billion in 2010. Days inventory improved from 73 days to 70 days. The inventory build is in preparation for new products to be launched in 2011, buffer for the European manufacturing relocation and anticipated 2011 first quarter sales increase as compared to that of 2010.

Trade receivable turnover days were at 63 days as compared to 62 days as reported last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 55 days. 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 declined from 59 days reported in 2009 to 52 days in 2010.

The Group's current ratio improved from 1.25 times in 2009 to 1.34 times and quick ratio also improved to 0.89 from 0.81 in 2009.

Capital Expenditure

Total capital expenditures for the year amounted to HK$725 million (2009: HK$697 million) including HK$17 million (2009: HK$80 million) related to the new Asia Industrial Park and Innovation Centre.

Capital Commitments and Contingent Liabilities

As at December 31, 2010, total capital commitments amounted to HK$108 million (2009: HK$83 million) and there were no material contingent liabilities or off balance sheet obligations.

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2010

(i) the Group's largest customer and five largest customers accounted for approximately 36.4% and 52.3% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 3.4% and 13.4% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

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

HUMAN RESOURCES

The Group employed a total of 18,440 employees (2009: 16,772 employees) in Hong Kong and overseas. Total staff cost for the year under review amounted to HK$3.6 billion (2009: HK$3.3 billion).

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2010. 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 set out in Appendix 14 of the Listing Rules throughout the year ended December 31, 2010, except none of the directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one third of the Board must retire by rotation at each 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

Neither the Company nor any of its subsidiaries has, during the year, purchased, sold or redeemed any of the listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 18, 2011 to May 20, 2011, 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, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on May 17, 2011.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 20, 2011. 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 April 15, 2011.

CONFIDENT OUTLOOK

Entering 2011, our excellent product portfolio and superior brands give us strong confidence the Group will capitalize on the opportunities and drive further growth.

Our four Strategic Drivers of Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence continue to be the foundation for strong performance and will help us achieve the goal of being number one in the industries we serve. These strategies have driven our transition from an Original Equipment Manufacturer to a global company with highly innovative products and powerful brands focused on exceeding the expectations of our customers.

APPRECIATION

I would like to thank our customers for their dedicated partnership, our world-wide team for working with enthusiasm and creativity, and our Directors for their strategic vision and support. TTI is at the beginning of the next 25 years of expansion and I am looking forward to the years ahead with excitement and passion.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, March 24, 2011

As at the date of this announcement, the Board comprises six group Executive Directors, namely Mr Horst Julius Pudwill (Chairman), Prof 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).

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

	Notes	**2010 HK$'000**	2009 HK$'000	**2010 US$'000 (Note 16)**	2009 US$'000 (Note 16)
Turnover	*2*	**26,386,136**	23,984,646	**3,382,838**	3,074,955
Cost of sales		**(17,892,053)**	(16,489,195)	**(2,293,853)**	(2,113,999)
Gross profit		**8,494,083**	7,495,451	**1,088,985**	960,956
Other income	*3*	**133,208**	120,306	**17,078**	15,424
Interest income		**16,757**	15,781	**2,148**	2,023
Selling, distribution, advertising and warranty expenses		**(3,749,721)**	(3,337,076)	**(480,733)**	(427,830)
Administrative expenses		**(2,855,350)**	(2,785,092)	**(366,070)**	(357,063)
Research and development costs		**(503,939)**	(513,414)	**(64,608)**	(65,822)
Finance costs	*4*	**(579,549)**	(565,500)	**(74,301)**	(72,500)
Profit before restructuring costs, share of results of associates and taxation		**955,489**	430,456	**122,499**	55,188
Restructuring costs	*5*	**(207,890)**	-	**(26,653)**	-
Share of results of associates		**(1,207)**	(987)	**(155)**	(127)
Profit before taxation		**746,392**	429,469	**95,691**	55,061
Taxation credit	*6*	**548**	62,684	**70**	8,036
Profit for the year	*7*	**746,940**	492,153	**95,761**	63,097
Other comprehensive income					
Exchange differences on translation of foreign operations		**14,659**	68,769	**1,879**	8,816
Reclassification adjustment for the cumulative exchange differences included in profit or loss on disposal of a subsidiary		-	85	-	11
Other comprehensive income for the year		**14,659**	68,854	**1,879**	8,827
Total comprehensive income for the year		**761,599**	561,007	**97,640**	71,924

	Notes	**2010 HK$'000**	2009 HK$'000	**2010 US$'000 (Note 16)**	2009 US$'000 (Note 16)
Profit for the year attributable to:					
Owners of the Company		**740,140**	490,658	**94,890**	62,905
Non-controlling interests		**6,800**	1,495	**871**	192
		746,940	492,153	**95,761**	63,097
Total comprehensive income attributable to:					
Owners of the Company		**754,812**	559,502	**96,770**	71,731
Non-controlling interests		**6,787**	1,505	**870**	193
		761,599	561,007	**97,640**	71,924
Earnings per share (HK/US cents)	*8*				
Basic		**46.23**	31.87	**5.93**	4.09
Diluted		**46.20**	31.70	**5.92**	4.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2010

	Notes	2010 HK$'000	2009 HK$'000	2010 US$'000 (Note 16)	2009 US$'000 (Note 16)
ASSETS					
Non-current assets					
Property, plant and equipment	*9 & 13*	**2,647,610**	2,480,579	**339,437**	318,023
Lease prepayments		**276,704**	275,578	**35,475**	35,331
Goodwill		**4,133,099**	4,064,484	**529,884**	521,088
Intangible assets		**2,756,765**	2,607,035	**353,431**	334,235
Interests in associates		**187,683**	195,649	**24,062**	25,083
Available-for-sale investments		**9,879**	22,701	**1,267**	2,911
Deferred tax assets		**534,511**	575,524	**68,527**	73,785
		10,546,251	10,221,550	**1,352,083**	1,310,456
Current assets					
Inventories		**5,027,177**	4,766,222	**644,510**	611,054
Trade and other receivables	*10*	**4,820,304**	4,449,644	**617,988**	570,467
Deposits and prepayments		**521,936**	517,382	**66,915**	66,331
Bills receivable		**303,222**	267,752	**38,875**	34,327
Tax recoverable		**85,760**	141,446	**10,995**	18,134
Trade receivables from associates		**296**	13	**38**	2
Derivative financial instruments		**84,886**	21,913	**10,883**	2,809
Held-for-trading investments		**83,706**	75,677	**10,732**	9,702
Bank balances, deposits and cash		**4,000,566**	3,322,753	**512,893**	425,994
		14,927,853	13,562,802	**1,913,829**	1,738,820
Current liabilities					
Trade and other payables	*11*	**3,769,467**	3,856,835	**483,265**	494,466
Bills payable		**430,617**	720,550	**55,207**	92,378
Warranty provision		**372,073**	385,903	**47,702**	49,475
Trade payable to an associate		**32,187**	5,307	**4,127**	680
Tax payable		**59,110**	75,793	**7,578**	9,717
Derivative financial instruments		**38,605**	7,158	**4,949**	918
Restructuring provision		**179,250**	9,020	**22,981**	1,156
Obligations under finance leases - due within one year		**23,110**	21,119	**2,963**	2,708
Discounted bills with recourse		**3,206,539**	2,566,158	**411,095**	328,995
Unsecured borrowings - due within one year		**2,816,226**	3,004,346	**361,055**	385,172
Bank overdrafts		**174,330**	214,756	**22,350**	27,533
		11,101,514	10,866,945	**1,423,272**	1,393,198
Net current assets		**3,826,339**	2,695,857	**490,557**	345,622
Total assets less current liabilities		**14,372,590**	12,917,407	**1,842,640**	1,656,078

	Notes	**2010**	2009	**2010**	2009
		HK$'000	HK$'000	**US$'000**	US$'000
				(Note 16)	(Note 16)
Capital and Reserves					
Share capital	*12*	**160,663**	159,125	**20,598**	20,401
Reserves		**8,534,442**	7,922,837	**1,094,161**	1,015,748
Equity attributable to Owners of the Company		**8,695,105**	8,081,962	**1,114,759**	1,036,149
Non-controlling interests		**116,595**	109,808	**14,948**	14,078
Total equity		**8,811,700**	8,191,770	**1,129,707**	1,050,227
Non-current Liabilities					
Obligations under finance leases					
- due after one year		**44,573**	69,826	**5,714**	8,952
Unsecured borrowings					
- due after one year		**3,637,593**	2,596,144	**466,358**	332,839
Convertible bonds		**992,357**	950,202	**127,225**	121,821
Retirement benefits obligations		**707,417**	737,267	**90,694**	94,521
Deferred tax liabilities		**178,950**	372,198	**22,942**	47,718
		5,560,890	4,725,637	**712,933**	605,851
Total equity and non-current liabilities		**14,372,590**	12,917,407	**1,842,640**	1,656,078

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

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

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after January 1, 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, the application of HKFRS 3 (as revised in 2008) has not had a material effect on the Group's consolidated financial statements.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent. The application of the revised Standard has not resulted in any changes to non-controlling interest. The application of HKAS27 (as revised in 2008) has not had a material effect on the Group’s consolidated financial statements.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ('HK Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

As at December 31, 2010, a bank loan (that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause) with a carrying amount of HK$466,800,000 has been classified as a current liability.

The Group and the Company have not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate.
[2] Effective for annual periods beginning on or after July 1, 2010.
[3] Effective for annual periods beginning on or after July 1, 2011.
[4] Effective for annual periods beginning on or after January 1, 2013.
[5] Effective for annual periods beginning on or after January 1, 2012.
[6] Effective for annual periods beginning on or after January 1, 2011.
[7] Effective for annual periods beginning on or after February 1, 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Specifically, under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's and the Company's consolidated financial statements for the financial year ending December 31, 2013 and that the application of the new Standard may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is completed.

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

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's or the Company's disclosures regarding transfers of trade receivables previously effected. However, if the Group or the Company enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial performance and financial position of the Group and the Company.

2. Segment Information

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

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

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

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

Information regarding the above segments is reported below.

Segment turnover and results

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

For the year ended December 31, 2010

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment turnover				
External sales	**18,607,603**	**7,778,533**	**-**	**26,386,136**
Inter-segment sales	**119,980**	**28,023**	**(148,003)**	**-**
Total segment turnover	**18,727,583**	**7,806,556**	**(148,003)**	**26,386,136**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results before restructuring costs	**1,145,012**	**390,026**	**-**	**1,535,038**
Restructuring costs	**(207,890)**	**-**	**-**	**(207,890)**
Segment results after restructuring costs	**937,122**	**390,026**	**-**	**1,327,148**
Finance costs				**(579,549)**
Share of results of associates				**(1,207)**
Profit before taxation				**746,392**
Taxation credit				**548**
Profit for the year				**746,940**

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

Segment turnover and results
For the year ended December 31, 2009

	Power Equipment HK$'000	Floor Care and Appliances HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment turnover				
External sales	16,984,394	7,000,252	-	23,984,646
Inter-segment sales	13,827	173,611	(187,438)	-
Total segment turnover	16,998,221	7,173,863	(187,438)	23,984,646

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	847,053	148,903	-	995,956
Finance costs				(565,500)
Share of results of associates				(987)
Profit before taxation				429,469
Taxation credit				62,684
Profit for the year				492,153

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

	2010 HK$'000	2009 HK$'000
Power Equipment	**18,607,603**	16,984,394
Floor Care and Appliances	**7,778,533**	7,000,252
Total	**26,386,136**	23,984,646

Geographical information

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

	2010 **HK$'000**	2009 HK$'000
North America	**19,196,753**	18,111,933
Europe	**5,561,388**	4,826,088
Other countries	**1,627,995**	1,046,625
Total	**26,386,136**	23,984,646

Information about major customer

During the years ended December 31, 2010 and 2009, the Group's largest customer contributed total turnover of HK$9,617,197,000 (2009: HK$9,206,667,000), of which HK$9,331,660,000 (2009: HK$9,098,922,000) was under the Power Equipment segment and HK$285,537,000 (2009: HK$107,745,000) was under the Floor Care and Appliances segment. There is no other customer contributing more than 5% of total turnover.

3. Other Income

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

Other income in 2009 mainly comprises of the fair value gain on held-for-trading investments, fair value gain on foreign currency forward contracts, gain on disposal of property, plant and equipment, claims and reimbursements from customers and vendors and fair value gain on interest rate swap.

4. Finance Costs

	2010 **HK$'000**	2009 HK$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**261,987**	330,076
Obligations under finance leases	**3,462**	6,120
Fixed interest rate notes	**173,491**	175,653
Effective interest expense on convertible bonds	**141,606**	86,426
Total borrowing costs	**580,546**	598,275
Less: amounts capitalised	**(997)**	(32,775)
	579,549	565,500

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.9% (2009: 5.9%) per annum to expenditure on qualifying assets.

5. Restructuring Costs

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

6. Taxation credit

	2010	2009
	HK$'000	HK$'000
The total tax credit (charge) comprises:		
Hong Kong profits tax	**(15,748)**	(8,116)
Overseas tax	**(140,746)**	53,218
Deferred tax	**157,042**	17,582
	548	62,684

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

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

7. Profit for the Year

	2010	2009
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**548,885**	534,953
Amortisation of lease prepayments	**5,717**	2,267
Amortisation of intangible assets	**330,646**	269,246
Staff costs	**3,212,409**	2,851,489

Staff costs disclosed above do not include an amount of HK$397,294,000 (2009: HK$469,794,000) relating to research and development activities, which is included under research and development costs.

8. Earnings per Share

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

	2010 **HK$'000**	2009 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**740,140**	490,658
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,601,053,496**	1,539,717,905
Effect of dilutive potential ordinary shares:		
Share options	**963,952**	49,116
Warrants	-	7,807,271
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,602,017,448**	1,547,574,292

The computation of diluted earnings per share for the year ended December 31, 2010 and December 31, 2009 does not assume the conversion of the Company's convertible bonds since their exercise would result in an increase in earnings per share and does not assume the exercise of the Company's outstanding share options if the exercise price of those options is higher than the average market price for shares for both 2010 and 2009.

9. Additions of Property, Plant and Equipment

During the year, the Group spent approximately HK$725 million (2009: HK$697 million) on the acquisition of property, plant and equipment.

10. Trade and Other Receivables

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

	2010 **HK$'000**	2009 HK$'000
0 to 60 days	**4,272,201**	3,791,142
61 to 120 days	**126,453**	176,348
121 days or above	**125,047**	138,383
Total trade receivables	**4,523,701**	4,105,873
Other receivables	**296,603**	343,771
	4,820,304	4,449,644

11. Trade and Other Payables

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

	2010	2009
	HK$'000	HK$'000
0 to 60 days	**1,692,314**	1,769,545
61 to 120 days	**407,937**	554,294
121 days or above	**59,707**	148,124
Total trade payables	**2,159,958**	2,471,963
Other payables	**1,609,509**	1,384,872
	3,769,467	3,856,835

The credit period on purchase of goods is ranging from 30 days to 120 days (2009: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

12. Share Capital

	2010 Number of shares	2009 Number of shares	**2010 HK$'000**	2009 HK$'000
Ordinary shares				
Authorised:				
Shares of HK$0.10 each	**2,400,000,000**	2,400,000,000	**240,000**	240,000
Issued and fully paid:				
At the beginning of the year	**1,591,252,152**	1,501,252,152	**159,125**	150,125
Issue of shares upon exercise of warrants	**14,903,600**	**-**	**1,491**	-
Issue of shares upon exercise of share options	**470,000**	**-**	**47**	-
Issue of shares by private placement	-	90,000,000	-	9,000
At the end of the year	**1,606,625,752**	1,591,252,152	**160,663**	159,125

Warrants 2012 are detachable from Convertible Bonds 2014. Each Warrants 2012 entitles its holder to convert a warrant at an exercise price of HK$5.10 for one ordinary share of the Company, at any time from April 30, 2010 to April 30, 2012.

During the year, holders of Warrants 2012, exercised 14,903,600 Warrants 2012 resulting in the issuance of 14,903,600 new shares of the Company.

During the year, the Group bought back 40,984,900 Warrants 2012 from the Warrant holders for a consideration of HK$101,843,000.

At December 31, 2010, the Company has no warrants outstanding (2009: 55,888,500 Warrants 2012 to be exercised on or before April 30, 2012).

13. Capital Commitments

	2010 HK$'000	2009 HK$'000
Capital expenditure in respect of the purchase of property, plant and equipment and a licence:		
Contracted for but not provided	**101,277**	68,744
Authorised but not contracted for	**6,565**	13,773

14. Contingent Liabilities

	2010	2009
	HK$'000	HK$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**73,154**	61,137

15. Event After The Reporting Period

On February 25, 2011, the Company has entered into an up to US$160,000,000 dual-tranche term loan. Tranche A, represents 62.5% of the loan with a final maturity in 2015. Tranche B, representing the balance of 37.5%, with a final maturity in 2013. Both tranches will be used to refinance existing borrowings.

16. 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.