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Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code: 669)

DISCLOSEABLE TRANSACTION

**ACQUISITION OF ASSETS COMPRISING
THE HOOVER® FLOOR-CARE BUSINESS
FROM SUBSIDIARIES OF WHIRLPOOL CORPORATION**

Financial Adviser to the Company



Merrill Lynch

Merrill Lynch (Asia Pacific) Limited

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

- “Antitrust Trigger Date” means 35 days after the date of the PSA, being 10 January 2007;
- “Assumed Obligations” means the obligations and all of the liabilities of Hoover, that the Company shall assume and shall agree to pay, perform and discharge when due. Based on unaudited financial information provided by Whirlpool as at 30 September 2006, the Assumed Obligations were approximately US\$127.9 million (approximately HK\$993.8 million) (consisting of approximately US\$74.3 million (approximately HK\$577.3 million) of accounts payable and other accrued liabilities, and approximately US\$53.6 million (approximately HK\$416.5 million) of long-term post-retirement medical and life insurance benefits for the Transferred Employees which shall be payable over the lifetimes of such employees);
- “Board” means the board of directors of the Company;
- “Closing Date” means the date which is the second business day following the date on which the conditions to the PSA are satisfied or waived in accordance with their respective terms unless the parties otherwise agree;
- “Company” means Techtronic Industries Company Limited, a public company limited by shares incorporated in Hong Kong, the shares of which are listed on the Stock Exchange;
- “Consideration” means the total consideration for the purchase of the Hoover Assets, the Juver Stock and the Maytag China Stock consists of the payment of US\$107.0 million (approximately HK\$831.4 million) in cash to Maytag (on behalf of itself and the other Sellers);
- “Convertible Bonds” means the zero coupon convertible bonds due 2009 in the aggregate principal amount of US\$140.0 million (approximately HK\$1,087.8 million) issued by the Company;

DEFINITIONS

“Directors”	means the directors of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong” or “HK”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hoover”	means The Hoover Company, a corporation incorporated under the laws of Delaware;
“Hoover Assets”	means substantially all the assets of Hoover, including all of the outstanding equity interests in each of the Hoover Direct Subsidiaries, to be purchased from Hoover by the Company;
“Hoover Direct Subsidiaries”	means each of Hoover General, LLC and Hoover Limited, LLC;
“Hoover Floor-Care Business”	means the business, as conducted by Hoover, Juver and Maytag China, of designing, developing, manufacturing, marketing, sourcing and selling floor care appliances, servicing such appliances, re-manufacturing, repairing and refurbishing such appliances and providing replacement parts and accessories for such appliances;
“Hoover Holdings”	means Hoover Holdings Inc., a corporation incorporated under the laws of Delaware;
“HSR Act”	means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
“Juver”	means Juver Industrial S.A. de C.V., a corporation organised under the laws of Mexico;
“Juver Stock”	means all of the issued and outstanding shares of capital stock of Juver to be purchased from Hoover Holdings and Maytag Holdings, respectively, by the Company;
“Latest Practicable Date”	means 18 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“Maytag”	means Maytag Corporation, a corporation incorporated under the laws of Delaware;
“Maytag China”	means Maytag China, LLC, a limited liability company organised under the laws of Delaware;
“Maytag China Stock”	means all of the issued and outstanding equity interests of Maytag China, to be purchased from Maytag Holdings by the Company;
“Maytag Holdings”	means Maytag Holdings Inc., a corporation incorporated under the laws of Delaware;
“PSA”	means the conditional Purchase and Sale Agreement dated 6 December 2006 (US Eastern Standard Time) made between the Sellers and the Company relating to the Transaction;
“Sellers”	means Hoover, Maytag, Hoover Holdings and Maytag Holdings;
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	means the shareholders of the Company;
“Share Options”	means the share options granted under the relevant share option schemes adopted by the Company, entitling holders thereof to subscribe for new Shares of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	means the Code on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission;

DEFINITIONS

“Transaction”	means the acquisition by the Company of (i) substantially all of the assets of Hoover, including all of the outstanding equity interests in each of the Hoover Direct Subsidiaries, (ii) all of the issued and outstanding shares of capital stock of Juver, and (iii) all of the issued and outstanding equity interests of Maytag China;
“Transferred Employees”	means all individuals employed by Hoover, Juver and Maytag China, respectively, immediately prior to the closing of the Transaction, whom the Company shall offer employment, effective as of the closing of the Transaction, at substantially the same level of cash compensation as applied to such employees immediately prior to the closing of the Transaction;
“United States” or “US”	means the United States of America;
“Whirlpool”	means Whirlpool Corporation, a Delaware corporation, whose shares are listed on the New York Stock Exchange;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	means United States dollars, the lawful currency of the United States; and
“%”	means per cent.

LETTER FROM THE BOARD



Techtronic Industries Co. Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code: 669)

Group Executive Directors:

Mr. Horst Julius Pudwill
(Chairman and Chief Executive Officer)

Mr. Roy Chi Ping Chung JP
(Managing Director)

Mr. Patrick Kin Wah Chan

Mr. Frank Chi Chung Chan

Mr. Stephan Horst Pudwill

Registered Office:

24th Floor
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Hong Kong

Non-executive Director:

Mr. Vincent Ting Kau Cheung

Independent Non-executive Directors:

Mr. Joel Arthur Schleicher

Mr. Christopher Patrick Langley OBE

Mr. Manfred Kuhlmann

21 December 2006

*To the Shareholders and for information only,
to the holders of the Share Options and the Convertible Bonds*

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

ACQUISITION OF ASSETS COMPRISING THE HOOVER® FLOOR-CARE BUSINESS FROM SUBSIDIARIES OF WHIRLPOOL CORPORATION

INTRODUCTION

On 7 December 2006, the Directors announced that the Company has on 6 December 2006 (US Eastern Standard Time) entered into the conditional PSA to purchase the Hoover Floor-Care Business from certain subsidiaries of Whirlpool. The total consideration for the purchase of the Hoover Assets, the Juver Stock and the Maytag China Stock consists of the payment of US\$107.0 million (approximately HK\$831.4 million) in cash to Maytag (on behalf of itself and the other Sellers).

LETTER FROM THE BOARD

To effect the purchase of the Hoover Floor-Care Business, the Company will assume certain Assumed Obligations as they exist at the Closing Date. Based on unaudited financial information provided by Whirlpool as at 30 September 2006, the Assumed Obligations were approximately US\$127.9 million (approximately HK\$993.8 million) (consisting of approximately US\$74.3 million (approximately HK\$577.3 million) of accounts payable and other accrued liabilities, and approximately US\$53.6 million (approximately HK\$416.5 million) of long-term post-retirement medical and life insurance benefits for the Transferred Employees which shall be payable over the lifetimes of such employees). For the purpose of calculating the consideration amount under the Listing Rules, this results in an aggregate consideration of US\$234.9 million (approximately HK\$1,825.2 million).

The total unaudited asset value of the Hoover Floor-Care Business as at 30 September 2006 was approximately US\$353.5 million (approximately HK\$2,746.7 million).

Principal terms of the PSA are set out below in this circular.

The Transaction contemplated under the PSA constitutes a discloseable transaction of the Company under the Listing Rules. This document constitutes the circular which the Company is required to send to you pursuant to the Listing Rules in relation to the Transaction.

BACKGROUND TO THE PSA

On 6 December 2006 (US Eastern Standard Time), the Company entered into the conditional PSA with certain subsidiaries of Whirlpool Corporation (“Whirlpool”) to purchase the Hoover Floor-Care Business, which comprises:

- (A) substantially all the assets of The Hoover Company (“Hoover” and collectively the “Hoover Assets”), including all of the outstanding equity interests in each of the direct subsidiaries of Hoover comprising Hoover General, LLC and Hoover Limited, LLC (the “Hoover Direct Subsidiaries”), which together own all of the outstanding partnership interests of The Hoover Company I L.P., to be purchased from Hoover;
- (B) all of the issued and outstanding shares of capital stock of Juver Industrial S.A. de C.V. (the “Juver Stock”), a corporation organised under the laws of Mexico, to be purchased from Hoover Holdings Inc. (“Hoover Holdings”) and Maytag Holdings, Inc. (“Maytag Holdings”), respectively; and
- (C) all of the issued and outstanding equity interests of Maytag China, LLC (the “Maytag China Stock”) to be purchased from Maytag Holdings.

LETTER FROM THE BOARD

THE PSA

The principal terms and conditions of the PSA are described below:

Date : 6 December 2006 (US Eastern Standard Time)

Parties : (1) The Company as the Purchaser; and

(2) Hoover, Hoover Holdings, Maytag Holdings and Maytag as Sellers. Hoover, Hoover Holdings and Maytag Holdings are the indirect wholly-owned subsidiaries of Maytag, and the ultimate beneficial owner of each of these companies is Whirlpool. In addition, Maytag is an indirect wholly-owned subsidiary of Whirlpool. Each of the Sellers, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, together with their ultimate beneficial owner, which is Whirlpool, are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company. As far as the Directors are aware, having made all reasonable enquiry, the principal business activities of the Sellers are the Hoover Floor-Care Business and the principal business activities of Whirlpool, the ultimate beneficial owner of the Sellers, are the manufacturing and marketing of major home appliances such as washing machines, dryers and refrigerators.

Assets to be acquired by the Company : (A) Hoover Assets: from Hoover, all of Hoover's right, title and interest in and to all of its assets, properties and rights of every kind and description, real, personal and mixed, tangible and intangible, wherever located, including all of Hoover's equipment, machinery and other items of personal property, intellectual property, real property, inventory, fixed assets, receivables, permits and books and records, contracts or contractual rights, save for all claims for and rights to receive tax refunds, rebates and returns, all contracts under which at least one other business unit of Maytag or any of its affiliates purchase or sell goods or services on a joint basis and all assets being disposed of in the ordinary course of business during the period from the date of the PSA until the closing of the Transaction;

LETTER FROM THE BOARD

- (B) Juver Stock: from Hoover Holdings and Maytag Holdings, respectively, all of the issued and outstanding shares of capital stock of Juver, free and clear of any and all liens and encumbrances. Hoover Holdings currently holds more than 99.99% of the issued and outstanding shares of capital stock of Juver and Maytag Holdings currently holds the remaining shares; and
- (C) Maytag China Stock: from Maytag Holdings, all of the issued and outstanding equity interests of Maytag China.

The Hoover Floor-Care Business to be acquired in the Transaction have historically not been accounted for, or audited as, a single, standalone economic entity for the years ended 31 December 2004 and 2005. Accounts for the Hoover Direct Subsidiaries, Juver and Maytag China for the years ended 31 December 2004 and 2005 were not supplied by the Sellers to the Company as the Sellers considered that such accounts were not representative of the underlying financial performance of these companies as a result of the distorting impact of charges for overhead and shared services related to such companies being included in the Maytag group of companies. Furthermore, the value attributable to the equity interests of such companies amounted to less than US\$4.0 million (approximately HK\$31.1 million), which the Company does not consider material in the context of the figure for the total consideration in respect of the Transaction.

As a result, the Company did not request for the accounts of the Hoover Direct Subsidiaries, Juver and Maytag China and instead, and as part of the auction process leading up to the sale of the Hoover Floor-Care Business, Whirlpool prepared and provided, and the Company relied on, the unaudited standalone financial accounts for the year ended 31 December 2005, prepared on the basis that the Hoover Floor-Care Business was carved out from the Maytag group. On a carved-out basis, profit before taxation for the Hoover Floor-Care Business for the year ended 31 December 2005 amounts to a loss of US\$22.1 million (approximately HK\$171.7 million).

LETTER FROM THE BOARD

Relevant historical consolidated financial accounts for the Hoover Floor-Care Business are not available for any year prior to the year ended 31 December 2005. Moreover, the unaudited financial accounts for the year ended 31 December 2005 provided by the Sellers to the Company do not include any financial items below the line showing profits before taxation.

Conditions : The PSA is subject to the satisfaction or waiver of the following conditions (among others):

- the representations and warranties of the Sellers being true and correct in all material respects as of the date they were made, and the Sellers having complied in all material respects with the covenants contained in the PSA;
- no injunction or other legal restraint or prohibition, and expiration of the waiting period imposed under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”). The HSR Act requires the parties to submit notification to the US Federal Trade Commission and Department of Justice to allow those agencies to consider how the Transaction may impact competition. The waiting period is thirty days, subject to the grant of early termination (which would cause the waiting period to end earlier), or the issuance of a request for additional information or documentary material (a “Second Request”). The issuance of a Second Request would toll the waiting period. Upon the parties substantial compliance with the Second Request, which typically requires an extensive and detailed supplemental response, a new thirty day waiting period would commence; and
- no material on-going, threatened and pending litigation, injunctions or other legal restraints against the Company or the Sellers having occurred.

The above conditions must be satisfied or waived by the Company on or before the Closing Date. If, due to whatever reason, any of the above conditions fail to be fulfilled on or before the Closing Date, the Company will make a further announcement.

LETTER FROM THE BOARD

Consideration : The total consideration for the purchase of the Hoover Assets, the Juver Stock and the Maytag China Stock consists of the payment of US\$107.0 million (approximately HK\$831.4 million) in cash to Maytag (on behalf of itself and the other Sellers).

To effect the purchase of the Hoover Floor-Care Business, the Company will assume certain Assumed Obligations as they exist at the Closing Date. Based on unaudited financial information provided by Whirlpool as at 30 September 2006, the Assumed Obligations were approximately US\$127.9 million (approximately HK\$993.8 million) (consisting of approximately US\$74.3 million (approximately HK\$577.3 million) of accounts payable and other accrued liabilities, and approximately US\$53.6 million (approximately HK\$416.5 million) of long-term post-retirement medical and life insurance benefits for the Transferred Employees which shall be payable over the lifetimes of such employees). For the purpose of calculating the consideration amount under the Listing Rules, this results in an aggregate consideration of US\$234.9 million (approximately HK\$1,825.2 million).

If the applicable waiting period under the HSR Act has not expired within 35 days after the date of the PSA, being 10 January 2007 (the “Antitrust Trigger Date”), the Consideration shall be increased by 75% of the Cash Flow Amount. As defined in the PSA, the “Cash Flow Amount” means the absolute value of the negative cash flow of the Hoover Floor-Care Business for the period from the first business day after the Antitrust Trigger Date through and including the Closing Date.

If any material changes to the amount of Consideration become payable by the Company to the Sellers, the Company shall make a further announcement and comply with all relevant Listing Rules as the case may be.

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The Consideration has been determined after arm's length negotiations during an auction process conducted by Whirlpool and takes into account the market presence of the Hoover Floor-Care Business in the Americas and Asia, its well established and widely recognised brands and its earnings growth potential. The Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole. No third party valuation has been performed on the Hoover Floor-Care Business. However, based on the carved out and unaudited financial information in respect of the Hoover Floor-Care Business provided to the Company by Whirlpool, the total unaudited book value of the Hoover Floor-Care Business' assets was approximately US\$353.5 million (approximately HK\$2,746.7 million) as at 30 September 2006.

It is intended that payment of the Consideration will be satisfied entirely from internal resources and lines of credit available to the Company.

- Payment terms : Under the PSA, the Consideration shall be payable in the following manner:
- US\$15.0 million (approximately HK\$116.6 million) (being the deposit) was paid to Maytag (on behalf of itself and the other Sellers) at the time of signing the PSA; and
 - US\$92.0 million (approximately HK\$714.8 million) shall be paid to Maytag (on behalf of itself and the other Sellers) at the time of the closing of the Transaction.

LETTER FROM THE BOARD

Break Fee : In light of the costs and expenses incurred by the Sellers in negotiating the Transaction and the potential damage to their business if the Transaction does not proceed, the Company has agreed that it shall pay to the Sellers a break fee of US\$30.0 million (approximately HK\$233.1 million) less the amount of the deposit of US\$15.0 million (approximately HK\$116.6 million) within two business days of the termination by Maytag (on behalf of itself and the other Sellers) if (a) the parties mutually agree to terminate the Transaction; (b) the closing of the Transaction shall fail to take place on or before 6 October 2007 (unless the failure by the Sellers to fulfil their obligations caused such failure) or (c) there shall have been a material breach of any covenant, obligation, representation or warranty of the Company under the PSA and such breach has not been remedied within 25 days after receipt by the Company of a notice in writing from the Sellers specifying the breach and requesting such breach be remedied. The Company shall make an appropriate announcement accordingly if such a break fee becomes payable.

Termination : The PSA may be terminated at any time on or prior to the closing of the Transaction:

- (a) with the mutual written consent of the Sellers and the Company;
- (b) by Maytag (on behalf of itself and the other Sellers) or the Company, if the closing of the Transaction shall fail to take place on or before 6 October 2007, provided that a party may not terminate the PSA if the failure of closing of the Transaction on or before such a date is due to the failure of the party wishing to terminate to fulfill its obligations under the PSA;
- (c) by the Company, if there shall have been a material breach of any covenant, obligation, representation or warranty of the Sellers under the PSA and such breach shall not have been remedied within 25 days after receipt by the Sellers of a notice in writing from the Purchaser specifying the breach and requesting such breach be remedied; or

LETTER FROM THE BOARD

(d) by Maytag (on behalf of itself and the other Sellers), if there shall have been a material breach of any covenant, obligation, representation or warranty of the Company under the PSA and such breach shall not have been remedied within 25 days after receipt by the Company of a notice in writing from the Sellers specifying the breach and requesting such breach be remedied.

Other Material Terms : The Company shall offer employment, effective as of the closing of the Transaction, to all individuals employed by Hoover, Juver and Maytag China, respectively, immediately prior to the closing of the Transaction (the “Transferred Employees”), which offers of employment shall be at substantially the same level of cash compensation as applied to such employees immediately prior to the closing of the Transaction and maintain existing employee benefits.

In addition, the Company will be taking over operations of the Hoover facilities at its North Canton facilities and has agreed to hire the Hoover employees, to recognise the Hoover unions as the exclusive bargaining representative for all of the employees, and to assume the current union collective bargaining agreements applicable to those facilities.

Guarantee : The Company will cooperate with and use its commercially reasonable efforts to obtain a full and unconditional release of any outstanding Maytag surety and performance bonds that have been issued in respect of the ordinary course of business to customers of the Hoover Floor-Care Business.

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Closing and Closing Date : Closing of the Transaction is expected to take place at 10:00 a.m. (US Eastern Standard Time) on the second business day following the date on which the conditions to the PSA are satisfied or waived in accordance with their respective terms unless the parties otherwise agree (the "Closing Date") and shall take place in Chicago, the United States. The Directors currently expect that the closing of the Transaction will take place during the first quarter of 2007, although a Second Request under the HSR Act, as described above, could delay the Closing Date into the third quarter of 2007. The Company will make a further announcement if the closing of the Transaction does not take place by 31 March 2007.

FINANCIAL EFFECTS OF THE TRANSACTION ON THE COMPANY

Upon closing of the Transaction, the Hoover Floor-Care Business will be wholly-owned by the Company and its financial results will be consolidated into the financial statements of the Company.

(a) Net Indebtedness

If, as is currently intended, payment of the Consideration will be satisfied entirely from internal resources and lines of credit available to the Company, the Company's net indebtedness will increase by US\$107.0 million (approximately HK\$831.4 million).

(b) Assets and Liabilities

Based on the carved out and unaudited financial information provided by Whirlpool in respect of the Hoover Floor-Care Business as at 30 September 2006, the Company would acquire total assets of approximately US\$353.5 million (approximately HK\$2,746.7 million) and assume total liabilities of approximately US\$127.9 million (approximately HK\$993.8 million). The latter amount comprises operating liabilities created in the course of ordinary business operations of (i) approximately US\$74.3 million (approximately HK\$577.3 million) of accounts payable and other accrued liabilities; and (ii) approximately US\$53.6 million (approximately HK\$416.5 million) of long-term post-retirement medical and life insurance benefits for the Transferred Employees. As a result of consolidating the total assets of the Hoover Floor-Care Business and Assumed Obligations into the financial statement of the Company after the closing of the acquisition, the Company's net assets would increase by approximately US\$118.6 million (approximately HK\$921.5 million).

The Group will include all the assets of the Hoover Floor-Care Business and Assumed Obligations under a structure that will be determined prior to the closing of the Transaction. To the extent allowed by law, the Group may inject the assets of the Hoover Floor-Care Business and the Assumed Obligations, either in part or wholly, to one or more of its subsidiaries.

LETTER FROM THE BOARD

On the assumption that the payment of the Consideration of US\$107.0 million (approximately HK\$831.4 million) would be satisfied from internal resources and additional debt financing, the Company's total liabilities including the Assumed Obligations of approximately US\$127.9 million (approximately HK\$993.8 million), would increase by an amount up to approximately US\$234.9 million (approximately HK\$1,825.2 million) upon closing. The Company's gearing may slightly increase in the short term depending on the amount of additional debt financing to be used. Taking into account the Company's overall revenue streams, credit requirements and lines of credit available, the Company is satisfied that sufficient working capital is available to meet its ongoing business requirements.

(c) Earnings

Based on the carved out and unaudited financial information provided to the Company by Whirlpool, profit before taxation for the Hoover Floor-Care Business for the year ended 31 December 2005 amounted to a loss of approximately US\$22.1 million (approximately HK\$171.7 million). Accordingly, the Transaction may negatively impact the Company's overall profitability in the short term. However, for the reasons as set out in the section "Reasons for and Benefits of the Transaction" below, the Directors believe that the Transaction will result in an improvement of the Company's overall profitability upon the successful integration of the Hoover Floor-Care Business with its existing operations through operational synergies and efficiencies.

Shareholders should be aware that the actual financial effects of the Transaction on the Company may be different upon closing of the Transaction because (i) the financial information in respect of the Hoover Floor-Care Business may change leading up to the closing of the Transaction; and (ii) the actual timing of the closing is uncertain at this stage, as set out in more detail above.

DESCRIPTION OF THE HOOVER FLOOR-CARE BUSINESS ACTIVITIES

The Hoover name is synonymous with high quality floor care products and is one of the most recognisable brands in the world.

Hoover offers a comprehensive line of products for general and special-purpose vacuuming, including full-size uprights and canisters, deep cleaners, and hard-floor cleaners. Its business includes designing, developing, manufacturing, marketing, sourcing and selling floor care appliances, servicing such appliances, re-manufacturing, repairing and refurbishing such appliances and providing replacement parts and accessories for such appliances. Hoover was founded in 1908 and became a publicly owned company in 1943. It was acquired by Chicago Pacific Corp. in 1985, which was in turn acquired by Maytag in 1989. Hoover joined the Whirlpool group of companies in early 2006 after Maytag was acquired by Whirlpool. Hoover has manufacturing operations in North Canton, Ohio, in El Paso, Texas, and in Juarez, Mexico and owns exclusive rights to the Hoover trademark in all of North America and South America, most of the Middle East, Africa and most of Asia.

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Key customers of the Hoover Floor-Care Business include Wal-Mart, Sears, Target, Best Buy, Kmart, Kohl's, Lowe's and Costco.

PRODUCT CATEGORIES OF THE HOOVER FLOOR-CARE BUSINESS

Hoover's products are categorised into the following segments: Uprights, Deep Cleaners, Hard Floor Cleaners, Canisters, Specialty Products, Central Vacuum Systems, Commercial Products, and Cleaning Solutions.

Uprights – Designed with the dust bag/canister mounted directly on the handle. Hoover's Uprights include both bagged filtration and bagless filtration vacuum cleaners.

Deep Cleaners – Vacuum cleaners that use Hoover's Steamvac technology to provide advanced cleaning functions across various surfaces.

Hard Floor Cleaners – Designed specifically to clean hard-floor surfaces and include Hoover's Floormate and Floormax product lines.

Canisters – Designed with the dust bag/canister as a separate unit. Hoover's Canister products are divided into Power Nozzle Agitators and Straight Suction vacuum cleaners.

Specialty Products – Include Hoover's Air Purifiers, GarageGear, Hand Vac, Sticks, and Bagless products.

Central Vacuum Systems – Powerful and immobile units designed to clean entire houses and buildings.

Commercial Products – Include vacuum cleaners designed for commercial spaces and vary in dimensions and specifications.

Cleaning Solutions – Include various solution products designed to protect and clean carpets and upholstery.

DESCRIPTION OF THE HOOVER FLOOR-CARE BUSINESS MANUFACTURING PLANTS

The Hoover Floor-Care Business operates three manufacturing plants at North Canton, Ohio, El Paso, Texas and Juarez, Mexico.

The North Canton plant manufactures Hoover's floor care products and is responsible for the majority of Hoover's products manufacturing. It is originally the headquarters for Hoover and consists of the main plant, the paper bag manufacturing plant and a leased distribution center. It manufactures canisters, hard floor cleaners, uprights and commercial products.

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The El Paso plant is primarily responsible for the injection molding of uprights, canisters and commercial products.

The Juarez plant is primarily responsible for the final assembly of uprights, canisters and commercial products.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Founded in 1985, the Company is a leading and fast-growing supplier of home improvement products and, in particular, is a market and innovation leader in power equipment products, floor care appliances, laser and electronic products, employing approximately 23,000 people worldwide. The Company's portfolio of global brands includes, among other things, Milwaukee®, AEG®, Ryobi®, Homelite®, Royal®, Dirt Devil®, Regina® and Vax®. The Company has enjoyed continuous growth since its listing on the Stock Exchange in 1990, achieving double-digit growth for the past nine years. The Company is also one of the constituent stocks on the Hang Seng HK MidCap Index under the Hang Seng Composite Index, the MSCI Hong Kong Index, the FTSE All-World Hong Kong Index, the FTSE/Hang Seng Asian Cyclical Index and the Dow Jones Hong Kong Titans 30.

The Directors believe that the acquisition of Hoover will enable the Company to enhance its position in the floor-care industry on a world-wide basis. Through the acquisition of Hoover, the Company will acquire Hoover's strong brand name, as well as its comprehensive line of products for general and special purpose vacuuming, including full-size uprights and canisters, deep cleaners and hard-floor cleaners. The Directors believe that Hoover's engineering and design capability can be leveraged across the Company's existing product portfolio. The Company expects to benefit from many operational synergies and efficiencies through the combination of Hoover with its Royal® or Dirt Devil® business and technological synergies through the combination of their patent portfolios and able engineering staffs. This, in conjunction with the Company's efficient manufacturing platform, is expected to strengthen and expand the Hoover brand throughout the international markets in which it competes. In particular, the Transaction will allow the Company to:

- diversify its customer base and increase sales of products by leveraging Hoover's distribution network in those geographies where the Company did not historically have a strong footprint;
- expand the distribution of its products beyond its existing channels by utilising the Hoover Floor-Care Business' network;
- strengthen its market presence in the floor-care business industry internationally which will position the Company to compete more effectively with other major global floor-care manufacturers who offer extensive ranges of higher-price-point products globally;

LETTER FROM THE BOARD

- become a leading supplier of floor-care accessories which will further complement and strengthen the Company's sourcing activity;
- gain access to the Hoover Floor-Care Business' design, engineering and manufacturing operations, which will provide critical expertise in certain key product categories in North America, South America, parts of the Middle East, Africa, Australia and most of Asia;
- enjoy economies of scale in its facilities as a result of higher product volumes and in a better bargaining position with its raw material suppliers; and
- build on its established track record of expanding the Company's product portfolio through selected brand acquisitions in conjunction with successful operational integration practices.

Merrill Lynch (Asia Pacific) Limited is acting as the exclusive financial adviser to the Company in respect of the Transaction.

The Transaction contemplated under the PSA constitutes a discloseable transaction of the Company under the Listing Rules. This document constitutes the circular which the Company is required to send to you pursuant to the Listing Rules in relation to the Transaction.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of
Techtronic Industries Company Limited
Chi Chung Chan
Company Secretary

Notes:

An exchange rate of US\$1.00 to HK\$7.77 has been used for the conversion of US dollars into HK dollars for the purpose of this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular (except for information relating to the Whirlpool group of companies which is based on information provided to the Company by the Sellers) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Name of company/ associated corporation	Capacity/ Nature of interests	Interests in Shares (other than pursuant to equity derivatives) ⁽¹⁾	Interests in underlying Shares pursuant to equity derivatives ⁽¹⁾	Total interests in Shares/ underlying Shares	Approximate aggregate percentage of interests
Mr. Horst Julius Pudwill	The Company	Beneficial owner	77,609,500	26,688,000	327,717,294	22.37%
	The Company	Interests of spouse	760,000	–		
	The Company	Interests of controlled corporation	222,659,794 ⁽²⁾	–		
Mr. Roy Chi Ping Chung JP	The Company	Beneficial owner	113,541,948	13,824,000	164,576,978	11.23%
	The Company	Interests of spouse	136,000	–		
	The Company	Interests of controlled corporation	37,075,030 ⁽³⁾	–		
Mr. Kin Wah Chan	The Company	Beneficial owner	–	1,000,000	1,000,000	0.07%
Mr. Chi Chung Chan	The Company	Beneficial owner	–	3,000,000	3,000,000	0.20%
Mr. Stephan Horst Pudwill	The Company	Beneficial owner	4,054,500	100,000	4,154,500	0.28%
Mr. Vincent Ting Kau Cheung	The Company	Beneficial owner	1,920,000	–	1,920,000	0.13%
Mr. Joel Arthur Schleicher	The Company	Beneficial owner	100,000	300,000	460,000	0.03%
	The Company	Interests of spouse	–	60,000 ⁽¹⁾		
Mr. Christopher Patrick Langley OBE	The Company	Beneficial owner	500,000	200,000	700,000	0.05%
Mr. Manfred Kuhlmann	The Company	Beneficial owner	–	100,000	100,000	0.01%

Notes:

- (1) Interests in Shares and underlying Shares stated above represent long positions.

The interests of the Directors in the underlying Shares pursuant to equity derivatives, which are held as beneficial owner, represent Share Options granted to them pursuant to the relevant share option schemes adopted by the Company. These Share Options are physically settled and unlisted, details of which are set out below:

Name of director	Date of grant	No. of underlying Shares (in respect of Share Options) held	Subscription price (HK\$)	Exercise Period	Approximate percentage of existing issued share capital of the Company
Mr. Horst Julius Pudwill	28.6.2002	25,728,000	3.600	28.6.2002 – 27.6.2007	1.82%
	19.9.2003	560,000	8.685	19.9.2003 – 18.9.2008	
	25.2.2004	400,000	12.170	25.2.2004 – 24.2.2009	
Mr. Roy Chi Ping Chung JP	28.6.2002	12,864,000	3.600	28.6.2002 – 27.6.2007	0.94%
	19.9.2003	560,000	8.685	19.9.2003 – 18.9.2008	
	25.2.2004	400,000	12.170	25.2.2004 – 24.2.2009	
Mr. Kin Wah Chan	1.3.2004	1,000,000	12.525	1.3.2004 – 28.2.2009	0.07%
Mr. Chi Chung Chan	17.7.2003	1,000,000	7.625	17.7.2003 – 16.7.2008	0.20%
	19.9.2003	500,000	8.685	19.9.2003 – 18.9.2008	
	25.2.2004	1,000,000	12.170	25.2.2004 – 24.2.2009	
Mr. Stephan Horst Pudwill	1.3.2004	500,000	12.525	1.3.2004 – 28.2.2009	0.01%
	1.3.2004	100,000	12.525	1.3.2004 – 28.2.2009	
Mr. Joel Arthur Schleicher	17.7.2003	200,000	7.625	17.7.2003 – 16.7.2008	0.02%
	25.2.2004	100,000	12.170	25.2.2004 – 24.2.2009	
	17.7.2003	100,000	7.625	17.7.2003 – 16.7.2008	
Mr. Christopher Patrick Langley OBE	17.7.2003	100,000	7.625	17.7.2003 – 16.7.2008	0.01%
	25.2.2004	100,000	12.170	25.2.2004 – 24.2.2009	
Mr. Manfred Kuhlmann	7.2.2005	100,000	17.750	7.2.2005 – 6.2.2010	0.01%

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

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

	No. of Shares
Sunning Inc.	185,584,764
Cordless Industries Company Limited*	37,075,030
	222,659,794

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group are as follows:

Name	Total interests in Shares⁽¹⁾	Approximate aggregate percentage of interests
Commonwealth Bank of Australia ⁽²⁾	103,264,800	7.05%
JPMorgan Chase & Co. ⁽³⁾	108,201,129	7.38%

Notes:

(1) Interests in Shares stated above represent long positions.

(2) The following is a breakdown of the interests in Shares of Commonwealth Bank of Australia:

Name	Remarks	Total interests in Shares		Approximate percentage of interests
		Direct interests	Deemed interests	
Commonwealth Bank of Australia	(a)	–	103,264,800	7.05%
Colonial Holding Company Limited	(b)	–	103,264,800	7.05%
Commonwealth Insurance Holdings Limited	(b)	–	103,264,800	7.05%
Colonial First State Group Ltd.	(b)	–	103,264,800	7.05%
First State Investment Managers (Asia) Ltd.	(b)(c)	–	25,391,800	1.73%
First State Investments (UK Holdings) Limited	(b)(c)(d)	–	82,282,000	5.62%
Colonial First State Investments Limited	(b)(d)	4,683,500	–	0.32%
First State Investments (Bermuda) Ltd.	(b)(c)	–	25,391,800	1.73%
First State (Hong Kong) LLC	(b)(c)(e)	–	23,804,800	1.62%
First State Investments (Hong Kong) Limited	(b)(c)(e)	23,804,800	–	1.62%
First State Investments Holdings (Singapore) Limited	(b)(e)	–	4,601,500	0.31%
First State Investments (Singapore)	(b)(e)	4,601,500	–	0.31%
SI Holdings Limited	(b)(c)(d)	–	82,282,000	5.62%
First State Investment Management (UK) Limited	(b)(c)(d)	57,863,800	24,418,200	5.62%
First State Investments International Limited	(b)	24,418,200	–	1.67%

Remarks:

(a) Commonwealth Bank of Australia is listed on the Australian Stock Exchange.

The capacity of Commonwealth Bank of Australia in holding the 103,264,800 Shares was as controlled corporation.

(b) Colonial Holding Company Limited, Commonwealth Insurance Holdings Limited, Colonial First State Group Ltd., First State Investment Managers (Asia) Ltd., First State Investments (UK Holdings) Limited, Colonial First State Investments Limited, First State Investments (Bermuda) Ltd., First State (Hong Kong) LLC, First State Investments (Hong Kong) Limited, First State Investments Holdings (Singapore) Limited, First State Investments (Singapore), SI Holdings Limited, First State Investment Management (UK) Limited and First State Investments International Limited were all direct or indirect subsidiaries of Commonwealth Bank of Australia and by virtue of the SFO, Commonwealth Bank of Australia was deemed to be interested in the shares held by these subsidiaries.

(c) The 57,863,800 Shares and the 23,804,800 Shares held directly by First State Investment Management (UK) Limited and First State Investments (Hong Kong) Limited respectively include 4,489,500 Shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investments (UK Holdings) Limited, SI Holdings Limited, First State Investment Managers (Asia) Ltd., First State Investments (Bermuda) Ltd. and First State (Hong Kong) LLC also include the 4,489,500 Shares.

- (d) The 57,863,800 Shares and the 4,683,500 Shares held directly by First State Investment Management (UK) Limited and Colonial First State Investments Limited respectively include 4,603,000 Shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investments (UK Holdings) Limited and SI Holdings Limited also include the 4,603,000 Shares.
- (e) The 4,601,500 Shares and the 23,804,800 Shares held directly by First State Investments (Singapore) and First State Investments (Hong Kong) Limited respectively include 3,014,500 Shares held jointly by these subsidiaries. By virtue of the SFO, the deemed interests of First State Investments Holdings (Singapore) Limited and First State (Hong Kong) LLC also include the 3,014,500 Shares.
- (3) The following is a breakdown of the interests in Shares of JPMorgan Chase & Co.:

Name	Remarks	Total interests in Shares		Approximate percentage of interests
		Direct interests	Deemed interests	
JPMorgan Chase & Co.	(a)	–	108,201,129	7.38%
JPMorgan Chase Bank, N.A.	(b)	52,689,562	2,404,000	3.76%
JPMorgan Asset Management Holdings Inc.	(b)	–	53,107,567	3.62%
JPMorgan Asset Management (Asia) Inc.	(b)	–	52,959,500	3.62%
J.P. Morgan Investment Management Inc.	(b)	148,067	–	0.01%
JF International Management Inc.	(b)	305,000	–	0.02%
JF Asset Management Limited	(b)	52,654,500	–	3.59%
J.P. Morgan International Inc.	(b)	–	2,404,000	0.16%
Bank One International Holdings Corporation	(b)	–	2,404,000	0.16%
J.P. Morgan International Finance Limited	(b)	–	2,404,000	0.16%
J.P. Morgan Capital Holdings Limited	(b)	–	2,090,500	0.14%
J.P. Morgan Chase (UK) Holdings Limited	(b)	–	2,090,500	0.14%
J.P. Morgan Chase International Holdings Limited	(b)	–	2,090,500	0.14%
J.P. Morgan Securities Ltd.	(b)	2,090,500	–	0.14%
J.P. Morgan Overseas Capital Corporation	(b)	–	313,500	0.02%
J.P. Morgan Whitefriars Inc.	(b)	313,500	–	0.02%

Remarks:

- (a) JPMorgan Chase & Co. is listed on the New York Stock Exchange.

The capacity of JPMorgan Chase & Co. in holding the 108,201,129 Shares was, as to 2,404,000 Shares, as beneficial owner, 53,107,567 Shares, as investment manager and, as to 52,689,562 Shares, as custodian/approved lending agent.

The 108,201,129 Shares included a lending pool of 52,689,562 Shares.

- (b) JPMorgan Chase Bank, N.A., JPMorgan Asset Management Holdings Inc., JP Morgan Asset Management (Asia) Inc., J.P. Morgan Investment Management Inc., JF International Management Inc., JF Asset Management Limited, J.P. Morgan International Inc., Bank One International Holdings Corporation, J.P. Morgan International Finance Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Chase International Holdings Limited, J.P. Morgan Securities Ltd., J.P. Morgan Overseas Capital Corporation and J.P. Morgan Whitefriars Inc. were all direct or indirect subsidiaries of JPMorgan Chase & Co., and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company were aware of any other person (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates (as defined in the Listing Rules) had any interests in any business, which competes or may compete with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claims of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation other than statutory compensation.

7. GENERAL

- (a) The registered office of the Company is situated at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong. The share registrar and transfer office of the Company is Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (b) The Company Secretary and Qualified Accountant of the Company is Mr. Frank Chi Chung Chan who is a fellow member of The Chartered Association of Certified Accountants and The Hong Kong Institute of Certified Public Accountants, an associate of the Taxation Institute of Hong Kong, and is qualified to practise as a Certified Public Accountant in Hong Kong.

- (c) Mr. Vincent Ting Kau Cheung, Non-executive Director, is the senior consultant of the solicitors' firm of Vincent T.K. Cheung, Yap & Co., which has been retained as the legal advisers to the Company (as to Hong Kong law) in connection with the Transaction and will receive normal professional fees in respect thereof.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.