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If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **Techtronic Industries Company Limited**, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.



**Cordless Industries Inc.**

*(incorporated in the British Virgin Islands)*

**Techtronic Industries Co. Ltd.**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 669)**

**MANDATORY CONDITIONAL GENERAL OFFERS BY  
PLATINUM SECURITIES COMPANY LIMITED  
ON BEHALF OF  
CORDLESS INDUSTRIES INC.  
TO ACQUIRE ALL THE ISSUED SHARES, AMERICAN DEPOSITARY SHARES  
AND ZERO COUPON CONVERTIBLE BONDS OF AND  
CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
TECHTRONIC INDUSTRIES COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY CORDLESS INDUSTRIES INC. AND  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to Cordless Industries Inc.**



**PLATINUM  
Securities**

**Independent financial adviser to the independent board committee of  
Techtronic Industries Company Limited**

 **ROTHSCHILD**

A letter from Platinum containing, among other things, details of the TTI Offers, is set out on pages 8 to 18 of this Composite Document.

A letter from the Board is set out on pages 19 to 22 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the TTI Offers is set out on pages 23 to 24 of this Composite Document.

A letter from Rothschild containing its advice to the Independent Board Committee in respect of the TTI Offers is set out on pages 25 to 41 of this Composite Document.

The procedures for acceptance of the TTI Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the TTI Share Offer, the TTI Bond Offer and the TTI Option Offer should be received by the Receiving Agent, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. (Hong Kong time) on Tuesday, 3 July 2007 or such later time(s) and/or date(s) as the Offeror may decide in accordance with the Code. Acceptances of the TTI ADS Offer should be received by the US Tender Agent at The Bank of New York, Tender & Exchange Department, P.O. Box 11248, Church Street Station, New York, NY 10286-1248 (by mail) or The Bank of New York, Tender & Exchange Department – 11W, 101 Barclay Street, Receive & Deliver Window – Street Level, New York, NY 10286 (by hand or overnight courier) by no later than 5:00 p.m. (New York time) on Monday, 2 July 2007 or such later time and/or date as the Offeror may decide in accordance with the Code.

4 June 2007

# CONTENTS

	<i>Page</i>
<b>1. DEFINITIONS</b> .....	1
<b>2. EXPECTED TIMETABLE</b> .....	6
<b>3. LETTER FROM PLATINUM</b> .....	8
<b>4. LETTER FROM THE BOARD</b> .....	19
<b>5. LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	23
<b>6. LETTER FROM ROTHSCHILD</b> .....	25
<b>APPENDIX I – FURTHER PROCEDURES FOR ACCEPTANCE OF THE TTI OFFERS</b> .	42
<b>APPENDIX II – FINANCIAL INFORMATION ON THE GROUP</b> .....	62
<b>APPENDIX III – GENERAL INFORMATION RELATING TO OFFEROR</b> .....	114
<b>APPENDIX IV – GENERAL INFORMATION RELATING TO TTI</b> .....	119

## DEFINITIONS

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

“Affiliates”	in relation to any parties, any company that is Controlled by such party and any subsidiary undertaking of any such company, in each case from time to time;
“Announcement”	the press announcement dated 14 May 2007 jointly made by Offeror and TTI in relation to the TTI Offers;
“Board”	the board of Directors;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Citigroup”	Citigroup Global Markets Asia Limited;
“Closing Date”	the First Closing Date or any subsequent closing date(s) as the Offeror may determine and announce as permitted under the Code;
“Code”	The Hong Kong Code on Takeovers and Mergers;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended);
“Composite Document”	this composite offer and response document dated 4 June 2007 jointly issued by the Offeror and TTI in relation to the TTI Offers;
“Concert Parties”	persons who are acting in concert with the Offeror (within the meaning of the Code);
“Controlled”	holding or having the right to exercise 30% or more of the voting rights of a company, or otherwise being able to direct the management and operations of such company;
“Director(s)”	the director(s) of TTI;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;

## DEFINITIONS

“First Closing Date”	Tuesday, 3 July 2007, being the first closing date for the TTI Offers;
“Form(s) of Acceptance”	the form of acceptance and transfer, including the Letter of Transmittal, in respect of the TTI Offers accompanying this Composite Document;
“Group”	TTI and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited;
“Independent Board Committee”	the independent board committee of the Board, comprising Mr. Christopher Patrick Langley OBE, Mr. Joel Arthur Schleicher and Mr. Manfred Kuhlmann, established by the Company to advise the Offer Shareholders and the holders of the TTI Securities in respect of the TTI Offers;
“Last Trading Day”	14 May 2007, being the last trading day of the TTI Shares on the Stock Exchange before the release of the Announcement;
“Latest Practicable Date”	1 June 2007, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document;
“Letter of Transmittal”	the letter of transmittal relating to the TTI ADS Offer accompanying this Composite Document for use by holders of TTI ADSs who wish to accept the TTI ADS Offer;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

## DEFINITIONS

“Offer Period”	has the meaning ascribed to it in the Code;
“Offer Price”	the amount of HK\$3.60 payable by the Offeror to TTI Shareholders for each TTI Share accepted under the TTI Share Offer;
“Offer Shareholder(s)”	TTI Shareholder(s) other than the Offeror and its Concert Parties;
“Offeror”	Cordless Industries Inc., a company incorporated in the British Virgin Islands with limited liability;
“Offeror Directors”	the directors of the Offeror;
“Platinum”	Platinum Securities Company Limited, a licensed corporation under the SFO, to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the TTI Offers and will make the TTI Offers on behalf of the Offeror;
“PRC”	means the People’s Republic of China, and for the purpose of this Composite Document, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, Taiwan and the Macao Special Administrative Region of the People’s Republic of China;
“Receiving Agent”	Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the agent which will receive acceptances under the TTI Share Offer, the TTI Bond Offer and the TTI Option Offer;
“Relevant Period”	the period from 15 November 2006, being the date falling six months preceding the commencement of the Offer Period on 14 May 2007, up to and including the Latest Practicable Date;

## DEFINITIONS

“Rothschild”	N M Rothschild & Sons (Hong Kong) Limited, a licensed corporation under the SFO, to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the TTI Offers;
“SEC”	The United States Securities and Exchange Commission;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stamp Office”	the Stamp Office of the Inland Revenue Department of Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in Section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“TTI” or “Company”	Techtronic Industries Company Limited, a company incorporated in Hong Kong, the issued shares of which (stock code: 669) are listed on the Stock Exchange;
“TTI ADR(s)”	TTI American Depositary Receipts evidencing TTI ADS;
“TTI ADS(s)”	TTI American Depositary Shares, each representing five TTI Shares, evidenced by TTI ADRs issued under a Level 1 American Depositary Receipt programme with The Bank of New York;
“TTI ADS Offer”	the offer being made by the Offeror to acquire all outstanding TTI ADSs;
“TTI Bond(s)”	zero coupon convertible bonds due 2009 issued by TTI under the offering circular dated 6 July 2004;

## DEFINITIONS

“TTI Bond Offer”	the offer being made by the Offeror to acquire all outstanding TTI Bonds;
“TTI Offers”	the TTI Share Offer, the TTI ADS Offer, the TTI Bond Offer and the TTI Option Offer;
“TTI Option(s)”	option(s) to acquire TTI Shares granted and currently outstanding under the TTI Share Option Scheme;
“TTI Option Offer”	the offer being made by the Offeror to acquire all outstanding TTI Options other than those held by the Offeror and its Concert Parties;
“TTI Securities”	TTI ADSs, TTI Bonds and TTI Options;
“TTI Share(s)”	ordinary share(s) of HK\$0.10 in the share capital of TTI;
“TTI Share Offer”	the offer being made by the Offeror to acquire all the TTI Shares, excluding those already held by the Offeror and its Concert Parties;
“TTI Share Option Scheme”	the share option scheme adopted by the TTI Shareholders at the general meeting of TTI held on 28 March 2002;
“TTI Shareholder(s)”	holder(s) of TTI Share(s);
“Unconditional Date”	the date on which the TTI Offers become or are declared unconditional in all respects;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
“US\$”	United States dollars, the lawful currency of the United States;
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended;
“US Securities Act”	The United States Securities Act of 1993, as amended;
“US Tender Agent”	The Bank of New York; and
“%”	per cent.

## EXPECTED TIMETABLE

Despatch date of the Composite Document  
and the commencement of the TTI Offers . . . . . Monday, 4 June 2007

First Closing Date (*Note 1*) . . . . . Tuesday, 3 July 2007

Latest time for acceptance of the TTI Share Offer,  
the TTI Bond Offer and the TTI Option Offer (*Note 2*) . . . . 4:00 p.m. (Hong Kong time)  
on Tuesday, 3 July 2007

Latest time for acceptance of the TTI ADS Offer. . . . . 5:00 p.m. (New York Time)  
on Monday, 2 July 2007

Announcement of the results of the TTI Offers  
as at the First Closing Date in the newspapers  
in Hong Kong (*Note 3*) . . . . . Wednesday, 4 July 2007

Latest date for posting of remittances to  
TTI Shareholders and holders of TTI Securities  
in respect of valid acceptances received by  
the First Closing Date, assuming the TTI Offers  
become, or are declared, unconditional  
on such date (*Note 4*) . . . . . Thursday, 12 July 2007

Latest time by which the TTI Offers could be  
declared unconditional in as to acceptances (*Note 5*) . . . . 7:00 p.m. (Hong Kong time)  
on Friday, 3 August 2007

*Notes:*

1. If the TTI Offers are extended in accordance with the Code, the Offeror will issue an announcement in relation to any extension of the TTI Offers, which announcement will state the next closing date. If the TTI Offers are at that time unconditional, at least 14 days' notice in writing will be given before the TTI Offers are closed to those TTI Shareholders and holders of TTI Securities who have not accepted the TTI Offers.

Beneficial owners of TTI Shares and/or TTI Securities who hold their TTI Shares and/or TTI Securities in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix II) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

2. The TTI Share Offer, the TTI Bond Offer and the TTI Option Offer will close for acceptances at 4:00 p.m. (Hong Kong time) on Tuesday, 3 July 2007 if not extended. The TTI ADS Offer will close for acceptances at 5:00 p.m. (New York time) on Monday, 2 July 2007 if not extended.
3. Following the close of the TTI Offers on Tuesday, 3 July 2007, being the First Closing Date, an announcement of the results of the TTI Offers will be published through the Stock Exchange's website by 7:00 p.m. (Hong Kong time) on the First Closing Date and will be republished in the newspapers in Hong Kong on the next business day.



## EXPECTED TIMETABLE

4. Remittances in respect of the consideration for the TTI Shares and the TTI Securities tendered under the TTI Offers will be posted to TTI Shareholders and holders of TTI Securities accepting the TTI Offers as soon as possible, but in any event within 10 days of the later of the date of receipt by the Receiving Agent of all the relevant documents to render the acceptance under the TTI Offers complete and valid, and the Unconditional Date.
5. In accordance with the Code, where a mandatory conditional general offer becomes or is declared unconditional, at least 14 days' notice in writing must be given before the offer is closed to those shareholders who have not accepted the offer. In accordance with the Code, except with the consent of the Executive, the TTI Offers may not become or be declared unconditional after 7:00 p.m. (Hong Kong time) on the 60th day after the day this Composite Document was posted. Accordingly, unless the TTI Offers have previously become unconditional, the TTI Offers will lapse on Friday, 3 August 2007 unless extended with the consent of the Executive. If the TTI Offers become or are declared unconditional, the Offeror may declare the TTI Offers open for acceptances up to the date four months from the day this Composite Document was posted.

**All references to times and dates contained in this Composite Document are to Hong Kong time unless otherwise stated.**

# LETTER FROM PLATINUM



**PLATINUM** Securities Company Limited

22/F, Standard Chartered Bank Building  
4 Des Voeux Road Central  
Hong Kong

**Telephone**

(852) 2841 7000

**Facsimile**

(852) 2522 2700

4 June 2007

*To the Offer Shareholders and holders of TTI Securities*

Dear Sir or Madam,

**MANDATORY CONDITIONAL GENERAL OFFERS BY  
PLATINUM SECURITIES COMPANY LIMITED  
ON BEHALF OF  
CORDLESS INDUSTRIES INC.  
TO ACQUIRE ALL THE ISSUED SHARES, AMERICAN DEPOSITORY SHARES  
AND ZERO COUPON CONVERTIBLE BONDS OF AND  
CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
TECHTRONIC INDUSTRIES COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY CORDLESS INDUSTRIES INC. AND  
PARTIES ACTING IN CONCERT WITH IT)**

## **INTRODUCTION**

On 14 May 2007, TTI and the Offeror jointly announced that TTI received notices in writing from Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP stating that they had exercised on 14 May 2007 the TTI Options granted to them on 28 June 2002 under the TTI Share Option Scheme. As a result of the exercise of these TTI Options, Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP acquired in aggregate 38,592,000 TTI Shares, representing approximately 2.56% of the enlarged issued share capital of TTI as at the date of the Announcement. As a result of the exercise of these TTI Options, the Offeror and its Concert Parties own in aggregate 457,633,742 TTI Shares, representing approximately 30.41% of the enlarged issued share capital of TTI and the Offeror is required to make mandatory conditional general offers to acquire all the issued TTI Shares, TTI ADSs and TTI Bonds and cancel all outstanding TTI Options, other than those already owned by the Offeror and its Concert Parties pursuant to Rule 26.1 of the Code.

TTI and the Offeror also jointly announced on 14 May 2007 that the Offeror would make an offer to cancel the outstanding TTI Options, other than those held by the Offeror and its Concert Parties, and acquire the outstanding TTI Bonds and TTI ADSs.

This letter sets out the details of the principal terms of the TTI Offers, together with information relating to the Offeror and its intentions for TTI. Further details of the terms of the TTI Offers and the procedures for acceptance of the TTI Offers are set out in Appendix I to this Composite Document and in the respective Form(s) of Acceptance.

## LETTER FROM PLATINUM

You are strongly advised to consider carefully the information contained in the “Letter from the Board” as set out on pages 19 to 22 of this Composite Document, the “Letter from the Independent Board Committee” as set out on pages 23 to 24 of this Composite Document and the letter from Rothschild to the Independent Board Committee in respect of the TTI Offers as set out on pages 25 to 41 of this Composite Document.

### **THE TTI OFFERS**

On behalf of the Offeror, we are making the TTI Offers on the terms set out in this Composite Document and in the accompanying Form(s) of Acceptance.

### **Settlement of Consideration**

Payment in cash in respect of acceptances of each of the TTI Offers will be made within 10 days of the date of receipt of complete and valid acceptance or of the Unconditional Date, whichever is the later. Relevant documents of title must be received by the Offeror to render each acceptance of each of the TTI Offers complete and valid. The settlement of the consideration in respect of acceptances of each of the TTI Offers will be implemented in full in accordance with the terms of the TTI Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against the accepting Offer Shareholder or accepting holders of the TTI Securities (as the case may be).

### **Further Terms**

Further terms and conditions (including the procedures for acceptance, the acceptance period and revisions of the TTI Offers) of the TTI Offers are set out in Appendix I and the respective Form(s) of Acceptance.

### **THE TTI SHARE OFFER**

On behalf of the Offeror, we are making an offer to all TTI Shareholders, other than the Offeror and its Concert Parties, to acquire the TTI Shares (other than those already owned by the Offeror and its Concert Parties).

Offer Price for each TTI Share . . . . . HK\$3.60 in cash

### **Condition**

The TTI Share Offer is conditional only upon valid acceptances of the TTI Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such other time as the Offeror may decide subject to the Code), which would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in TTI.

## LETTER FROM PLATINUM

### Nature of TTI Shares

TTI Shares will be acquired with all rights attached thereto as at 14 May 2007, the date of the Announcement, or subsequently becoming attached thereto including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after 14 May 2007, the date of the Announcement, and free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

### Comparisons of Value

The Offer Price represents:

- (i) a discount of approximately 67.27% to the closing price of HK\$11.00 of each TTI Share as quoted on the Stock Exchange on 11 May 2007, being the last business day prior to 14 May 2007, the date of commencement of the Offer Period;
- (ii) a discount of approximately 69.70% to the closing price of HK\$11.88 per TTI Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iii) a discount of approximately 66.70% to the average closing price of HK\$10.81 per TTI Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 66.64% to the average closing price of HK\$10.79 per TTI Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 65.35% to the average closing price of HK\$10.39 per TTI Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (vi) a discount of approximately 24.69% to the audited consolidated net assets value of the Group attributable to the Shareholders of approximately HK\$4.78 per Share as at 31 December 2006 (based on 1,465,223,652 Shares in issue as at 31 December 2006).

### Highest and Lowest Prices

During the period from 15 May 2006 (the date falling 12 months prior to the date of the Announcement) up to and including the Latest Practicable Date, the highest closing price of the TTI Shares as quoted on the Stock Exchange was HK\$13.75 each on 15 May 2006, and the lowest closing price of the TTI Shares as quoted on the Stock Exchange was HK\$9.10 each on 4 August 2006.

## LETTER FROM PLATINUM

### **Total Consideration**

On the basis of the Offer Price of HK\$3.60 per TTI Share, the entire issued share capital of 1,143,906,494 TTI Shares (on a fully diluted basis, excluding TTI Shares held by the Offeror and its Concert Parties, assuming that the outstanding 30,567,000 TTI Options, excluding those held by the Offeror and its Concert Parties, are exercised in full and all the outstanding TTI Bonds are converted into 65,922,584 TTI Shares), is valued at HK\$4,118,063,378.40.

### **THE TTI OPTION OFFER**

#### **Outstanding TTI Options**

As at the Latest Practicable Date, there were 30,567,000 outstanding TTI Options, excluding those held by the Offeror and its Concert Parties. If these TTI Options are exercised in full, TTI will have to issue 30,567,000 TTI Shares, representing approximately 2% of the enlarged issued share capital of TTI.

On behalf of the Offeror, we are making an offer to all holders of TTI Options, except to the Offeror and its Concert Parties, to cancel their existing TTI Options. The exercise prices of the outstanding TTI Options range from HK\$7.625 to HK\$19.20 per TTI Share, which are higher than the Offer Price. The TTI Options are non-assignable and non-transferable. Based on these factors, the consideration for the TTI Option Offer is:

For each TTI Option . . . . . HK\$0.001 in cash

#### **Exercise of TTI Options**

In accordance with the terms of the TTI Share Option Scheme, the holders of TTI Options that are not exercisable during the Offer Period shall be entitled to exercise these TTI Options in full (to the extent not already exercised), upon the TTI Share Offer becoming unconditional, at any time within one month of the announcement made by the Offeror that the TTI Offers have become unconditional and that the TTI Offers will remain open for acceptances for 14 days.

#### **Lapse of TTI Options**

In accordance with the terms of the TTI Share Option Scheme, if any TTI Option is not exercised within one month of the announcement made by the Offeror that the TTI Offers have become unconditional and that the TTI Offers will remain open for acceptances for 14 days, it will automatically lapse.

### **THE TTI BOND OFFER**

As at the Latest Practicable Date, there are US\$140 million worth of outstanding TTI Bonds. If these TTI Bonds are converted into TTI Shares, TTI will have to issue 65,922,584 TTI Shares, representing approximately 4.20% of the enlarged issued share capital of TTI.

## LETTER FROM PLATINUM

On behalf of the Offeror, we are making an offer to all holders of TTI Bonds to acquire their TTI Bonds as follows:

For each TTI Bond with a face value of HK\$7,797.70  
(applying the conversion rate of US\$1.00 = HK\$7.7977  
as stipulated in the offering circular for the TTI Bonds  
dated 6 July 2004) (based on the Offer Price of  
HK\$3.60 per TTI Share divided by the initial  
conversion price of HK\$16.56 per TTI Share) . . . . . HK\$1,695.20 in cash

### THE TTI ADS OFFER

As at 31 May 2007 (being the latest practicable date for ascertaining the number of TTI ADSs in issue for this Composite Document), there were 5,663,336 TTI ADSs in issue. TTI ADSs may be evidenced by TTI ADRs. Each TTI ADS represents 5 TTI Shares. On behalf of the Offeror, we are making an offer to all holders of TTI ADSs to acquire their TTI ADSs as follows:

For each TTI ADS . . . . . HK\$18.00 in cash

The consideration for each TTI ADS will be converted into US dollars and paid after deducting a cancellation fee of up to US\$0.05 per TTI ADS, the US Depository's fees and any applicable transfer fees, expenses in relation to currency conversion, taxes and governmental charges.

### CONDITION FOR THE TTI OPTION OFFER, THE TTI BOND OFFER AND TTI ADS OFFER

The TTI Option Offer, the TTI Bond Offer and the TTI ADS Offer are conditional upon the TTI Share Offer becoming or being declared unconditional.

### CONFIRMATION OF FINANCIAL RESOURCES

The maximum cash amount to be paid to the Offer Shareholders in connection with the TTI Offers (assuming that the outstanding TTI Options, excluding those held by the Offeror and its Concert Parties, are exercised in full and all outstanding TTI Bonds are fully converted) is HK\$4,118,063,378.40 in cash.

The amount of HK\$4,118,063,378.40 will be funded by a facility not exceeding HK\$4,118,063,382 from Citigroup and HSBC. Platinum, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the TTI Offers as described above. The payment of interest on, repayment of or security for any liability (contingent or otherwise) in connection with the aforesaid facility will not depend to any significant extent on the business of the Group.

### IRREVOCABLE COMMITMENTS

Neither the Offeror nor its Concert Parties have received an irrevocable commitment to accept the TTI Offers as at the Latest Practicable Date.

## LETTER FROM PLATINUM

### HONG KONG STAMP DUTY

Hong Kong stamp duty at a rate of 0.1% of the consideration payable will be deducted from the cash amount payable to TTI Shareholders who accept the TTI Share Offer. The Offeror will then pay the stamp duty deducted to the Stamp Office on behalf of the accepting Offer Shareholders.

### INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands on 2 May 2007. The Offeror is an investment holding company established for the purpose of making the TTI Offers and has not conducted any business or acquired any assets. The Offeror Directors are Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP.

The Offeror has an authorised share capital of US\$50,000. The Offeror has 3 issued shares of US\$1.00 each. Mr. Horst Julius Pudwill owns 2 issued shares and Dr. Roy Chi Ping Chung JP owns 1 issued share in the Offeror.

### THE OFFEROR'S INTENTIONS IN RELATION TO TTI

The TTI Offers were made by the Offeror pursuant to Rule 26.1 of the Code as a result of exercise of TTI Options by Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP on 14 May 2007. It is the intention of the Offeror that TTI continues its principal business activities and that the existing management of TTI will carry out the management and daily operations of TTI. The Offeror currently has no intention to inject any material assets or businesses into TTI, to dispose of any material assets or businesses of TTI or to make any changes to the composition of the Board. The Offeror currently does not intend to introduce any major changes in the business, including any redeployment of the fixed assets of the Group, or the continued employment of the employees of the Group.

### LISTING STATUS OF TTI

The Offeror intends that TTI shall remain listed on the Stock Exchange after the close of the TTI Offers. The directors of the Offeror will jointly and severally undertake to the Stock Exchange to take the appropriate steps to ensure that sufficient public float in TTI Shares is maintained.

**The Stock Exchange has stated that if, at the close of the TTI Offers, less than 25% of the TTI Shares, are held by the public, or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the TTI Shares, or**
- **there are insufficient TTI Shares in public hands to maintain an orderly market,**

**then it will consider exercising its discretion to suspend dealings in the TTI Shares.**

## LETTER FROM PLATINUM

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to them under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to compulsorily acquire any outstanding issued TTI Shares not acquired under the TTI Share Offer after the close of the TTI Share Offer but reserves the right to do so.

### INTERESTS AND DEALINGS OF THE OFFEROR AND ITS CONCERT PARTIES IN TTI

As at the Latest Practicable Date, the interests of the Offeror and its Concert Parties in TTI Shares are set out below:

Name	Nature of interests	Interests in TTI Shares	Approximate percentage of interests
Mr. Horst Julius Pudwill	Beneficial Owner	103,337,500	6.87%
	Interests of Spouse (Mrs. Barbara Pudwill)	760,000	0.05%
	Interests of controlled corporation, Sunning Inc. (100% owned by Mr. Horst Julius Pudwill)	185,584,764	12.33%
	Interests of controlled corporation, Cordless Industries Company Limited (70% owned by Mr. Horst Julius Pudwill)	25,952,521	1.72%
Dr. Roy Chi Ping Chung JP	Beneficial Owner	126,405,948	8.40%
	Interests of Spouse (Ms. Li Oi King)	136,000	0.01%
	Interests of controlled corporation, Cordless Industries Company Limited (30% owned by Dr. Roy Chi Ping Chung JP)	11,122,509	0.74%
Mr. Stephan Horst Pudwill	Beneficial Owner	4,054,500	0.27%
Mr. Christopher Horst Pudwill	Beneficial Owner	280,000	0.02%
Total (the Offeror and its Concert Parties)		457,633,742	30.41%



## LETTER FROM PLATINUM

As at the Latest Practicable Date, the Offeror and its Concert Parties held the following TTI Options:

Name	Date on which TTI Options were granted	Outstanding unexercised TTI Options as at the Latest Practicable Date	Subscription price (HK\$)	Exercise period
Mr. Horst Julius Pudwill	19 September 2003	560,000	8.685	19 September 2003 to 18 September 2008
	25 February 2004	400,000	12.170	25 February 2004 to 24 February 2009
Dr. Roy Chi Ping Chung JP	19 September 2003	560,000	8.685	19 September 2003 to 18 September 2008
	25 February 2004	400,000	12.170	25 February 2004 to 24 February 2009
Mr. Stephan Horst Pudwill	1 March 2004	100,000	12.525	1 March 2004 to 28 February 2009
Mr. Christopher Horst Pudwill	17 July 2003	20,000	7.625	17 July 2003 to 16 July 2008
	1 March 2004	20,000	12.525	1 March 2004 to 28 February 2009

Save as disclosed above, neither the Offeror nor its Concert Parties owned, controlled or were interested in any TTI Shares, convertible securities, warrants, options or derivatives in respect of TTI Shares as at the Latest Practicable Date.

Save for (i) the exercise of 25,728,000 TTI Options by Mr. Horst Julius Pudwill at the exercise price of HK\$3.60 per TTI Share on 14 May 2007; and (ii) the exercise of 12,864,000 TTI Options by Dr. Roy Chi Ping Chung JP at the exercise price of HK\$3.60 per TTI Share on 14 May 2007, neither the Offeror nor its Concert Parties have dealt in TTI Shares, convertible securities, warrants, options or derivatives in respect of TTI Shares during the Relevant Period.

## LETTER FROM PLATINUM

### **General**

To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold TTI Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the TTI Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the TTI Share Offer.

The availability of the TTI Offers to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions. The attention of the TTI Shareholders and other holders of TTI Securities, for which an offer is being made, who are not resident in Hong Kong is drawn to the sub-paragraph (xiii) under the paragraph headed "General" in Appendix I to this Composite Document.

You are recommended to consult your own professional advisers if you are in doubt as to the taxation implications of accepting the TTI Offers. It is emphasised that none of the Offeror, Platinum or any of their respective directors or any other persons involved in the TTI Offers, accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their acceptance of any of the TTI Offers.

All documents and remittances sent to the TTI Shareholders and/or other holders of TTI Securities, for which an offer is being made, will be sent to them, or their designated agents, at their own risk to their addresses as stated on the Forms of Acceptance or if no such address is stated, as they appear in the register of members of TTI or, in the case of joint TTI Shareholders, to the TTI Shareholder whose name stands first in the register of members of TTI. None of the Offeror, Platinum, TTI, the Receiving Agent, the US Tender Agent or any of their respective directors or Affiliates, or any other person involved in the TTI Offers, accepts any liability for any loss in postage or other forms of despatch or any other liabilities that may arise as a result.

### **THE OFFERS PERIOD AND TAX IMPLICATIONS**

It is intended that the TTI Share Offer, the TTI Bond Offer and the TTI Option Offer will be open for acceptance from the date of despatch of this Composite Document on Monday, 4 June 2007 (Hong Kong time) to Tuesday, 3 July 2007 (Hong Kong time), both days inclusive, whilst the TTI ADS Offer will be open for acceptance from the date of despatch of this Composite Document on Monday, 4 June 2007 (Hong Kong time) to Monday, 2 July 2007 (New York time), both days inclusive. It is the responsibility of the Offer Shareholders and other holders of TTI Securities, who are not resident in Hong Kong who wish to accept any of the TTI Offers and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may

## LETTER FROM PLATINUM

be required to comply with other necessary formalities or legal requirements. The Offer Shareholders and other holders of TTI Securities who are not resident in Hong Kong will be responsible for the payment of any transfer or other taxes by whomsoever payable due in respect of any jurisdiction.

**None of TTI, the Offeror, the Directors, the professional advisers to TTI and the Offeror or any other parties involved in the TTI Offers is/are in a position to advise the Offer Shareholders and the respective holders of TTI Securities on their individual tax implications. The Offer Shareholders and the respective holders of TTI Securities are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the TTI Offers. None of TTI, the Offeror, the Directors, the professional advisers to TTI and the Offeror or any other parties involved in the TTI Offers accepts any responsibility for any tax effect on, or liabilities of, the Offer Shareholders and the holders of TTI Securities.**

### IMPORTANT NOTE FOR US INVESTORS

The TTI Offers will be for the securities of a Hong Kong company and are subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this Composite Document has been prepared in accordance with Hong Kong and/or international accounting standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The TTI Offers will be made in the United States pursuant to applicable US tender offer rules and otherwise in accordance with the requirements of the Code. Accordingly, the TTI Offers will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the TTI Offers by a US holder of TTI Shares and/or TTI Securities may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of TTI Shares and/or TTI Securities is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the TTI Offers.

It may be difficult for US holders of TTI Shares and/or TTI Securities to enforce their rights and any claim arising out of the US federal securities laws, since the Offeror and TTI are located in non-US jurisdictions, and some or all of their officers and directors may be residents of non-US jurisdictions. US holders of TTI Shares and/or TTI Securities may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

## LETTER FROM PLATINUM

In accordance with normal Hong Kong practice and pursuant to class exemptive relief granted by the Staff of the Division of Market Regulation of the SEC, the Offeror or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, TTI Shares and/or TTI Securities outside the United States, other than pursuant to the TTI Offers, before or during the period in which the TTI Offers remain open for acceptance.

### **Confidentiality**

This Composite Document is confidential and has been prepared solely for the purpose of enabling the Offer Shareholders and holders of TTI Securities for which an offer is being made, to consider the TTI Offers. Any reproduction or distribution of this Composite Document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering participation in the TTI Offers is prohibited. Each Offer Shareholder and holders of TTI Securities who consider the TTI Offers, by accepting delivery of this Composite Document, agrees to the foregoing.

### **Additional Information**

Further details of the TTI Offers are set out elsewhere in this Composite Document of which this letter forms a part. We would like to draw your attention to the “Letter from the Board” as set out on pages 19 to 22 of this Composite Document, the “Letter from the Independent Board Committee” as set out on pages 23 to 24 of this Composite Document, the letter from Rothschild to the Independent Board Committee in respect of the TTI Offers as set out on pages 25 to 41 of this Composite Document and the additional information set out in the appendices of this Composite Document

### **ACTIONS TO BE TAKEN**

**Completed Forms of Acceptance for the TTI Share Offer, the TTI Option Offer and the TTI Bond Offer should be despatched as soon as possible so as to be received by post or by hand by the Receiving Agent as soon as possible but in any event so that it is received by the Receiving Agent no later than 4:00 p.m. (Hong Kong time) on Tuesday, 3 July 2007. Completed Letter of Transmittal should be despatched as soon as possible so as to be received by post or by hand by the US Tender Agent as soon as possible but in any event so that it is received by the US Tender Agent no later than 5:00 p.m. (New York time) on Monday, 2 July 2007. The procedures for acceptance of the TTI Offers are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance.**

Yours faithfully,

For and on behalf of

**Platinum Securities Company Limited**

**Liu Chee Ming**

*Managing Director*

**Lenny Li**

*Assistant Director*

## 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)*  
Dr. Roy Chi Ping Chung JP  
*(Vice Chairman)*  
Mr. Patrick Kin Wah Chan  
Mr. Frank Chi Chung Chan  
Mr. Stephan Horst Pudwill

*Registered office:*

24th Floor  
CDW Building  
388 Castle Peak Road  
Tsuen Wan  
New Territories  
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

4 June 2007

*To the Offer Shareholders and the holders of TTI Securities*

Dear Sir or Madam,

**MANDATORY CONDITIONAL GENERAL OFFERS BY  
PLATINUM SECURITIES COMPANY LIMITED  
ON BEHALF OF  
CORDLESS INDUSTRIES INC.  
TO ACQUIRE ALL THE ISSUED SHARES, AMERICAN DEPOSITARY SHARES  
AND ZERO COUPON CONVERTIBLE BONDS OF AND  
CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
TECHTRONIC INDUSTRIES COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY CORDLESS INDUSTRIES INC. AND  
PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

On 14 May 2007, the Offeror and TTI jointly announced that TTI received written notices from Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP on 14 May 2007 that they had exercised the TTI Options granted to them on 28 June 2002 under the TTI Share Option Scheme at the exercise price of HK\$3.60 per TTI Share. As a result of the exercise

## LETTER FROM THE BOARD

of these TTI Options, Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP acquired in aggregate 38,592,000 TTI Shares, representing approximately 2.56% of the enlarged issued capital of TTI as at the date of the Announcement. As a result of these exercise of these TTI Options, the Offeror and its Concert Parties owned in aggregate 457,633,742 TTI Shares, representing approximately 30.41% of the enlarged share capital of TTI and the Offeror is required to make mandatory conditional offers to acquire all the issued TTI Shares, TTI ADSs and TTI Bonds and cancel all outstanding TTI Options, other than those already owned by the Offeror and its Concert Parties pursuant to Rule 26.1 of the Code.

It was also jointly announced that Platinum, on behalf of the Offeror, intended to make mandatory conditional offers to acquire all the issued TTI Shares, TTI ADSs and TTI Bonds and cancel all outstanding TTI Options not already owned by the Offeror and its Concert Parties.

On 18 May 2007, TTI announced that in accordance with Rule 2.1 and Rule 2.8 of the Code, the Independent Board Committee, comprising the three independent non-executive Directors, namely Messrs. Christopher Patrick Langley OBE (the Chairman of the Independent Board Committee), Joel Arthur Schleicher and Manfred Kuhlmann, was established on 14 May 2007 to advise the Offer Shareholders and the holders of TTI Securities in respect of the TTI Offers. Mr. Vincent Ting Kau Cheung, the one non-executive director of TTI, was not eligible to be appointed to the Independent Board Committee, as he is a consultant in the law firm of Vincent T.K. Cheung, Yap & Co., which is acting as the Hong Kong legal adviser to TTI. It was also announced that pursuant to Rule 2.1 of the Code, Rothschild has been appointed as the independent financial adviser to the Independent Board Committee in respect of the TTI Offers. Such appointment has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the TTI Offers, the letter of recommendation from the Independent Board Committee in respect of the TTI Offers and the letter of advice from Rothschild to the Independent Board Committee in respect of the TTI Offers.

### **THE TTI OFFERS**

Platinum is making the TTI Offers for and on behalf of the Offeror, subject to the terms set out in this Composite Document (including, but without limitation to, those in Appendix I, which appears on pages 42 to 61 of this Composite Document) and in the accompanying Form(s) of Acceptance, to acquire (i) all of the issued TTI Shares not already owned by the Offeror and its Concert Parties, (ii) all outstanding TTI Bonds, (iii) all outstanding TTI ADSs and to cancel all outstanding TTI Options, other than those held by the Offeror and its Concert Parties. Details of the TTI Offers are set out in the "Letter from Platinum" on pages 8 to 18 of this Composite Document, and Appendix I to this Composite Document.

## LETTER FROM THE BOARD

### **IRREVOCABLE UNDERTAKINGS TO ACCEPT THE TTI OFFERS**

There was no arrangement (whether by way of option, indemnity or otherwise) in relation to TTI Shares between TTI or its associates, as defined by the Code, and any other person and that might be material to the TTI Offers as at the Latest Practicable Date.

### **SHAREHOLDINGS AND DEALINGS**

#### **Shareholdings in the Offeror**

TTI did not hold any shares in the Offeror as at the Latest Practicable Date. Save for Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP, none of the Directors had any interest in the shareholdings of the Offeror as at the Latest Practicable Date.

### **INFORMATION ON THE GROUP**

#### **Securities in issue of TTI**

As at the Latest Practicable Date, there were (i) 1,505,050,652 TTI Shares in issue; (ii) 32,627,000 outstanding TTI Options in issue; and (iii) US\$140 million worth of outstanding TTI Bonds in issue. As at 31 May 2007 (being the latest practicable date for ascertaining the number of TTI ADSs in issue for this Composite Document), there were 5,663,336 TTI ADSs in issue. Other than TTI Shares, TTI Options, TTI Bonds and TTI ADSs, there were no other classes of securities in the share capital of TTI in issue as at the Latest Practicable Date.

#### **Business of the Group**

TTI was incorporated on 24 May 1985 under the laws of Hong Kong and was listed on the Stock Exchange on 17 December 1990. TTI is the holding company of the Group.

TTI is a world-leading producer of quality consumer and professional products marketed for the home improvement and construction industries. TTI produces a wide range of innovative products that include power tools and power tool accessories, outdoor power equipment, floor care, and laser and electronic products.

TTI products are distributed globally through home centers, major retailers, full-line tool distributors, and other channels under leading brands that include Milwaukee®, AEG®, Ryobi<sup>1</sup>, Homelite®, Hoover®, Dirt Devil®, and Vax®. In addition, TTI has an important contract manufacturing business partnering with leading brand name companies and private label retail brands throughout North America and Europe.

<sup>1</sup> The use of the trademark Ryobi® is pursuant to a licence granted by Ryobi Limited.

## LETTER FROM THE BOARD

### THE OFFEROR'S INTENTIONS IN RELATION TO TTI

Your attention is drawn to the sections titled “The Offeror’s Intentions in relation to TTI” and “Listing Status of TTI” in the “Letter from Platinum” set out on pages 8 to 18 of this Composite Document.

### FURTHER INFORMATION

In considering what action to be taken in connection with the TTI Offers, the Offer Shareholders and the holders of TTI Securities should consider their own tax positions and, if they are in doubt, they should consult their own professional advisers.

Please refer to the “Letter from Platinum” set out on pages 8 to 18 of this Composite Document and Appendix I to this Composite Document for information in relation to the TTI Offers, the making of the TTI Offers to the Offer Shareholders and the holders of TTI Securities residing in jurisdictions outside Hong Kong, taxation, acceptance and settlement procedures of the TTI Offers.

### RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 23 to 24 of this Composite Document, which contains its recommendation to the Offer Shareholders and the holders of TTI Securities in respect of the TTI Offers and the “Letter from Rothschild” which is set out on pages 25 to 41 of this Composite Document and which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the TTI Offers, and the principal factors and reasons which it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read this Composite Document and the Form(s) of Acceptance in respect of the acceptance and settlement procedures of the TTI Offers.

Yours faithfully,  
For and on behalf of the Board of  
**Techtronic Industries Company Limited**  
**Chi Chung Chan**  
*Group Executive Director*





Techtronic Industries Co. Ltd.  
*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 669)

4 June 2007

*To the Offer Shareholders and the holders of TTI Securities*

Dear Sir or Madam,

**MANDATORY CONDITIONAL GENERAL OFFERS BY  
PLATINUM SECURITIES COMPANY LIMITED  
ON BEHALF OF  
CORDLESS INDUSTRIES INC.  
TO ACQUIRE ALL THE ISSUED SHARES, AMERICAN DEPOSITARY SHARES  
AND ZERO COUPON CONVERTIBLE BONDS OF AND  
CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
TECHTRONIC INDUSTRIES COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY CORDLESS INDUSTRIES INC. AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 4 June 2007 jointly issued by the Offeror and TTI in relation to the TTI Offers, of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

As the Directors who are independent of the parties to the TTI Offers, we have been appointed as members of the Independent Board Committee to consider the terms of the TTI Offers and to advise you as to whether, in our opinion, the terms of the TTI Offers are fair and reasonable so far as the Offer Shareholders and the holders of TTI Securities are concerned. Rothschild has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the TTI Offers. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from Rothschild” on pages 25 to 41 of this Composite Document.

We also wish to draw your attention to (i) the “Letter from Platinum”, (ii) the “Letter from the Board”, (iii) the “Letter from Rothschild”, and (iv) further information set out in the appendices to this Composite Document.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

### RECOMMENDATION

Having taking into account the terms of the TTI Offers, and the advice and recommendation of Rothschild, we do not consider the TTI Offers to be fair and reasonable so far as the Offer Shareholders and the holders of TTI Securities are concerned. Accordingly, we recommend the Offer Shareholders and the holders of TTI Securities NOT to accept the TTI Offers.

Yours faithfully,

**Independent Board Committee**

**Christopher Patrick Langley OBE**

**Joel Arthur Schleicher**

**Manfred Kuhlmann**

*Independent non-executive Directors*

## LETTER FROM ROTHSCHILD

*Set out below is the text of the letter from Rothschild to the Independent Board Committee prepared for inclusion in the Composite Document.*



4 June 2007

*To the Independent Board Committee of  
Techtronic Industries Company Limited*

Dear Sirs,

**MANDATORY CONDITIONAL GENERAL OFFERS BY  
PLATINUM SECURITIES COMPANY LIMITED  
ON BEHALF OF  
CORDLESS INDUSTRIES INC.  
TO ACQUIRE ALL THE ISSUED SHARES, AMERICAN DEPOSITARY SHARES  
AND ZERO COUPON CONVERTIBLE BONDS OF AND  
CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
TECHTRONIC INDUSTRIES COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY CORDLESS INDUSTRIES INC. AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to our engagement to advise the Independent Board Committee with respect to the TTI Offers, details of which are contained in the Composite Document dated 4 June 2007 jointly issued by TTI and the Offeror of which this letter forms a part. Rothschild has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether or not the terms of the TTI Offers are fair and reasonable so far as the Offer Shareholders and the holders of the TTI Securities are concerned.

The terms used in this letter shall have the same meanings as defined elsewhere in the Composite Document unless the context otherwise requires.

In accordance with Rule 2.1 of the Code, an Independent Board Committee comprising Messrs. Christopher Patrick Langley OBE (Chairman of the Independent Board Committee), Joel Arthur Schleicher and Manfred Kuhlmann (all being independent non-executive Directors) has been formed to consider the terms of the TTI Offers. Other than members of the Independent Board Committee, none of the other Directors are considered to be independent for the purpose of giving any advice or recommendation to



the Offer Shareholders and holders of the TTI Securities in relation to the TTI Offers for the following reasons: (a) Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP are Group executive Directors and shareholders and directors of the Offeror; (b) Messrs. Patrick Kin Wah Chan and Frank Chi Chung Chan are Group executive Directors and salaried employees of TTI; (c) Mr. Stephan Horst Pudwill is a Group executive Director and a party acting in concert with the Offeror; and (d) Mr. Vincent Ting Kau Cheung is a non-executive Director and a consultant to TTI's legal adviser in Hong Kong.

In formulating our recommendations, we have relied on the information and facts supplied to us by TTI and have assumed that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations and opinions contained or referred to in the Composite Document are fair and reasonable and have relied on them.

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate, incomplete or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. The Directors (in respect of the information on TTI) and the Offeror Directors (in respect of the information on the Offeror and its Concert Parties) have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Document and have confirmed, having made all reasonable enquiries, that, to the best of their knowledge and belief, opinions expressed in the Composite Document have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Composite Document misleading. We believe that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of TTI or any of its subsidiaries or associated companies, or the Offeror and its Concert Parties.

We have not considered the tax consequences on the Offer Shareholders and holders of the TTI Securities of their acceptances or non-acceptances of the TTI Offers since these are particular to their own individual circumstances. In particular, the Offer Shareholders and holders of the TTI Securities who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the TTI Offers and, if in any doubt, should consult their own professional advisers.



**TERMS OF THE TTI OFFERS**

For details of the terms of the TTI Offers, your attention is drawn to the “Letter from Platinum” in the Composite Document. The TTI Share Offer is made to the Offer Shareholders by Platinum on behalf of the Offeror on the following basis:

For each TTI Share . . . . .HK\$3.60 in cash

The TTI Share Offer is conditional upon valid acceptances having been received at or before 4.00 p.m. on the First Closing Date (or such other time as the Offeror may decide subject to the Code) which would result in the Offeror and its Concert Parties holding more than 50% of the voting rights in TTI.

In addition to the TTI Share Offer, the Offeror has made a conditional offer to all holders of the TTI Option, excluding those held by the Offeror and its Concert Parties, and all holders of the TTI Bond and TTI ADS on the following basis:

For each TTI Option . . . . .HK\$0.001 in cash

For each TTI Bond . . . . .HK\$1,695.20 in cash

For each TTI ADS . . . . .HK\$18.00<sup>(1)</sup> in cash

Each of the TTI Option Offer, the TTI Bond Offer and TTI ADS Offer shall be made conditional upon the TTI Share Offer becoming or being declared unconditional.

In accordance with the terms of the TTI Share Option Scheme, the holders of TTI Options that are not exercisable during the Offer Period shall be entitled to exercise these TTI Options in full (to the extent not already exercised), upon the TTI Share Offer becoming unconditional, at any time within one month of the announcement made by the Offeror that the TTI Share Offer has become unconditional and that the TTI Share Offer will remain open for acceptances for 14 days. If any TTI Option is not exercised within this one month period, it will automatically lapse.

*Note:*

(1) This will be converted into US dollars, less a cancellation fee of up to US\$0.05 per TTI ADS, the US Depositary’s fees and any applicable transfer fees, expenses in relation to currency conversion, taxes and government charges.



## PRINCIPAL FACTORS AND REASONS

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

### 1. Background and rationale of the TTI Offers

TTI is a world-leading producer of quality consumer and professional products marketed for the home improvement and construction industries. TTI's products include power tools and power tool accessories, outdoor power equipment, floor care and laser and electronic products.

As disclosed in the shareholders' circular of TTI dated 12 March 2002, the Directors considered that in order to enable the Group to attract and retain employees of appropriate qualifications and experience, it is important to provide its employees with an additional incentive by offering them an opportunity to obtain an ownership interest in TTI and to reward them for contributing to the long term success of the business of the Group. The TTI Share Option Scheme was approved by the TTI Shareholders at a general meeting and adopted on 28 March 2002. According to the terms of the TTI Share Option Scheme, the share options under the TTI Share Option Scheme may be exercised at any time from the date of grant to the fifth anniversary thereof and the subscription price is set at the highest of (a) the closing price of the TTI Shares on the date of offer of the share option; (b) the average closing price of the TTI Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; and (c) the nominal value of shares on the date of offer.

Pursuant to the TTI Share Option Scheme, TTI granted 25,728,000 TTI Options and 12,864,000 TTI Options at an exercise price of HK\$3.60 each respectively to Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP on 28 June 2002 and these options will expire on 27 June 2007. Mr. Horst Julius Pudwill is the founder, chairman and chief executive officer of TTI while Dr. Roy Chi Ping Chung JP is the founder and vice chairman of TTI. Both Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP have been employed by TTI since its incorporation on 24 May 1985.



On 14 May 2007, TTI received written notices from Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP stating that they have exercised the TTI Options granted to them on 28 June 2002 under the TTI Share Option Scheme, at the exercise price of HK\$3.60 per TTI Share. The exercise of these TTI Options has resulted in Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP acquiring in aggregate 38,592,000 TTI Shares, representing approximately 2.56% of the enlarged share capital of TTI. Consequently, the Offeror and its Concert Parties now own in aggregate 457,633,742 TTI Shares, representing approximately 30.41% of the enlarged issued share capital of TTI and the Offeror is required to make a mandatory conditional general offer for all the issued TTI Shares, TTI ADSs and TTI Bonds and cancel all outstanding TTI Options, other than those already owned by the Offeror and its Concert Parties pursuant to Rule 26.1 of the Code.

Offer Shareholders should note that since the date of grant of the TTI Options to Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP on 28 June 2002, the business and share price of TTI have performed strongly. The net profit attributable to the TTI Shareholders between the five years ended 31 December 2001 to 2006 recorded a compound annual growth rate of approximately 34.11%. The closing share price of the TTI Shares has also increased by approximately 227.22% from 28 June 2002 to 14 May 2007 (being the Last Trading Day) which compared favourably with the increase of approximately 97.94% in the Hang Seng Index over the same period.

As disclosed in the “Letter from the Board” in the Composite Document, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the TTI Shares between TTI or its associate, as defined by the Code, and any other person that might be material to the TTI Offers as at the Latest Practicable Date.

Regarding the future intentions of the Offeror in relation to TTI, we note in the “Letter from Platinum” in the Composite Document that the Offeror intends that TTI shall remain listed on the Stock Exchange after the close of the TTI Offers and that the Offeror Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the TTI Shares. The Offeror also intends that TTI continues its principal business activities and that the existing management of TTI will carry out the management and daily operations of TTI. The Offeror currently has no intention to inject any material assets or businesses into TTI, to dispose of any material assets or businesses of TTI or to make any changes to the composition of the Board. The Offeror currently does not intend to introduce any major changes in the business, including any redeployment of the fixed assets of the Group, or the continued employment of the employees of the Group.



## 2. Financial performance of the TTI Group

The following is a summary of the audited consolidated financial statements of TTI for the three years ended 31 December 2006 as extracted from its annual reports.

	<b>For the year ended 31 December</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenues	16,304,140	22,358,387	21,822,597
Cost of goods sold	<u>(11,363,394)</u>	<u>(15,416,176)</u>	<u>(14,929,737)</u>
Gross profit	4,940,746	6,942,211	6,892,860
<i>Gross profit margin</i>	<i>30.30%</i>	<i>31.05%</i>	<i>31.59%</i>
Selling, distribution, advertising and warranty expenses	(1,916,812)	(2,537,555)	(2,529,631)
Administrative expenses	(1,551,024)	(2,443,035)	(2,414,135)
Research and development costs	<u>(338,962)</u>	<u>(492,234)</u>	<u>(428,311)</u>
Operating profit	1,133,948	1,469,387	1,520,783
<i>Operating profit margin</i>	<i>6.95%</i>	<i>6.57%</i>	<i>6.97%</i>
Other income	39,688	46,630	43,423
Interest income	52,772	60,368	91,454
Finance costs	(150,064)	(353,041)	(391,679)
Share of results of associates	<u>(845)</u>	<u>(6,463)</u>	<u>(895)</u>
Profit before tax	1,075,499	1,216,881	1,263,086
Tax expenses	(108,829)	(157,714)	(184,017)
Profit attributable to minority interests	<u>(40,314)</u>	<u>(40,183)</u>	<u>(7,205)</u>
Net profit	<u>926,356</u>	<u>1,018,984</u>	<u>1,071,864</u>
<i>Net profit margin</i>	<i>5.68%</i>	<i>4.56%</i>	<i>4.91%</i>
Earnings per TTI Share (basic) <i>(HK\$ cents)</i>	69.28	73.53	73.18
Dividend per TTI Share <i>(HK\$ cents)</i>	17.00	18.60	19.10





*(a) Revenues and gross profit margin*

Revenues increased from approximately HK\$16,304.14 million for the year ended 31 December 2004 to approximately HK\$22,358.39 million for the year ended 31 December 2005 primarily due to the acquisition of two additional brands of professional power tools (Milwaukee® and AEG®) during the year which resulted in a growth of approximately 49.1% in TTI's power equipment products business whereby revenue from TTI's power equipment products accounted for approximately 76.9% of TTI's revenue in 2005. For the year ended 31 December 2006, TTI's revenues declined slightly from the prior year to approximately HK\$21,822.60 million mainly due to a softer macro economic environment in the United States in the second half of 2006 and the cautious inventory policy adopted by home equipment retailers. TTI generates its revenues predominantly from the North American markets which accounted for approximately 73.69% of its revenue for the year ended 31 December 2006 with the remaining of approximately 26.31% of its revenue from Europe and the rest of the world.

Notwithstanding the decline in revenues, TTI's gross profit margin continued to increase from approximately 30.30% for the year ended 31 December 2004 to approximately 31.59% for the year ended 31 December 2006 primarily due to TTI's ability to introduce new products and favourable product mix.

*(b) Operating profit and net profit*

Although operating profit increased from approximately HK\$1,133.95 million for the year ended 31 December 2004 to approximately HK\$1,520.78 million for the year ended 31 December 2006, operating profit margin remained relatively constant over the same period.

Net profit increased from approximately HK\$926.36 million for the year ended 31 December 2004 to approximately HK\$1,018.98 million for the year ended 31 December 2005 while net profit margin declined from approximately 5.68% for the year ended 31 December 2004 to approximately 4.56% for the year ended 31 December 2005 primarily as a result of increased acquisitions related interest expenses. For the year ended 31 December 2006, net profit has increased to approximately HK\$1,071.86 million while net profit margin has increased to approximately 4.91% as compared with the year 2005, primarily due to improved operating profit and higher interest income.



(c) *Future prospects of TTI*

TTI's future financial performance continues to be affected by its ability to launch new products and synergy contributions (in terms of both sales growth and cost savings) from its acquisitions, especially its latest acquisition in the floor care business, Hoover® (acquisition completed on 31 January 2007). As noted in TTI's 2006 annual report, the management of TTI intends to continue with the existing business strategy of TTI.

**3. Valuation considerations**

The Offer Price of HK\$3.60 per TTI Share is equivalent to the exercise price of the TTI Options granted on to Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP on 28 June 2002 and represents:

- (a) a discount of approximately 67.27% to the closing price of HK\$11.00 per TTI Share as quoted on the Stock Exchange on 11 May 2007, being the last business day prior to 14 May 2007, the date of commencement of the Offer Period;
- (b) a discount of approximately 69.70% to the closing price of HK\$11.88 per TTI Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (c) a discount of approximately 66.91% to the closing price of HK\$10.88 per TTI Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 66.70% to the average closing price of approximately HK\$10.81 per TTI Share as quoted on the Stock Exchange over the last 10 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 66.64% to the average closing price of approximately HK\$10.79 per TTI Share as quoted on the Stock Exchange over the last 20 trading days up to and including the Last Trading Day;
- (f) a discount of approximately 65.35% to the average closing price of approximately HK\$10.39 per TTI Share as quoted on the Stock Exchange over the last 30 trading days up to and including the Last Trading Day;
- (g) an implied price earnings ratio of approximately 4.92 times the earnings per TTI Share of approximately HK\$0.73 for the year ended 31 December 2006;
- (h) an implied dividend yield of approximately 5.31%, based on the dividend per TTI Share of HK\$0.19 for the financial year ended 31 December 2006; and



- (i) a discount of approximately 24.69% to the net asset value of approximately HK\$4.78 per TTI Share for the year ended 31 December 2006.

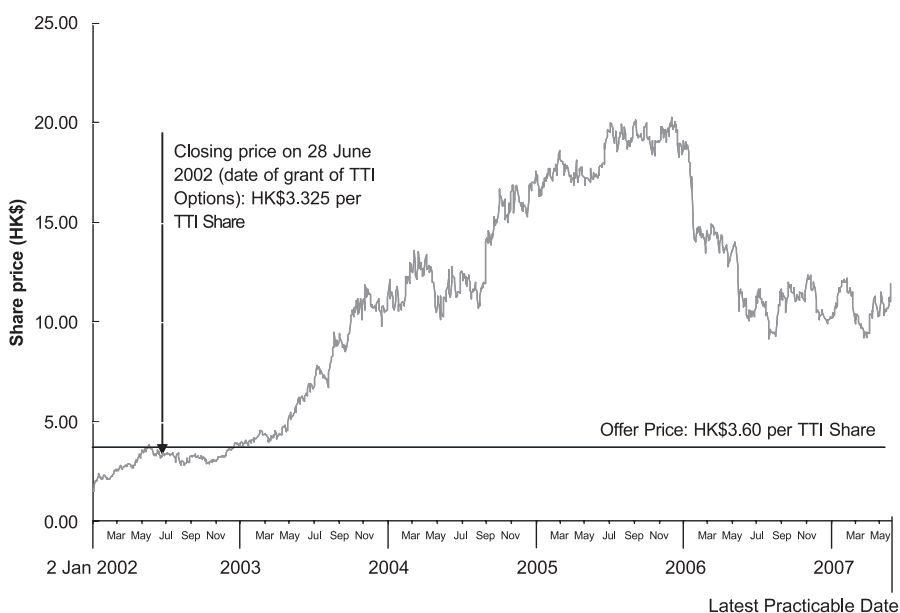
On the basis of the Offer Price, the entire issued capital of TTI (on a fully diluted basis, excluding the TTI Shares held by the Offeror and its Concert Parties, assuming that the outstanding TTI Options, excluding those held by the Offeror and its Concert Parties, are exercised in full and all the outstanding TTI Bonds are fully converted) is valued at approximately HK\$4,118.06 million.

We have analysed the Offer Price by reviewing: (a) the historical share price performance of the TTI Share; (b) the historical trading volume of the TTI Shares; and (c) recent comparable transaction(s) completed in Hong Kong (“Comparable Transaction(s)”).

*(a) Historical share price performance of the TTI Share*

The graph below illustrates the daily closing prices of the TTI Shares from 2 January 2002 up to and including the Latest Practicable Date:

**Chart 1 – Performance of the TTI Share closing price**



Source: Bloomberg



As illustrated in Chart 1 above, the price of the TTI Shares has been on an upward trend since 2 January 2002 and reached its highest closing price of HK\$20.30 on 5 December 2005 before declining and settling at the current level. The TTI Shares have closed above the Offer Price since 12 December 2002. Although the historical TTI Share price performance does not necessarily reflect the future price of the TTI Shares, it is nevertheless useful to compare the Offer Price with the past share price performance.

The table below is a summary of the highest and lowest closing prices, the average closing prices of the TTI Shares and the percentage of trading days which the closing prices of the TTI Shares were above the Offer Price during the one-year period from 15 May 2006 to the Last Trading Day, both days inclusive (the “One-Year Period”):

**Table 1 – Trading performance**

	<b>One-Year Period</b>
Highest closing price	HK\$13.75
Lowest closing price	HK\$9.10
Average closing price	HK\$10.83
Number of trading days closed above the Offer Price as a percentage of the total number of trading days	100%

*Source: Bloomberg*

As illustrated in Chart 1 and Table 1 above, the TTI Shares have consistently closed above the Offer Price since 12 December 2002. The Offer Price of HK\$3.60 is approximately 73.82% lower than the highest closing price of HK\$13.75 per TTI Share achieved on 15 May 2006 during the One-Year Period and approximately 60.44% lower than the lowest closing price of HK\$9.10 per TTI Share on 4 August 2006 during the One-Year Period.



(b) *Historical trading volume of the TTI Shares*

The table below sets out the monthly trading volume of the TTI Shares, the monthly trading volume as a percentage of the issued share capital of TTI and the monthly trading volume as a percentage of the TTI Shares held by the Offer Shareholders during the One-Year Period up to and including 31 May 2007:

**Table 2 – Liquidity analysis of the TTI Shares**

	Monthly trading volume of the TTI Shares (million Shares)	Monthly trading volume of the TTI Shares as a percentage of total issued share capital of TTI <sup>(1)</sup>	Monthly trading volume of the TTI Shares as a percentage of shares held by the Offer Shareholders <sup>(2)</sup>
<b>2006</b>			
From 15 May to 31 May	85.52	5.68%	8.16%
June	93.56	6.22%	8.93%
July	61.06	4.06%	5.83%
August	145.62	9.68%	13.90%
September	86.98	5.78%	8.30%
October	51.55	3.42%	4.92%
November	134.06	8.91%	12.80%
December	84.38	5.61%	8.06%
<b>2007</b>			
January	102.53	6.81%	9.79%
February	122.38	8.13%	11.68%
March	180.67	12.00%	17.25%
April	289.20	19.22%	27.61%
May	163.13	10.84%	15.57%
Average monthly trading volume (1 June 2006 to 31 May 2007)	126.26	8.39%	12.05%

Source: Bloomberg

Notes:

- (1) Based on the 1,505,050,652 TTI Shares in issue as at the Latest Practicable Date.
- (2) Based on the 1,047,416,910 TTI Shares held by the Offer Shareholders as at the Latest Practicable Date.
- (3) During the period from 15 May 2006 to 31 May 2007, there was no suspension in the trading of the TTI Shares on the Stock Exchange.



From Table 2 above, we note that the monthly trading volume of the TTI Shares between 1 June 2006 to 31 May 2007 ranged from a low of approximately 51.55 million TTI Shares in October 2006 to a high of approximately 289.20 million TTI Shares in April 2007. The average monthly trading volume of the TTI Shares for the same period was approximately 126.26 million TTI Shares, or approximately 8.39% of the total issued share capital of TTI, or approximately 12.05% of the TTI Shares held by the Offer Shareholders.

Based on the above, the TTI Shares have a reasonably liquid market for the Offer Shareholders and potential investors to trade in the open market. Those Offer Shareholders who wish to take this opportunity to realise part or all of their TTI Shares should have regard to the market price of the TTI Shares before the Closing Date and should sell their shares in the open market rather than accepting the TTI Share Offer if the net proceeds from the sale of the shares in the open market after deducting all transaction costs are more than the net amount to be received under the TTI Share Offer.

*(c) Comparable Transaction*

In selecting the Comparable Transaction, we have reviewed the 34 general offers announced by companies listed on the main board of the Stock Exchange but excluding the TTI Share Offer, during the period from 1 January 2006 to the Last Trading Day (the “Sample”).

In assessing the comparability of the Sample, we have taken into account that (i) the Offeror and its Concert Parties are together the single largest shareholder of TTI prior to the TTI Offers; (ii) Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP are actively involved in the management and operation of the business of TTI prior to the TTI Offers; and (iii) the TTI Offers were triggered as a result of the exercise of the TTI Options granted to them pursuant to the TTI Share Option Scheme. On this basis, we have excluded all voluntary general offers and mandatory general offers in the Sample that were triggered by (i) a change of control (as defined under the Code) due to a non-shareholder; and (ii) additional shares purchases by an existing shareholder by means other than pursuant to the exercise of share options as they are not considered to be sufficiently comparable to the TTI Share Offer given the circumstances.



From this review, we have identified and considered the offer relating to The Cross Harbour (Holding) Limited (“CHHL”) announced on 10 April 2006 to be the most comparable to the TTI Share Offer even though the options exercised by the offeror were granted pursuant to a share option agreement entered into between CHHL and the offeror on 9 May 2003 whereby the offeror purchased options granted by CHHL to subscribe for new shares in CHHL as against the granting of the share options pursuant to an employee share option scheme as in the case of the TTI Share Offer. We have set out in Table 3 the relevant percentages for the only selected Comparable Transaction:

**Table 3 – Analysis of Comparable Transaction**

Company	Description	Date of announcement	Offer price per share (HK\$)	Discount to average closing share price prior to issue of announcement				
				Last trading day (%)	10 days (%)	20 days (%)	30 days (%)	
The Cross Harbour (Holding) Limited	The offeror and parties acting in concert increased their shareholdings in CHHL from about 29.92% to 40.36% as a result of the exercise of options	10 April 2006	4.08	39.51	40.04	39.24	37.90	
TTI	TTI Share Offer	14 May 2007	3.60	66.91	66.70	66.64	65.35	

*Source: CHHL's composite document dated 25 May 2006 and Bloomberg*

In the above Comparable Transaction, as the offer only received acceptance for approximately 0.012% of the total issued share capital of CHHL, the offer did not become unconditional and lapsed on its closing date. We note that the Offer Price was at a greater discount to the respective average closing share prices of TTI prior to issue of the Announcement as compared with the offer price for CHHL.



Given the above and in particular that (a) the TTI Shares have consistently closed above the Offer Price since 12 December 2002; (b) the TTI Share Offer is made at the Offer Price which is equivalent to the exercise price of the TTI Options granted to Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP (being the Concert Parties) by TTI on 28 June 2002 (which is almost five years ago); (c) the TTI Shares have a reasonably liquid market for the Offer Shareholders and potential investors to trade in the open market; and (d) the Offer Price is at a discount of approximately 24.69% to the net asset value of approximately HK\$4.78 per TTI Share for the year ended 31 December 2006 while the closing price of the TTI Share of HK\$11.88 on the Latest Practicable Date is at a premium of approximately 148.54% to the net asset value per TTI Share for the year ended 31 December 2006, we consider that the Offer Price is not fair and reasonable so far as the Offer Shareholders are concerned.

**4. Principal factors considered relating to the TTI Option Offer, TTI ADR Offer and TTI Bond Offer**

As at the Latest Practicable Date, there were:

- (a) 30,567,000 outstanding TTI Options, excluding those held by the Offeror and its Concert Parties. If these TTI Options were exercised in full, TTI will have to issue 30,567,000 TTI Shares, representing approximately 2% of the enlarged issued share capital of TTI; and
- (b) US\$140 million worth of outstanding TTI Bonds. If these TTI Bonds were converted into TTI Shares, TTI will have to issue 65,922,584 TTI Shares, representing approximately 4.20% of the enlarged issued share capital of TTI.

As at 31 May 2007, there were 5,663,336 TTI ADSs in issue (each TTI ADS represents five TTI Shares).

Pursuant to Rule 13 of the Code, the Offeror will make a comparable offer for all the outstanding TTI Options, TTI Bonds and TTI ADS. These offers are conditional on the TTI Share Offer becoming or being declared unconditional.





In respect of the TTI Option Offer, as the exercise prices of the outstanding TTI Options range from HK\$7.625 to HK\$19.20 per TTI Share, the exercise prices are higher than the Offer Price and the offer price for the TTI Options is a nominal HK\$0.001 per TTI Option in cash for each TTI Option.

In respect of the TTI Bond Offer, each TTI Bond with a face value of HK\$7,797.70 will be converted into approximately 470.88 TTI Shares based on the initial conversion price of HK\$16.56 per TTI Share. The offer price for the TTI Bond is HK\$1,695.20 per TTI Bond (calculated based on the Offer Price of HK\$3.60 per TTI Share) in cash.

In respect of the TTI ADS Offer, as each TTI ADS represents five TTI Shares, the offer price for the TTI ADSs is HK\$18.00 per TTI ADS (calculated based on the Offer Price of HK\$3.60 per TTI Share) in cash which will be converted into US dollars less a cancellation fee of up to US\$0.05 per TTI ADS, the US Depository's fees and any applicable transfer fees, expenses in relation to currency conversion, taxes and governmental charges.

In view of our opinion that the Offer Price is not fair and reasonable, and since the TTI Option Offer, the TTI Bond Offer and the TTI ADS Offer are comparable offers, we also consider that the prices offered for the TTI Securities are not fair and reasonable so far as the respective holders of the TTI Securities are concerned.

## **SUMMARY**

Having considered the above principal factors and reasons, we draw your attention to the following in arriving at our recommendation:

- (a) The exercise of 38,592,000 TTI Options at the exercise price of HK\$3.60 per TTI Shares on 14 May 2007 resulted in the Offeror and its Concert Parties owning in aggregate 457,633,742 TTI Shares, representing approximately 30.41% of the enlarged issued share capital of TTI (from approximately 28.58% of the issued share capital of TTI on 14 May 2007) and accordingly, the Offeror is required to make the TTI Offers pursuant to Rule 26.1 of the Code;



- (b) The TTI Options exercised by Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP were granted to them on 28 June 2002 pursuant to the TTI Share Option Scheme which was approved and adopted by the TTI Shareholders for the purpose of enabling the Group to (i) attract and retain employees of appropriate qualifications and experience; (ii) provide its employees with an additional incentive by offering them an opportunity to obtain an ownership interest in TTI; and (iii) to reward them for contributing to the long term success of the business of the Group. Such TTI Options will expire on 27 June 2007;
- (c) The Offer Price is equivalent to the exercise price of the TTI Options paid by the Offeror and its Concert Parties and represents a significant discount to the current trading price of the TTI Shares. In particular, the TTI Shares have closed above the Offer Price since 12 December 2002;
- (d) The TTI Shares have a reasonably liquid market for the Offer Shareholders and potential investors to trade in the open market;
- (e) The Offer Price is at a discount of approximately 24.69% to the net asset value of approximately HK\$4.78 per TTI Share for the year ended 31 December 2006 while the closing price of the TTI Share of HK\$11.88 on the Latest Practicable Date is at a premium of approximately 148.54% to the net asset value per TTI Share for the year ended 31 December 2006;
- (f) It is the intention of the Offeror that TTI continues its principal business activities which has achieved 12 consecutive years of profit growth to a net profit attributable to TTI Shareholders of approximately HK\$1,071.86 million for the year ended 31 December 2006; and
- (g) The Offeror intends to maintain the listing status of TTI on the Stock Exchange after the close of the TTI Offers and there is no intention to inject any material assets or businesses into TTI, to dispose of any material assets or businesses of TTI, to make any changes to the composition of the Board or to introduce any major changes in the business, including any redeployment of the fixed assets of the Group, or the continued employment of the employees of the Group.



**RECOMMENDATION**

**The TTI Share Offer**

Having considered the above principal factors and reasons, we do not consider the terms of the TTI Share Offer to be fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Offer Shareholders NOT to accept the TTI Share Offer.

Those Offer Shareholders who wish to take this opportunity to realise part or all of their TTI Shares should have regard to the market price of the TTI Shares before the Closing Date and should sell their shares in the open market rather than accepting the TTI Share Offer if the net proceeds from the sale of the shares in the open market after deducting all transaction costs are more than the net amount to be received under the TTI Share Offer.

**The TTI Option Offer, the TTI Bond Offer and the TTI ADR Offer**

Pursuant to Rule 13 of the Code, the Offeror is obliged to make a comparable offer for all the outstanding TTI Securities. These offers are conditional on the TTI Share Offer becoming or being declared unconditional. In reference to our opinion that the terms of the TTI Share Offer are not fair and reasonable, we consider that the terms of the TTI Option Offer, the TTI Bond Offer and the TTI ADS Offer are also not fair and reasonable so far as the respective holders of the TTI Securities are concerned. Accordingly, we advise the Independent Board Committee to recommend to the holders of the TTI Securities NOT to accept the respective TTI Option Offer, the TTI Bond Offer and the TTI ADS Offer.

Yours very truly,

For and on behalf of

**N M Rothschild & Sons (Hong Kong) Limited**

**Kelvin Chau**

*Managing Director*

**Catherine Yien**

*Director*

**1. PROCEDURES FOR ACCEPTANCE AND SETTLEMENT**

If you decide to accept the TTI Share Offer, please complete and sign the accompanying Pink Form of Acceptance in accordance with the instructions thereon in respect of your holdings of TTI Shares. Please then return the original Pink Form of Acceptance duly completed together with the relevant TTI Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof for the whole of your holding of TTI Shares, or for not less than the number of TTI Shares in respect of which you accept the TTI Share Offer to the Receiving Agent, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and in any event so as to be received by not later than 4:00 p.m. on Tuesday, 3 July 2007, being the First Closing Date, or such later time and/or date as the Offeror may decide in accordance with the Code. Acceptances received after 4:00 p.m. on Tuesday, 3 July 2007 will only be valid if the TTI Offers are revised or extended before the First Closing Date, or if the TTI Offers have become or been declared unconditional by 4:00 p.m. on the First Closing Date.

If you decide to accept the TTI Bond Offer, please complete and sign the accompanying Yellow Form(s) of Acceptance in accordance with the instructions thereon in respect of your holdings of TTI Bonds. Please then return the original Yellow Form(s) of Acceptance duly completed together with the TTI Bond certificate(s) and/or transfer receipt(s) and/or other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof for the whole of your holding of TTI Bonds, or for not less than the number of TTI Bonds in respect of which you accept the TTI Bond Offer to the Receiving Agent, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Tuesday, 3 July 2007, being the First Closing Date, or such later time and/or date as the Offeror may decide in accordance with the Code. Acceptances received after 4:00 p.m. on Tuesday, 3 July 2007 will only be valid if the TTI Offers are revised or extended before the First Closing Date, or if the TTI Offers have become or been declared unconditional by 4:00 p.m. on the First Closing Date.

If you decide to accept the TTI ADS Offer, please complete and sign the accompanying Letter of Transmittal (in White colour) in accordance with the instructions thereon in respect of your holdings of TTI ADSs. Please then return the original Letter of Transmittal (in White colour) duly completed together with the TTI ADR(s) and any other documents required in respect thereof for the whole of your holding of TTI ADSs, or for not less than the number of TTI ADSs in respect of which you accept the TTI ADS Offer to the US Tender Agent at The Bank of New York, Tender & Exchange Department, P.O. Box 11248, Church Street Station, New York, NY 10286-1248 (by mail) or The Bank of New York, Tender & Exchange Department – 11W, 101 Barclay Street, Receive & Deliver Window – Street Level, New York, NY 10286 (by hand or overnight courier) by not later than 5:00 p.m. (New York time) on Monday, 2 July 2007 or such later time and/or date as the Offeror may decide in accordance with the Code. Acceptances received after 5:00 p.m. (New York time) on Monday, 2 July 2007 will only be valid if the TTI Offers are revised or extended before or if the TTI Offers have become or been declared unconditional by 5:00 p.m. on Monday, 2 July 2007.

If you decide to accept the TTI Option Offer, please complete and sign the accompanying Blue Form of Acceptance in accordance with the instructions thereon in respect of your holdings of TTI Options. Please then return the original Blue Form of Acceptance duly completed together with the TTI Option certificate(s) for the whole of your holding of TTI Options or for not less than the number of TTI Options in respect of which you accept the TTI Option Offer to the Receiving Agent at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and in any event so as to be received by not later than 4:00 p.m. on Tuesday, 3 July 2007, being the First Closing Date, or such later time and/or date as the Offeror may decide in accordance with the Code. Acceptances received after 4:00 p.m. on Tuesday, 3 July 2007 will only be valid if the relevant offer under the TTI Offers has been revised or extended before the First Closing Date, or if the relevant offer under the TTI Offers has become or been declared unconditional by 4:00 p.m. on the First Closing Date.

**(a) The TTI Share Offer**

- (i) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your TTI Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the TTI Share Offer in respect of your TTI Shares, you must either:
  - (A) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the TTI Share Offer on your behalf and requesting it to deliver the Pink Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Receiving Agent; or
  - (B) arrange for the TTI Shares to be registered in your name by TTI through the Receiving Agent, and deliver the Pink Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Receiving Agent; or
  - (C) if your TTI Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the TTI Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case by 4:00 p.m. (Hong

Kong time) on Friday, 29 June 2007 which is one business day before the latest date on which acceptances of the TTI Share Offer must be received by the Receiving Agent and request HKSCC Nominees Limited to deliver the Pink Form of Acceptance duly completed together with the relevant TTI Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Receiving Agent. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (D) if your TTI Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System no later than the deadline set out by HKSCC Nominees Limited, in this case by 4:00 p.m. (Hong Kong time) two business days before the latest date on which acceptances of the TTI Share Offer must be received by the Receiving Agent, which is Thursday, 28 June 2007.
- (ii) If you have lodged transfer(s) of any of your TTI Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the TTI Share Offer in respect of your TTI Shares, you should nevertheless complete the Pink Form of Acceptance and deliver it to the Receiving Agent together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to Platinum and/or the Offeror or their respective agent(s) to collect from TTI or the Receiving Agent on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Receiving Agent as if it was/they were delivered to the Receiving Agent with the Pink Form of Acceptance.
- (iii) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your TTI Shares is/are not readily available and/or is/are lost and you wish to accept the TTI Share Offer in respect of your TTI Shares, you should nevertheless complete the Pink Form of Acceptance and deliver it to the Receiving Agent together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Receiving Agent as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Receiving Agent for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Receiving Agent.

- (iv) Acceptance of the TTI Share Offer will be treated as valid only if the Pink Form of Acceptance is duly completed, is received by the Receiving Agent by no later than 4:00 p.m. (Hong Kong time) on Tuesday, 3 July 2007 (or such later time and/or date as the Offeror may determine and announce as permitted under the Code) and the Receiving Agent has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Code have been so received, and is:
- (A) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant TTI Share(s) in blank or in favour of the TTI Shareholder accepting the TTI Share Offer executed by the registered holder) in order to establish your right to become the registered holder of the relevant TTI Shares; or
  - (B) from a registered TTI Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the TTI Shares which are not taken into account under another sub-paragraph under this paragraph (e)); or
  - (C) certified by the Receiving Agent or the Stock Exchange; or
  - (D) from HKSCC Nominees Limited, if the TTI Shares are deposited at CCASS on behalf of the TTI Shareholder.

If the Pink Form of Acceptance is executed by a person other than the registered TTI Shareholder, appropriate documentary evidence of authority to the satisfaction of the Receiving Agent (e.g. grant of probate or certified copy of a power of attorney) must be produced.

- (v) No acknowledgement of receipt of any Pink Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (vi) In accordance with Rule 20.1 of the Code, payment will be posted to the accepting Offer Shareholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the date of receipt by the Receiving Agent of the complete and valid Pink Form of Acceptance, or the Unconditional Date, whichever is later. Relevant documents of title must be received by the Receiving Agent to render each acceptance of the TTI Share Offer complete and valid.

- (vii) If the TTI Share Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Receiving Agent will be posted by the Receiving Agent to the Offer Shareholders who have accepted the TTI Share Offer by ordinary post at their own risk as soon as possible but in any event within 10 days after the TTI Share Offer has lapsed.
  
- (viii) The address of the Receiving Agent is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

**(b) TTI Bond Offer**

- (i) Subject to the TTI Bond Offer becoming or being declared unconditional and provided that the Yellow Form of Acceptance, the TTI Bond certificate(s) an/or transfer receipts and/or other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof, are completed and in good order and have been received by the Receiving Agent before the close of the TTI Bond Offer, cheques in respect of the relevant consideration will be posted at the risk of accepting holders of TTI Bonds within 10 days of the later of:
  - (A) the date on which the TTI Bond Offer becomes or is declared unconditional; and
  - (B) the receipt of all the relevant documents by the Receiving Agent to render the acceptance under the TTI Bond Offer complete and valid.
  
- (ii) If the TTI Bond certificate(s) and/or transfer receipt(s) and/or any other document(s) of title for your TTI Bonds are in the name of a nominee company or some name other than your own, and you wish to accept the TTI Bond Offer, you must either:
  - (A) lodge your TTI Bond certificate(s) and/or transfer receipts and/or any other document(s) of title and/or required in respect thereof, with the nominee company or other nominee with instructions authorizing it to accept the TTI Bond Offer on your behalf and requesting it to deliver the Yellow Form of Acceptance duly completed together with the relevant TTI Bond certificates(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof, to the Receiving Agent; or



- (B) arrange for the TTI Bonds to be registered in your name with the bond registrar and send the completed Yellow Form of Acceptance to the Receiving Agent together with the relevant TTI Bond certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof; or
- (C) if you have deposited your TTI Bonds with CCASS, instruct your broker to authorize HKSCC Nominees Limited to accept the TTI Bond Offer on your behalf on or before the deadline set by HKSCC Nominees Limited before the closing date. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker for the timing on processing your instruction and submit your instruction to your broker as required.
- (iii) If the TTI Bond certificate(s) and/or transfer receipt(s) and/or any document(s) of title and/or any satisfactory indemnity or indemnities in respect thereof of your TTI Bonds are not readily available or is, are, lost and you wish to accept the TTI Bond Offer, you should nevertheless complete and sign the Yellow Form of Acceptance and deliver it to the Receiving Agent and arrange for the relevant TTI Bond certificate(s) and/or transfer receipt(s) and/or other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof to be forwarded to the Receiving Agent as soon as possible thereafter accompanied by a letter stating that you have lost one or more title and/or any satisfactory indemnity or indemnities required in respect thereof, or that they are not readily available. If you have lost your TTI Bond certificate(s), you should also write to the bond registrar for a letter of indemnity, which when completed in accordance with the instructions given should be returned to the bond registrar.
- (iv) If you have lodged a transfer of TTI Bonds for registration in your name but have not yet received your TTI Bond certificate(s) and you wish to accept the TTI Bond Offer, you should nevertheless complete the Yellow Form of Acceptance and deliver it to the Receiving Agent together with the transfer receipt(s) duly signed by your self. Such action will be deemed to be an authority to the Offeror or their agents to collect, on your behalf, the relevant TTI Bond certificate(s) when issued and to deliver such TTI Bond certificate(s) to the Receiving Agent, subject to the terms of the TTI Bond Offer as if they were TTI Bond certificate(s) delivered to the Receiving Agent with the Yellow Form of Acceptance.

- (v) The cash consideration due will not be paid until the relevant TTI Bond certificate and/or transfer receipt and/or any other documents of title (and/or a satisfactory indemnity or indemnities in respect of any lost TTI Bond certificate) have been received by the Receiving Agent and otherwise subject to the terms and conditions of the TTI Bond Offer. However, an acceptance may not be counted towards fulfilling the acceptance condition unless it is received on or before the latest time for acceptance set out in this Composite Document, the Yellow Form of Acceptance is duly accompanied by the relevant TTI Bond certificate(s) and/or transfer receipts and/or other documents of title or certified by the Receiving Agent or the Stock Exchange.
- (vi) No acknowledgement or receipt of any Yellow Form(s) of Acceptance, TTI Bond certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (vii) If the TTI Bond Offer lapses, the TTI Bond certificates and other relevant documents tendered to the TTI Bond Offer will be posted to those who accepted the TTI Bond Offer within 10 days of the lapse of the TTI Bond Offer.

**(c) TTI ADS Offer**

- (i) If you are a holder of TTI ADSs, you will have received a Letter of Transmittal (in White colour) for use in connection with the TTI ADS Offer. Paragraph 1(c) of this Appendix I should be read together with the instructions in the Letter of Transmittal (in White colour). The provisions of this Appendix I, other than paragraphs 1(a), 1(b) and 1(d), shall be deemed to be incorporated in, and form a part of, the Letter of Transmittal (in White colour). The instructions printed on the Letter of Transmittal shall be deemed to form part of the terms of the TTI ADS Offer.
- (ii) **Acceptance and Payment by the Offeror.** Unless the TTI ADS Offer has previously become or been declared unconditional, revised or extended, and upon the terms and subject to the conditions of the TTI ADS Offer (including, if the TTI ADS Offer is extended or revised, the terms and conditions of any such extension or revision), the Offeror will accept for payment all TTI Shares represented by TTI ADSs validly tendered prior to 5:00 p.m. (New York time) on Monday, 2 July 2007, (the “ADS Acceptance Deadline”) and, in the case of an extended Offer Period, prior to 5:00 p.m. (New York time) on the US business day preceding the end of the extended Offer Period.

- (iii) In all cases, payment for TTI Shares represented by TTI ADSs tendered and accepted for payment by the Offeror pursuant to the TTI ADS Offer will be made only after timely receipt by the US Tender Agent of (A) the TTI ADRs evidencing the TTI ADSs or confirmation (a “Book-Entry Confirmation”) of a book-entry transfer of such TTI ADSs into the US Tender Agent’s account at The Depository Trust Company (the “Book-Entry Transfer Facility”) pursuant to the procedures discussed in paragraph 1(c)(vi) of this Appendix I, (B) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent’s Message (as defined in paragraph 1(c)(vi) of this Appendix I) in lieu of the Letter of Transmittal and (C) any other documents required by the Letter of Transmittal. Subject to the withdrawal rights described in paragraph 1(g) of this Appendix I, such acceptance will be deemed to constitute a binding agreement between such tendering TTI ADSs holder and the Offeror upon the terms and subject to the conditions of the TTI ADS Offer. If a TTI ADS has been tendered by a TTI ADS holder, the TTI Shares represented by such TTI ADSs may not be tendered independently. A Letter of Transmittal and other required documents contained in an envelope postmarked in any jurisdiction where it would be unlawful to make the TTI ADS Offer or otherwise appearing to the Offeror or its agents to have been sent from any jurisdiction where it would be unlawful to do so will not constitute a valid acceptance of the TTI ADS Offer.
- (iv) For the purposes of the TTI ADS Offer, the Offeror will be deemed to have accepted for payment (and thereby purchased) TTI Shares represented by TTI ADSs validly tendered and not properly withdrawn as, if and when the Offeror gives oral or written notice to the US Tender Agent of the Offeror’s acceptance for payment of such TTI Shares pursuant to the TTI ADS Offer.
- (v) Upon the terms and subject to the conditions of the TTI ADS Offer, payment for TTI Shares accepted for payment pursuant to the TTI ADS Offer will be made by deposit of the purchase price therefor with the US Tender Agent, which will act as agent for tendering TTI ADS holders for the purpose of receiving payments from the Offeror and transmitting such payments to tendering TTI ADS holders whose TTI Shares represented by TTI ADSs have been accepted for payment. Under no circumstances will the Offeror pay interest on the purchase price for TTI Shares represented by TTI ADSs, regardless of any delay in making such payment. **The Offeror will deliver Hong Kong dollars, after deducting any applicable stock transfer taxes and/or Hong Kong stamp duty to the US Tender Agent for the TTI ADSs representing the TTI Shares purchased by the Offeror and the US Tender Agent will convert said Hong Kong dollars into US dollars on the open spot market on or about the date such Hong Kong dollars are received by it from the Offeror. The actual amount of US dollars received will depend upon the relevant exchange rate prevailing on the day funds are converted by the US Tender Agent.** TTI

ADS holders should also be aware that the relevant exchange rate which is prevailing at the date on which a TTI ADS holder executes the Letter of Transmittal (or in the case of a book-entry transfer, authorises an Agent's Message to be delivered) and on the date of despatch of payment from the Offeror to the US Tender Agent may be different from that prevailing on the day funds are converted by the US Tender Agent. The US Tender Agent will deduct from the offered consideration any fees payable to The Bank of New York, as depositary for the TTI ADSs, resulting from the cancellation of the TTI ADSs in connection with the US Tender Agent's delivery to the Offeror of TTI Shares represented by TTI ADS, including a cancellation fee of up to US\$0.05 per TTI ADS, The Bank of New York's fees and any applicable transfer fees, expenses in relation to currency conversion, taxes and governmental charges. The actual amount of consideration received will be net of such fees. Under the Code, payment will be sent to the TTI ADS holders by the US Tender Agent as soon as possible after the date on which the TTI ADS Offer becomes or is declared unconditional and the Offer Period terminates. Where a TTI ADS holder accepts the TTI ADS Offer by physical delivery of American depositary receipts, cheques for the cash consideration will be despatched by the US Tender Agent by means of the US mail. Where a TTI ADS holder accepts the TTI ADS Offer by book-entry transfer, the cash consideration will be transferred by the US Tender Agent to the Book-Entry Transfer Facility for credit to the account of the Book-Entry Transfer Facility participant who validly tendered the TTI ADSs through the Book-Entry Transfer Facility.

- (vi) **Book-Entry Transfer.** The US Tender Agent will establish an account at the Book-Entry Transfer Facility with respect to interests in TTI ADSs held in book-entry form for the purposes of the TTI ADS Offer within two business days from the date of this Composite Document. TTI ADSs held through the Book-Entry Transfer Facility must be tendered through any financial institution that is a participant in the Book-Entry Transfer Facility by (A) causing the Book-entry Transfer Facility to transfer such interests in TTI ADSs into the US Tender Agent's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedure for such transfer, and (B) causing the applicable Book-entry Transfer Facility participant to deliver an Agent's Message to the US Tender Agent or delivering a completed Letter of Transmittal to the US Tender Agent. The term "Agent's Message" means a message transmitted by the Book-Entry Transfer Facility to, and received by, the US Tender Agent and forming a part of a Book-Entry Confirmation that states that the Book-Entry Transfer Facility has received an express acknowledgement from the participant in the Book-Entry Transfer Facility tendering such TTI ADSs that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Offeror may enforce such agreement against the participant. The confirmation of a book-entry transfer of the interests in TTI

ADSs into the US Tender Agent's account at the Book-Entry Transfer Facility as described above is referred to herein as a "Book-Entry Confirmation". TTI ADSs held in book-entry transfer form must be transferred to the US Tender Agent's account at the Book-Entry Transfer Facility by no later than the ADS Acceptance Deadline. Delivery of documents or instructions to the Book-Entry Transfer Facility does not constitute delivery to the US Tender Agent.

- (vii) **Method of delivery.** The method of delivery of TTI ADSs, the Letter of Transmittal and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and at the risk of the tendering TTI ADS holder, and the delivery will be deemed made only when actually received by the US Tender Agent (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.
- (viii) **Signature guarantees.** Signatures on all Letters of Transmittal must be guaranteed by a firm which is a member of the Security Transfer Agent Medallion Signature Program, or by any other "eligible guarantor institution", as such term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing being referred to as an "Eligible Institution"), except in cases where TTI ADSs are tendered (A) by a registered TTI ADS holder who has not completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (B) for the account of an Eligible Institution. If a TTI ADS is registered in the name of a person other than the signer of the Letter of Transmittal, or if a TTI ADS not accepted for payment or not tendered is to be registered in the name of, a person other than the registered holder(s), then the TTI ADS must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the TTI American depositary receipt, with the signature(s) on such TTI ADS or stock powers guaranteed by an Eligible Institution. See Instructions 1 and 5 of the Letter of Transmittal.
- (ix) **Partial tenders (not applicable to TTI ADS holders who tender by book-entry transfer).** If fewer than all TTI ADSs evidenced by any American depositary receipt delivered to the US Tender Agent are to be tendered, new American depositary receipt(s) evidencing the remainder of TTI ADSs that were evidenced by the American depositary receipt(s) delivered to the US Tender Agent will be sent to the person(s) signing the Letter of Transmittal, unless otherwise provided in the box entitled "Special Delivery Instructions" on the Letter of Transmittal, as soon as practicable after the ADS Acceptance Deadline or the termination of the TTI ADS Offer. All TTI Shares represented by TTI ADSs evidenced by American depositary receipts delivered to the US Tender Agent will be deemed to have been tendered unless otherwise indicated.

- (x) **Special Payment Instructions.** Unless otherwise indicated below in the box entitled “Special Payment Instructions” on the Letter of Transmittal, the cheque for the purchase price of all TTI Shares purchased will be issued in the name(s) of, and all TTI ADRs evidencing TTI ADSs not tendered or not accepted for payment will be returned to, the person signing the Letter of Transmittal. Similarly, unless otherwise indicated in the box entitled “Special Delivery Instructions” on the Letter of Transmittal, the cheque for the purchase price of all purchased TTI Shares represented by TTI ADSs tendered shall be mailed to, and all TTI ADRs evidencing TTI ADSs not tendered or not accepted for payment (and accompanying documents, as appropriate) shall be returned to, the address(es) of the person signing the Letter of Transmittal. In the event that the boxes entitled “Special Payment Instructions” and “Special Delivery Instructions” are both completed, the cheque for the purchase price of all purchased TTI Shares represented by TTI ADSs shall be issued in the name(s) of, and all TTI ADRs evidencing TTI ADSs not tendered or not accepted for payment (and any accompanying documents, as appropriate) shall be delivered to, the person(s) so indicated. Unless otherwise indicated in the box entitled “Special Payment Instructions” on the Letter of Transmittal, any TTI ADSs tendered and delivered by book-entry transfer that are not accepted for payment shall be returned by crediting the account at the Book-Entry Transfer Facility at which the tender was made. The Offeror has no obligation, pursuant to the Special Payment Instructions, to transfer any TTI ADSs from the name of the registered holder(s) thereof if the Offeror does not accept for payment any TTI Shares represented by TTI ADSs tendered.
- (xi) **Determination of Validity.** Subject to Rule 30.2 of the Code, all questions as to the form of documents and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender will be determined by the Offeror, in its sole discretion, which determination shall be final and binding on all parties. The Offeror reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of its counsel, be unlawful. The Offeror also reserves the absolute right to waive any condition of the TTI ADS Offer to the extent permitted by applicable law or any defect or irregularity in the tender of any TTI Shares or TTI ADSs of any particular holder, whether or not similar defects or irregularities are waived in the case of other holders. No tender will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of the Offeror or any of its affiliates or assigns, the US Tender Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. The Offeror’s interpretation of the terms and conditions of the TTI ADS Offer (including the Letter of Transmittal and the instructions in this Composite Document) will be final and binding.

A tender pursuant to any of the procedures described above will constitute the tendering TTI ADS holders acceptance of the terms and conditions of the TTI ADS Offer, as well as the tendering TTI ADS holder's representation and warranty to the Offeror that (A) such TTI ADS holder has the full power and authority to tender, sell, assign and transfer the tendered TTI ADSs and the TTI Shares represented by such TTI ADSs (and any and all other TTI Shares, TTI ADSs or other securities issued or issuable in respect of such TTI Shares or TTI ADSs), and (B) when the TTI Shares represented by such TTI ADSs are accepted for payment by the Offeror, the Offeror will acquire good and unencumbered title, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims. The acceptance for payment by the Offeror of TTI Shares represented by TTI ADSs pursuant to any of the procedures described above will constitute a binding agreement between the tendering TTI ADS holder and the Offeror upon the terms and subject to the conditions of the TTI ADS Offer.

- (xii) ***Appointment as Proxy.*** By executing the Letter of Transmittal (or by causing an Agent's Message to be delivered), each tendering TTI ADS holder irrevocably appoints the designees of the Offeror and each of them, as the attorneys and proxies of such TTI ADS holder, each with full power of substitution, to vote in such manner as each such attorney and proxy or his substitute shall, in his sole discretion, deem proper and otherwise act (by written consent or otherwise) with respect to all TTI ADSs tendered, including all TTI Shares represented by such TTI ADSs, and all TTI Shares which have been accepted for payment by the Offeror prior to the time of such vote or other action and all dividends, distributions (including, without limitation, distributions of additional TTI Shares or TTI ADSs) and rights declared, paid or distributed in respect of such TTI Shares or TTI ADSs on or after the Announcement (collectively, "distributions"), which such TTI ADS holder is entitled to vote at any meeting of shareholders of TTI (whether annual or special and whether or not an adjourned or postponed meeting) or consent in lieu of any such meeting or otherwise. This proxy and power of attorney is coupled with an interest in TTI ADSs tendered and the TTI Shares represented by such TTI ADSs, is irrevocable and is granted in consideration of, and is effective upon, the acceptance for payment of the TTI Shares represented by such TTI ADSs' by the Offeror in accordance with other terms of the TTI ADS Offer. Such acceptance for payment by the Offeror shall revoke all other proxies and powers of attorney granted by the tendering holder at any time with respect to such TTI ADSs or the TTI Shares represented by such TTI ADSs (and all TTI ADSs and other securities issued in distributions in respect of such TTI ADSs or TTI Shares represented thereby), and no subsequent proxies, powers of attorney, consents or revocations may be given by such TTI ADS holder with respect to such TTI ADSs or the TTI Shares represented by such TTI ADSs (and if

given will not be deemed effective). In order for TTI ADSs or distributions to be deemed validly tendered, immediately upon transfer to the Offeror of the TTI Shares represented by such TTI ADSs, the Offeror must be able to exercise full voting and other rights with respect to such TTI ADSs and the TTI Shares represented by such TTI ADSs (and any and all distributions), including, without limitation, voting at any meeting of the TTI shareholders concerning any matter.

- (xiii) **Other requirements.** Execution of the Letter of Transmittal by a TTI ADS holder (together with any signature guarantees) and its delivery to the US Tender Agent (or, in the case of a book-entry transfer, delivery of an Agent's Message to the US Tender Agent) shall constitute in respect of the accepted TTI ADSs and the TTI Shares represented by such TTI ADSs:
- (A) the irrevocable appointment of the US Tender Agent as the agent of such TTI ADS holder and an irrevocable instruction and authority to the US Tender Agent, in all respects in accordance with the terms of the Letter of Transmittal, to surrender such TTI ADSs to the TTI ADS depositary and to instruct the TTI ADS depositary to instruct HSBC, in its capacity as custodian under the TTI ADS facility, in respect of the TTI Shares represented by the tendered TTI ADSs having been accepted for purchase, to execute and deliver to the Receiving Agent, or any successor share registrar of TTI, all or any form(s) of transfer and/or other document(s) with respect to the TTI Shares represented by such TTI ADSs; and
  - (B) an irrevocable acknowledgment by the TTI ADS holder that (1) payment by the Offeror for the TTI Shares represented by such TTI ADS holder's TTI ADSs shall constitute payment for such TTI ADSs and (2) none of the TTI ADS holder, the US Tender Agent, the Custodian or any other person shall be entitled to receive any other consideration under the TTI ADS Offer in connection with the tender or delivery of such TTI ADSs.
- (xiv) If the TTI ADS Offer does not become, or is not declared, unconditional within the time permitted by the Code, the TTI ADRs and/or other documents of title received by the US Tender Agent will be returned to the accepting TTI ADS holders by post as soon as possible but in any event within 10 days after the TTI ADS Offer has lapsed.

If you are in any doubt about the procedures for acceptance, please contact the US Tender Agent at 1-800-507-9357.



**(d) TTI Option Offer**

- (i) Subject to the TTI Option Offer becoming or being declared unconditional and provided that the Blue Form of Acceptance, the TTI Option certificate(s) for the whole of your holding of TTI Options or for the number of TTI Options in respect of which you accept the TTI Option Offer, are completed and in good order and have been received by the Receiving Agent before the close of the TTI Option Offer, cheques in respect of the relevant consideration will be posted at the risk of accepting holders of TTI Options within ten days of the later of:
  - (A) the date on which the TTI Option Offer becomes or is declared unconditional; and
  - (B) the receipt of all the relevant documents by the Receiving Agent to render the acceptance under the TTI Option Offer complete and valid.
- (ii) If the TTI Option certificate(s) of your TTI Options is/are lost and you wish to accept the TTI Option Offer, you should nevertheless complete and sign the Blue Form of Acceptance and deliver it to the Receiving Agent at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and arrange for the relevant TTI Option certificate(s) to be forwarded to the Receiving Agent at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible thereafter accompanied by a letter stating that you have lost one or more of your TTI Option certificate(s).
- (iii) The cash consideration due will not be despatched until the relevant TTI Option certificate has been received by the Receiving Agent and otherwise subject to the terms and conditions of the TTI Option Offer.
- (iv) No acknowledgement of receipt of any Blue Form of Acceptance, TTI Option certificate or transfer receipt and/or any other documents of title will be given.
- (v) If the TTI Offers lapse, the TTI Option certificates and any other relevant documents tendered to the TTI Option Offer will be posted to those who accepted the TTI Option Offer within 10 days of the lapse of the TTI Offers.

**(e) Acceptance Period and Revisions**

- (i) The TTI Offers are made on Monday, 4 June 2007, namely the date of despatch of this Composite Document, and are capable of acceptance on and from this date.
- (ii) Unless the TTI Offers have been previously extended with the consent of the Executive, all acceptances must be received by 4:00 p.m. on Tuesday, 3 July 2007, being the First Closing Date.
- (iii) If in the course of the TTI Offers, the Offeror revises its terms with the consent of the Executive, all Offer Shareholders and holders of TTI Securities (other than the Offeror and its Concert Parties), whether or not they have already accepted the TTI Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

**(f) Announcements**

- (i) By 6:00 p.m. (Hong Kong time) (or such later time as the Executive may in exceptional circumstances permit) on a Closing Date (the First Closing Date being Tuesday, 3 July 2007), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry or unconditionality of the TTI Offers. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the TTI Offers have been revised or extended, has expired or has become or been declared unconditional (whether as to acceptances or in all respects). Such announcement must be republished in accordance with the requirements set out below on the next business day.

The announcement will state the total number of TTI Shares and/or TTI Securities and rights over shares:

- (A) for which acceptances of the TTI Offers have been received;
- (B) held, controlled or directed by the Offeror or its Concert Parties before the Offer Period; and
- (C) acquired or agreed to be acquired during the Offer Period by the Offeror or any of its Concert Parties.

The announcement will specify the percentages of the issued share capital of TTI and the percentages of voting rights, represented by these numbers.

- (ii) As required under the Code regarding the publication of documents, all announcements in relation to the TTI Offers will be made in accordance with the requirements of the Listing Rules.

**(g) Right of Withdrawal**

An acceptor of any of the TTI Offers shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the relevant offer under the TTI Offers has not by then become unconditional as to acceptances. An acceptor of any of the TTI Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Receiving Agent or the US Tender Agent, as the case may be.

Such entitlement to withdraw shall be exercisable only until such time as the TTI Offers become or are declared unconditional as to acceptances. Furthermore, in the circumstances set out in Rule 19.2 of the Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the TTI Offers as described under the paragraph headed “Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. Save as aforesaid, acceptances of the TTI Offers shall be irrevocable and not capable of being withdrawn.

**(h) General**

- (i) All communications, notices, Form(s) of Acceptance, certificates of TTI Shares, and/or TTI Securities transfer receipts, other documents of title or indemnities and remittances to be delivered by or sent to or from the Offer Shareholders and/or holders of TTI Securities will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, Platinum, TTI, the Receiving Agent, the US Tender Agent or any of their respective directors, or any other person involved in the TTI Offers, accepts any liability for any loss in postage or any other liabilities that may arise as a result.

- (ii) Subject to Rule 30.2 of the Code, acceptance(s) of the TTI Offers may, at the absolute discretion of the Offeror, be treated as valid even if not entirely in order or which is not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), but, in such cases, the cheque(s) for the consideration due will not be despatched until the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), has/have been received by the Receiving Agent or the US Tender Agent, as the case may be. However, such acceptances to the TTI Offers will not be counted towards fulfilling the acceptance condition unless Rule 30.2 of the Code has been fully complied with.
- (iii) If no number of TTI Shares and/or TTI Securities is specified in the Form of Acceptance or the number of TTI Shares and/or TTI Securities specified by the acceptor in the Form of Acceptance is greater than the number of the TTI Shares and/or TTI Securities registered in the name of the acceptor as holder, the acceptor shall be deemed to have accepted the relevant TTI Offer in respect of the entire holding of the TTI Shares and/or TTI Securities registered in the acceptor's name.
- (iv) Subject to the above, if the number of TTI Shares and/or TTI Securities specified by the acceptor in the Form of Acceptance is greater than the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof), that are forwarded by the acceptor to the Receiving Agent, the acceptor shall be deemed to have accepted the relevant TTI Offer only in respect of the number of TTI Shares and/or TTI Securities represented by the relevant share certificate(s) and/or TTI Bond certificate(s) and/or TTI ADR(s) and/or TTI Option certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) received by the Receiving Agent or the US Tender Agent, as the case may be, in good order before 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce as permitted under the Code).
- (v) The provisions set out in the accompanying Form of Acceptance form part of the terms of the relevant TTI Offer.
- (vi) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the relevant offer under the TTI Offers is made will not invalidate the relevant offer under the TTI Offers in any way. The deliberate omission to despatch this Composite Document and the Form of Acceptance to the overseas Shareholders and/or holders of TTI Securities will not invalidate the TTI Offers in any way.

- (vii) The TTI Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (viii) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Platinum (or such person or persons as the Offeror and/or Platinum may direct) to complete and execute any document on behalf of the person accepting the TTI Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the TTI Shares and/or TTI Securities in respect of which such person has accepted the relevant offer under the TTI Offers.
- (ix) Acceptance of any of the TTI Offers by any person or persons will constitute a warranty by such person or persons to the Offeror that the TTI Shares and/or TTI Securities acquired under the relevant offer under the TTI Offers are sold by any such person or persons free from all third party rights, liens, charges, equities and encumbrances and together with all rights attaching thereto as at the date of the Announcement or subsequently becoming attached to them, including (as appropriate) the right to receive all dividends and distributions declared, made or paid on or after the date of the Announcement.
- (x) References to the TTI Offers in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof and references to the TTI Offers becoming unconditional shall include a reference to the revised TTI Offers being declared unconditional.
- (xi) Sellers' stamp duty under Hong Kong law for the TTI Shares arising in connection with the acceptance of the TTI Share Offer will be payable by the Offer Shareholders, at the rate of 0.1% of the consideration payable by the Offeror for such person's TTI Shares and will be deducted from the cash amount due to such person under the TTI Share Offer. The Offeror will pay the buyer's stamp duty under Hong Kong law on its own behalf and the seller's stamp duty on behalf of the accepting Offer Shareholders in respect of the TTI Shares accepted under the TTI Share Offer.
- (xii) Settlement of the consideration to which any TTI Shareholder is entitled under the relevant offer under the TTI Offers will be implemented in full in accordance with the terms of the relevant offer under the TTI Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such TTI Shareholder.

- (xiii) The making of the TTI Offers to overseas Offer Shareholders and/or holders of TTI Securities or to persons who are custodians, nominees of or trustees for such persons may be prohibited or affected by the laws of the relevant jurisdiction. Such overseas Offer Shareholders and/or holders of TTI Securities should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any overseas Offer Shareholder and/or holder of TTI Securities wishing to accept any of the TTI Offers to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the relevant offer under the TTI Offers, including obtaining any governmental, exchange control or other consents which may be required or the compliance with any necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such overseas Offer Shareholders and/or holder of TTI Securities shall be responsible for any such issue, transfer or other taxes or duties or other payments by whomsoever payable.
- (xiv) The TTI Offers are being made in the United States by the Offeror. Neither Platinum, nor any of its affiliates, is making the TTI Offers in the United States. References in this Composite Document and the Form of Acceptance to the relevant offer under the TTI Offers being made by Platinum should be read accordingly.
- (xv) The attention of overseas Offer Shareholders and/or holders of TTI Securities and any person (including, without limitation any nominee, custodian or trustee) who may have an obligation to forward this Composite Document outside Hong Kong is drawn to paragraph above and to the relevant provisions in the Form of Acceptance. The availability of the TTI Offers to any such person may be affected by the laws of the relevant jurisdiction.
- (xvi) Subject to the Code, the Offeror and Platinum reserve the right to notify any matter (including the making of the TTI Offers) to all or any Offer Shareholder(s) and/or holder of TTI Securities with a registered address(es) outside Hong Kong or whom the Offeror or Platinum know to be nominees, trustees or custodians for such persons by announcement or paid advertisement in any daily newspaper published and circulated in Hong Kong in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Offer Shareholders and/or holders of TTI Securities to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

- (xvii) Subject to the Code, any term of the TTI Offers relating to overseas Offer Shareholders and/or holders of TTI Securities may be waived, varied or modified as regards specific Offer Shareholder(s) and/or holder(s) of TTI Securities or on a general basis by the Offeror in its absolute discretion.
- (xviii) In making their decision, Offer Shareholders and/or holders of TTI Securities must rely on their own examination of the Offeror and TTI and the terms of the TTI Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained herein, and the Form(s) of Acceptance are not to be construed as legal or business advice. Offer Shareholders and/or holders of TTI Securities could consult with their own lawyer or financial adviser for legal or financial advice. Additionally, this Composite Document does not include any information with respect to US taxation. Offer Shareholders and/or holders of TTI Securities who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. Federal, State, local and other tax consequences of owning and disposing of Offer Shares and/or TTI Securities.
- (xix) The English text of this Composite Document and of the Form(s) of Acceptance (excluding the Letter of Transmittal) shall prevail over the Chinese text for the purpose of interpretation.

## 1. FINANCIAL SUMMARY

Set out below is a summary of the audited results and financial position of the Group for each of the three financial years ended 31 December 2004, 2005 and 2006 as extracted from the annual reports of the Company for the respective years. The independent auditors' reports from Deloitte Touche Tohmatsu as set out in the annual report of the Group for each of the three years ended 31 December 2004, 2005 and 2006 were unqualified. There were no exceptional items or extraordinary items of the Group during each of the three years ended 31 December 2006, based on the annual reports of TTI for the aforesaid periods.

### Results

	Year ended 31st December,		
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	21,822,597	22,358,387	16,304,140
Profit before share of results of associates and taxation	1,263,981	1,223,344	1,076,344
Share of results of associates	(895)	(6,463)	(845)
Profit before taxation	1,263,086	1,216,881	1,075,499
Taxation	(184,017)	(157,714)	(108,829)
Profit for the year	<u>1,079,069</u>	<u>1,059,167</u>	<u>966,670</u>
Attributable to:			
Equity holders of the parent	1,071,864	1,018,984	926,356
Minority interests	7,205	40,183	40,314
Profit for the year	<u>1,079,069</u>	<u>1,059,167</u>	<u>966,670</u>
Dividends	<u>279,845</u>	<u>251,469</u>	<u>178,998</u>
Earnings per share – basic	<u>73.18 cents</u>	<u>73.53 cents</u>	<u>69.28 cents</u>
Dividend per share	<u>19.10 cents</u>	<u>18.60 cents</u>	<u>17.00 cents</u>

### Assets and liabilities

	At 31st December,		
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Total assets	21,320,301	20,374,741	13,903,324
Total liabilities	14,242,326	14,141,732	10,367,476
	<u>7,077,975</u>	<u>6,233,009</u>	<u>3,535,848</u>
Equity attributable to equity holders of the parent	6,996,530	6,112,339	3,453,816
Minority interests	81,445	120,670	82,032
	<u>7,077,975</u>	<u>6,233,009</u>	<u>3,535,848</u>



## 2. AUDITED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 DECEMBER 2006

The following is the audited consolidated income statement of the Group for the two years ended 31 December 2005 and 31 December 2006, the audited consolidated balance sheet of the Group and the audited balance sheet of the Company as at 31 December 2005 and 31 December 2006, the audited consolidated statement of changes in equity of the Group and the audited consolidated cash flow statement of the Group for the two years ended 31 December 2005 and 31 December 2006, together with accompanying notes to the accounts extracted from the annual report of the Company for the year ended 31 December 2006:

### Consolidated Income Statement

For the year ended 31st December, 2006

	Notes	2006 HK\$'000 (Note 53)	2005 HK\$'000 (Note 53)	2006 US\$'000	2005 US\$'000
Turnover	7	21,822,597	22,358,387	2,797,769	2,866,460
Cost of sales		<u>(14,929,737)</u>	<u>(15,416,176)</u>	<u>(1,914,069)</u>	<u>(1,976,433)</u>
Gross profit		6,892,860	6,942,211	883,700	890,027
Other income		43,423	46,630	5,567	5,978
Interest income	8	91,454	60,368	11,725	7,739
Selling, distribution, advertising and warranty expenses		(2,529,631)	(2,537,555)	(324,312)	(325,328)
Administrative expenses		(2,414,135)	(2,443,035)	(309,504)	(313,208)
Research and development costs		(428,311)	(492,234)	(54,912)	(63,107)
Finance costs	9	<u>(391,679)</u>	<u>(353,041)</u>	<u>(50,215)</u>	<u>(45,262)</u>
Profit before share of results of associates and taxation		1,263,981	1,223,344	162,049	156,839
Share of results of associates		<u>(895)</u>	<u>(6,463)</u>	<u>(115)</u>	<u>(829)</u>
Profit before taxation		1,263,086	1,216,881	161,934	156,010
Taxation	10	<u>(184,017)</u>	<u>(157,714)</u>	<u>(23,592)</u>	<u>(20,220)</u>
Profit for the year	11	<u>1,079,069</u>	<u>1,059,167</u>	<u>138,342</u>	<u>135,790</u>
Attributable to:					
Equity holders of the parent		1,071,864	1,018,984	137,418	130,638
Minority interests		<u>7,205</u>	<u>40,183</u>	<u>924</u>	<u>5,152</u>
		<u>1,079,069</u>	<u>1,059,167</u>	<u>138,342</u>	<u>135,790</u>
Dividends paid	14	<u>279,845</u>	<u>251,469</u>	<u>35,878</u>	<u>32,240</u>
Earnings per share (HK/US cents)	15				
Basic		73.18	73.53	9.38	9.43
Diluted		70.12	69.75	8.99	8.94

**Consolidated Balance Sheet***As at 31st December, 2006*

	Notes	2006 HK\$'000 (Note 53)	2005 HK\$'000 (Note 53)	2006 US\$'000	2005 US\$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	1,791,746	1,755,025	229,711	225,003
Lease prepayments	17	66,659	65,829	8,546	8,440
Goodwill	18	4,042,996	3,990,967	518,333	511,662
Intangible assets	19	1,620,181	1,461,453	207,716	187,366
Interests in associates	22	192,989	189,453	24,742	24,289
Available-for-sale investments	23	43,315	15,558	5,553	1,994
Deferred tax assets	42	706,493	646,758	90,576	82,918
		<u>8,464,379</u>	<u>8,125,043</u>	<u>1,085,177</u>	<u>1,041,672</u>
<b>Current assets</b>					
Inventories	24	4,019,883	3,971,216	515,370	509,130
Trade and other receivables	25	3,827,038	3,265,355	490,646	418,635
Deposits and prepayments		544,977	466,030	69,869	59,748
Bills receivable	26	578,560	431,121	74,174	55,272
Tax recoverable		150,312	68,544	19,271	8,788
Trade receivables from associates	28	8,554	1,310	1,097	168
Held-for-trading investments in Hong Kong	29	7,800	–	1,000	–
Bank balances, deposits and cash	30	3,718,798	4,046,122	476,769	518,734
		<u>12,855,922</u>	<u>12,249,698</u>	<u>1,648,196</u>	<u>1,570,475</u>
<b>Current liabilities</b>					
Trade and other payables	31	3,118,120	3,590,699	399,759	460,346
Bills payable	32	335,455	550,964	43,007	70,636
Warranty provision	33	369,638	338,211	47,389	43,360
Trade payable to an associate	34	11,811	21,946	1,514	2,814
Tax payable		168,769	116,624	21,637	14,952
Obligations under finance leases					
– due within one year	35	18,535	18,107	2,376	2,321
Discounted bills with recourse	36	2,501,155	2,101,171	320,661	269,381
Unsecured borrowings					
– due within one year	38	421,849	434,349	54,083	55,685
Bank overdrafts		268,725	238,928	34,452	30,632
		<u>7,214,057</u>	<u>7,410,999</u>	<u>924,878</u>	<u>950,127</u>
Net current assets		<u>5,641,865</u>	<u>4,838,699</u>	<u>723,318</u>	<u>620,348</u>
Total assets less current liabilities		<u>14,106,244</u>	<u>12,963,742</u>	<u>1,808,495</u>	<u>1,662,020</u>

**Consolidated Balance Sheet** *(Continued)*

	Notes	2006 HK\$'000 (Note 53)	2005 HK\$'000 (Note 53)	2006 US\$'000	2005 US\$'000
<b>Capital and Reserves</b>					
Share capital	39	146,522	146,172	18,785	18,740
Reserves		<u>6,850,008</u>	<u>5,966,167</u>	<u>878,208</u>	<u>764,895</u>
Equity attributable to equity holders of the parent		6,996,530	6,112,339	896,993	783,635
Minority interests		<u>81,445</u>	<u>120,670</u>	<u>10,442</u>	<u>15,471</u>
Total equity		<u>7,077,975</u>	<u>6,233,009</u>	<u>907,435</u>	<u>799,106</u>
<b>Non-current Liabilities</b>					
Obligations under finance leases					
– due after one year	35	125,529	125,467	16,093	16,086
Convertible bonds	37	1,105,834	1,078,307	141,774	138,244
Unsecured borrowings					
– due after one year	38	4,464,353	4,225,411	572,353	541,719
Retirement benefits obligations	41	834,087	786,337	106,934	100,812
Deferred tax liabilities	42	<u>498,466</u>	<u>515,211</u>	<u>63,906</u>	<u>66,053</u>
		<u>7,028,269</u>	<u>6,730,733</u>	<u>901,060</u>	<u>862,914</u>
		<u>14,106,244</u>	<u>12,963,742</u>	<u>1,808,495</u>	<u>1,662,020</u>

**Balance Sheet**

As at 31st December, 2006

	Notes	2006 HK\$'000	2005 HK\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	196,753	196,832
Lease prepayments	17	4,514	4,643
Intangible assets	19	220,192	138,579
Investments in subsidiaries	21	630,546	551,396
Interests in associates	22	184,638	173,026
Available-for-sale investments	23	1,195	1,195
		<u>1,237,838</u>	<u>1,065,671</u>
<b>Current assets</b>			
Inventories	24	428,805	333,683
Trade and other receivables	25	44,663	42,362
Deposits and prepayments		406,444	195,605
Bills receivable	26	349,825	200,754
Tax recoverable		–	4,637
Amounts due from subsidiaries	27	5,969,107	5,608,841
Bank balances, deposits and cash	30	1,347,008	2,442,099
		<u>8,545,852</u>	<u>8,827,981</u>
<b>Current liabilities</b>			
Trade and other payables	31	639,384	878,734
Bills payable	32	312,553	482,758
Amounts due to subsidiaries	27	17,934	416,118
Amounts due to associates	34	11,811	21,946
Tax payable		10,126	–
Discounted bills with recourse	36	1,859,874	1,557,483
Unsecured borrowings – due within one year	38	38,889	234,000
		<u>2,890,571</u>	<u>3,591,039</u>
Net current assets		<u>5,655,281</u>	<u>5,236,942</u>
Total assets less current liabilities		<u><u>6,893,119</u></u>	<u><u>6,302,613</u></u>
<b>Capital and Reserves</b>			
Share capital	39	146,522	146,172
Reserves	40	5,391,935	5,057,800
		<u>5,538,457</u>	<u>5,203,972</u>
<b>Non-current Liabilities</b>			
Convertible bonds	37	1,105,834	1,078,307
Unsecured borrowings – due after one year	38	233,334	–
Deferred tax liabilities	42	15,494	20,334
		<u>1,354,662</u>	<u>1,098,641</u>
		<u><u>6,893,119</u></u>	<u><u>6,302,613</u></u>

## Consolidated Statement of Changes in Equity

For the year ended 31st December, 2006

	Equity attributable to equity holders of the parent								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible bonds equity reserve HK\$'000	Translation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1st January, 2005	135,230	810,611	26,334	71,498	-	2,439,011	3,482,684	82,032	3,564,716
Exchange differences on translation of overseas operations	-	-	-	(76,622)	-	-	(76,622)	(1,545)	(78,167)
Share of reserve of an associate	-	-	-	(1,081)	-	-	(1,081)	-	(1,081)
Net loss recognized directly in equity	-	-	-	(77,703)	-	-	(77,703)	(1,545)	(79,248)
Profit for the year	-	-	-	-	-	1,018,984	1,018,984	40,183	1,059,167
Total recognized income and expense for the year	-	-	-	(77,703)	-	1,018,984	941,281	38,638	979,919
Shares issued at a premium	10,942	1,956,700	-	-	-	-	1,967,642	-	1,967,642
Transaction costs attributable to issue of new shares	-	(34,502)	-	-	-	-	(34,502)	-	(34,502)
Recognition of equity-settled share based payments	-	-	-	-	6,703	-	6,703	-	6,703
Final dividend – 2004	-	-	-	-	-	(169,651)	(169,651)	-	(169,651)
Interim dividend – 2005	-	-	-	-	-	(81,818)	(81,818)	-	(81,818)
At 31st December, 2005	146,172	2,732,809	26,334	(6,205)	6,703	3,206,526	6,112,339	120,670	6,233,009
Exchange differences on translation of overseas operations	-	-	-	62,691	-	-	62,691	146	62,837
Net income recognized directly in equity	-	-	-	62,691	-	-	62,691	146	62,837
Profit for the year	-	-	-	-	-	1,071,864	1,071,864	7,205	1,079,069
Total recognized income and expense for the year	-	-	-	62,691	-	1,071,864	1,134,555	7,351	1,141,906
Shares issued at a premium	350	22,040	-	-	-	-	22,390	-	22,390
Recognition of equity-settled share based payments	-	-	-	-	7,091	-	7,091	-	7,091
Final dividend – 2005	-	-	-	-	-	(184,609)	(184,609)	-	(184,609)
Interim dividend – 2006	-	-	-	-	-	(95,236)	(95,236)	-	(95,236)
Interim dividend – 2006 paid by a subsidiary to minority interests	-	-	-	-	-	-	-	(39,005)	(39,005)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(7,571)	(7,571)
At 31st December, 2006	146,522	2,754,849	26,334	56,486	13,794	3,998,545	6,996,530	81,445	7,077,975

**Consolidated Cash Flow Statement***For the year ended 31st December, 2006*

	2006	2005	2006	2005
Notes	HK\$'000 (Note 53)	HK\$'000 (Note 53)	US\$'000	US\$'000
<b>Operating Activities</b>				
Profit before taxation	1,263,086	1,216,881	161,934	156,010
Adjustments for:				
Amortization/write-off of intangible assets	89,417	49,125	11,464	6,298
Amortization of lease prepayments	1,402	1,402	180	180
Depreciation on property, plant and equipment	451,278	471,178	57,856	60,407
Employee share-based expense	7,091	6,703	909	859
Finance costs	391,679	353,041	50,215	45,262
Impairment loss of investment securities recognized	–	13,830	–	1,773
Interest income	(91,454)	(60,368)	(11,725)	(7,739)
Profit on disposal of property, plant and equipment	(6,926)	(2,690)	(888)	(345)
Share of results of associates	895	6,463	115	828
	<u>2,106,468</u>	<u>2,055,565</u>	<u>270,060</u>	<u>263,533</u>
Operating cash flows before movements in working capital				
Decrease (increase) in inventories	40,697	(361,469)	5,218	(46,342)
(Increase) decrease in trade and other receivables, deposits and prepayments	(549,199)	86,729	(70,410)	11,119
Increase in bills receivable	(133,105)	(103,654)	(17,065)	(13,289)
Increase in trade receivables from associates	(7,244)	(63)	(929)	(8)
Increase in held-for-trading investments in Hong Kong	(7,800)	–	(1,000)	–
Decrease in trade and other payables	(522,540)	(77,872)	(66,992)	(9,984)
(Decrease) increase in bills payable	(215,509)	40,820	(27,629)	5,233
Increase in warranty provision	26,164	9,177	3,354	1,177
(Decrease) increase in trade payable to an associate	(10,135)	353	(1,299)	45
Decrease in retirement benefits obligations	(25,729)	(87,675)	(3,299)	(11,240)
	<u>702,068</u>	<u>1,561,911</u>	<u>90,009</u>	<u>200,244</u>
Cash generated from operations				
Interest paid	(364,152)	(325,991)	(46,686)	(41,794)
Hong Kong profits tax paid	(59,577)	(109,349)	(7,638)	(14,019)
Overseas tax paid	(227,893)	(258,064)	(29,217)	(33,085)
Hong Kong profits tax refunded	440	–	56	–
Overseas tax refunded	17,902	2,325	2,295	298
	<u>68,788</u>	<u>870,832</u>	<u>8,819</u>	<u>111,644</u>
<b>Net Cash from Operating Activities</b>				

**APPENDIX II**
**FINANCIAL INFORMATION ON THE GROUP**

	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<i>Notes</i>	<i>HK\$'000</i> <i>(Note 53)</i>	<i>HK\$'000</i> <i>(Note 53)</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Investing Activities</b>				
Purchase of property, plant and equipment	(471,742)	(525,334)	(60,480)	(67,351)
Additions to intangible assets	(242,846)	(261,070)	(31,134)	(33,470)
Purchase of additional interests in subsidiaries	(54,074)	–	(6,933)	–
Further consideration paid on acquisition of subsidiaries in prior years	<i>18</i> –	(12,807)	–	(1,642)
Purchase of available-for-sale investments	(27,757)	(1,000)	(3,559)	(128)
Advances to associates	(4,431)	(36,555)	(568)	(4,686)
Interest received	91,454	60,368	11,725	7,739
Proceeds from disposal of property, plant and equipment	34,913	71,933	4,476	9,222
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	<i>43</i> –	(4,769,329)	–	(611,452)
Addition to lease prepayments	–	(63,674)	–	(8,163)
<b>Net Cash Used in Investing Activities</b>	<u>(674,483)</u>	<u>(5,537,468)</u>	<u>(86,473)</u>	<u>(709,931)</u>
<b>Financing Activities</b>				
Increase (decrease) in discounted bills with recourse	399,984	(1,107,793)	51,280	(142,025)
New bank loans obtained	295,247	5,202,095	37,852	666,935
Increase (decrease) in trust receipt loans	24,744	(87,309)	3,172	(11,193)
Proceeds from issue of shares	22,390	1,933,140	2,871	247,838
Dividends paid	(279,845)	(251,469)	(35,878)	(32,240)
Repayment of bank loans	(98,716)	(4,135,671)	(12,656)	(530,214)
Dividend paid to minority shareholders	(39,005)	–	(5,001)	–
Repayment of obligations under finance leases	(13,346)	(11,397)	(1,711)	(1,461)
Proceeds from issue of fixed interest rate notes	–	1,538,458	–	197,238
<b>Net Cash from Financing Activities</b>	<u>311,453</u>	<u>3,080,054</u>	<u>39,929</u>	<u>394,878</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(294,242)</u>	<u>(1,586,582)</u>	<u>(37,725)</u>	<u>(203,409)</u>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	3,807,194	5,314,518	488,102	681,349
<b>Effect of Foreign Exchange Rate Changes</b>	<u>(62,879)</u>	<u>79,258</u>	<u>(8,060)</u>	<u>10,162</u>
<b>Cash and Cash Equivalents at End of the Year</b>	<u>3,450,073</u>	<u>3,807,194</u>	<u>442,317</u>	<u>488,102</u>
<b>Analysis of the Balances of Cash and Cash Equivalents</b>				
Represented by:				
Bank balances, deposits and cash	3,718,798	4,046,122	476,769	518,734
Bank overdrafts	<u>(268,725)</u>	<u>(238,928)</u>	<u>(34,452)</u>	<u>(30,632)</u>
	<u>3,450,073</u>	<u>3,807,194</u>	<u>442,317</u>	<u>488,102</u>

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

### 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong.

The principal activities of the Group are the manufacturing and trading of electrical and electronic products.

The consolidated financial statements have been presented in Hong Kong dollars as the Company is a public limited company incorporated in Hong Kong and the principal place of business of the Company is situated in Hong Kong. The functional currency of the Company is United States dollars.

### 2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a new standard and a number of amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>3</sup>
HK(IFRIC)-Int 8	Scope of HKFRS 2 <sup>4</sup>
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives <sup>5</sup>
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment <sup>6</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>7</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

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

<sup>3</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>6</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>7</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>8</sup> Effective for annual periods beginning on or after 1st January, 2008



### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost convention except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

#### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiaries's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

On acquisition of additional interests in subsidiaries, goodwill is calculated as the difference between the consideration paid for the additional interest and the fair value of the net assets of the subsidiaries attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognized immediately in the consolidated income statement.

#### **Goodwill**

##### *Goodwill arising on acquisitions prior to 1st January, 2005*

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalized goodwill arising on acquisitions, the Group has discontinued amortization from 1st January, 2005 onwards, and such goodwill is tested for impairment annually and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired.

##### *Goodwill arising on acquisitions on or after 1st January, 2005*

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest at the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of subsidiaries is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from

the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

### **Investments in Subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### **Interests in Associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### **Intangible Assets**

On initial recognition, intangible assets acquired separately and from business combinations are recognized at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The intangible assets with definite useful lives are amortized on a straight-line basis over 4 to 10 years. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

### **Research and Development Expenditure**

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortized on a straight-line basis over its useful life and carried at cost less subsequent accumulated amortization and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

**Impairment**

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of impairment loss is recognized as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

**Lease Prepayments**

The land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land where title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and buildings elements in which case, the entire lease is classified as a finance lease.

**Property, Plant and Equipment**

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Buildings	4%
Leasehold improvements	2.5%-25%
Office equipment, furniture and fixtures	10%-33 $\frac{1}{3}$ %
Plant and machinery	10%-25%
Motor vehicles	18%-25%
Moulds and tooling	20%-33 $\frac{1}{3}$ %
Vessels	20%

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment losses. Cost includes professional fees capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

#### **Impairment Losses other than Goodwill and Intangible Assets with Indefinite Lives**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and finite lives intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

#### **Financial Instruments**

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### ***Financial Assets***

##### *Available-for-sale investments*

Available-for-sale investments which are interest equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss includes investments held-for-trading purposes.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

*Trade, bills and other receivables, trade receivables from associates and bank balances*

Trade, bills and other receivables, trade receivables from associates and bank balances are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

***Financial Liabilities and Equity***

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Convertible bonds*

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into their respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortized cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible bonds equity reserve until the embedded option is exercised. Where the option remains unexercised at the expiry date, the balance stated in the convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds using the effective interest rate method.

*Trade, bills and other payables, trade payable to an associate and borrowings*

Trade, bills and other payables, trade payable to an associate and borrowings are initially measured at their fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

*Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

***Derivative Financial Instruments***

The Group uses derivative financial instruments (primarily forward contract and currency swaps) to hedge its exposure against currency risk. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

***Derecognition***

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are removed from the balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration is recognized in profit or loss.

**Provisions**

Provisions are recognized when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

A provision for warranties is recognized at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method.

**Revenue Recognition**

Turnover represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and commission income and royalty income received.

Sales of goods are recognized when goods are delivered and title has passed.

Commission income is recognized when services are provided.

Royalty income is recognized on a time proportion basis in accordance with the substance of the relevant agreements.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and

liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group as a parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

### **Foreign Currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which case, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2006 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1st January, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

### **Borrowing Costs**

All borrowing costs are recognized as an expense in the period in which they are incurred.

**Equity-settled Share-based Payment Transactions**

For share options granted to employees of the Group, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognized as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (employee share-based compensation reserve).

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the share option reserve will be transferred to retained profits.

**Retirement Benefit Schemes**

Retirement benefits arrangements are made in accordance with the relevant laws and regulations. Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10.00 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

**Estimated Impairment of Goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December, 2006, the carrying amount of goodwill is HK\$4,042,996,000. Details of the recoverable amount calculation are disclosed in Note 20.

**Estimated Impairment of Intangible Assets**

During the year, management reconsidered the carrying amount of its intangible assets. In determining whether the intangible asset is impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material loss may arise. Management is confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

**Income Taxes**

As at 31st December, 2006, a deferred tax asset of HK\$195,563,000 in relation to unused tax losses and HK\$156,598,000 in relation to employee related provisions has been recognized in the Group's balance sheet. The realizability of the deferred tax asset mainly depends on whether sufficient future



profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognized in the income statement for the period in which such a reversal takes place.

## 5. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The Group maintains an overall risk management programme which seeks to minimize the potential impacts of the financial exposures on the performance of the Group.

### (a) Currency Risk

The revenue and costs of the Group are primarily denominated in either Hong Kong dollars and US dollars. Several overseas subsidiaries of the Company have sales and assets denominated in foreign currencies which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contracts and options are employed to hedge against the committed and highly probable foreign currency transactions in accordance with the Group's risk management policies. The terms of the foreign currency forward contracts match closely with the underlying transactions although hedge accounting has not been adopted.

### (b) Interest Rate Risk

#### (i) Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to floating-rate bank borrowings. In relation to these floating-rate borrowings, the Group aims at keeping certain borrowings at fixed rates. In order to achieve this result, the Group maintained a balanced profile in floating and fixed rate borrowings. The management continuously monitors interest rate fluctuations and will consider hedging interest rate risk should the need arise.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within a short maturity period.

#### (ii) Fair value interest rate risk

The Group is exposed to fair value interest rate risk from the fixed interest rate notes. However, the management considered the risk is insignificant to the Group.

### (c) Credit Risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31st December, 2006 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group performs comprehensive credit evaluations to assess the financial conditions of its prospective customers before entering into business relations with them. The credit risk is minimized by the Group's credit control procedures for monitoring and reporting such risk on a regular basis.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

### (d) Liquidity Risk

The Group finances its operations by a combination of borrowings and equity. With substantial cash balances and adequate banking facilities at the balance sheet date, the Group's liquidity position remains strong. The Group has sufficient financial resources to meet its commitments and working capital requirements.

**(e) Fair Value of Financial Instruments**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid and ask prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS****Business Segments**

For management purposes, the Group is engaged in the manufacturing and trading of electrical and electronic products. The segment information is disclosed in accordance with different types of products as its primary segment information.

**Income Statement**

*For the year ended 31st December, 2006*

	<b>Power Equipment</b> <i>HK\$'000</i>	<b>Floor Care</b> <i>HK\$'000</i>	<b>Laser and Electronics</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Turnover</b>					
External sales	17,115,746	4,427,949	278,902	–	21,822,597
Inter-segment sales	<u>14,914</u>	<u>188,768</u>	<u>18,331</u>	<u>(222,013)</u>	<u>–</u>
Total	<u><u>17,130,660</u></u>	<u><u>4,616,717</u></u>	<u><u>297,233</u></u>	<u><u>(222,013)</u></u>	<u><u>21,822,597</u></u>

Inter-segment sales are charged at prevailing market rates.

**Result**

Segment results	1,462,030	156,757	36,873	–	1,655,660
Finance costs					(391,679)
Share of results of associates					<u>(895)</u>
Profit before taxation					1,263,086
Taxation					<u>(184,017)</u>
Profit for the year					<u><u>1,079,069</u></u>

**APPENDIX II****FINANCIAL INFORMATION ON THE GROUP****Balance Sheet***As at 31st December, 2006*

	<b>Power Equipment</b> <i>HK\$'000</i>	<b>Floor Care</b> <i>HK\$'000</i>	<b>Laser and Electronics</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Assets				
Segment assets	13,580,527	2,789,125	182,057	16,551,709
Interests in associates				192,989
Unallocated corporate assets				4,575,603
				<u>21,320,301</u>
Consolidated total assets				<u>21,320,301</u>
Liabilities				
Segment liabilities	(5,756,797)	(1,393,539)	(172,345)	(7,322,681)
Unallocated corporate liabilities				(6,919,645)
				<u>(14,242,326)</u>
Consolidated total liabilities				<u>(14,242,326)</u>

**Other Information***For the year ended 31st December, 2006*

	<b>Power Equipment</b> <i>HK\$'000</i>	<b>Floor Care</b> <i>HK\$'000</i>	<b>Laser and Electronics</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Capital additions	665,394	89,826	12,815	768,035
Depreciation and amortization	433,635	98,648	9,814	542,097
	<u>433,635</u>	<u>98,648</u>	<u>9,814</u>	<u>542,097</u>

**Income Statement***For the year ended 31st December, 2005*

	<b>Power Equipment</b> <i>HK\$'000</i>	<b>Floor Care</b> <i>HK\$'000</i>	<b>Laser and Electronics</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Turnover</b>					
External sales	17,176,671	4,525,858	655,858	–	22,358,387
Inter-segment sales	187,074	25,718	221,922	(434,714)	–
	<u>17,363,745</u>	<u>4,551,576</u>	<u>877,780</u>	<u>(434,714)</u>	<u>22,358,387</u>
Total	<u>17,363,745</u>	<u>4,551,576</u>	<u>877,780</u>	<u>(434,714)</u>	<u>22,358,387</u>

Inter-segment sales are charged at prevailing market rates.

**Result**

Segment results	1,237,379	199,786	139,220	–	1,576,385
Finance costs					(353,041)
Share of results of associates					(6,463)
					<u>1,216,881</u>
Profit before taxation					1,216,881
Taxation					(157,714)
					<u>1,059,167</u>
Profit for the year					<u>1,059,167</u>

**APPENDIX II****FINANCIAL INFORMATION ON THE GROUP****Balance Sheet***As at 31st December, 2005*

	<b>Power Equipment</b> <i>HK\$'000</i>	<b>Floor Care</b> <i>HK\$'000</i>	<b>Laser and Electronics</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Assets				
Segment assets	16,758,492	2,229,624	481,870	19,469,986
Interests in associates				189,453
Unallocated corporate assets				715,302
				<u>20,374,741</u>
Consolidated total assets				<u>20,374,741</u>
Liabilities				
Segment liabilities	(6,424,536)	(1,004,834)	(87,630)	(7,517,000)
Unallocated corporate liabilities				(6,624,732)
				<u>(14,141,732)</u>
Consolidated total liabilities				<u>(14,141,732)</u>

**Other Information***For the year ended 31st December, 2005*

	<b>Power Equipment</b> <i>HK\$'000</i>	<b>Floor Care</b> <i>HK\$'000</i>	<b>Laser and Electronics</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Capital additions	4,070,172	62,329	15,907	4,148,408
Depreciation and amortization	415,105	96,126	8,433	519,664
Impairment loss of investment securities recognized	13,830	–	–	13,830
	<u>4,500,107</u>	<u>158,455</u>	<u>24,340</u>	<u>4,682,902</u>

## Geographical Segments

(i) The following table provides an analysis of the Group's sales by geographical market location:

	<b>Turnover</b>	
	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
By geographical market location:		
North America	16,081,779	17,122,079
Europe and other countries	5,740,818	5,236,308
	<u>21,822,597</u>	<u>22,358,387</u>

- (ii) The following table provides an analysis of segment assets and additions to property, plant and equipment and intangible assets, analysed by geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong and People's Republic of China ("PRC")	3,323,091	5,846,462	416,928	535,583
North America	9,619,512	10,366,136	155,701	3,478,153
Europe and other countries	3,609,106	3,257,388	195,406	134,672
	<u>16,551,709</u>	<u>19,469,986</u>	<u>768,035</u>	<u>4,148,408</u>

## 7. TURNOVER

Turnover represents the fair value net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission income and royalty income received during the year and is analysed as follows:

	2006 HK\$'000	2005 HK\$'000
Sale of goods	21,751,691	22,320,353
Commission income	6,403	12,222
Royalty income	64,503	25,812
	<u>21,822,597</u>	<u>22,358,387</u>

## 8. INTEREST INCOME

	2006 HK\$'000	2005 HK\$'000
Interest earned on bank deposits	81,542	53,230
Interest earned on amount due from an associate	9,912	7,138
	<u>91,454</u>	<u>60,368</u>

## 9. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	129,075	137,747
Obligations under finance leases	6,805	8,142
Fixed interest rate notes	228,272	180,102
Effective interest expense on convertible bonds	27,527	27,050
	<u>391,679</u>	<u>353,041</u>

## 10. TAXATION

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	52,813	67,955
Under(over)provision in prior years	3,272	(3,499)
	<u>56,085</u>	<u>64,456</u>
Overseas taxation on profit for the year	187,453	163,776
Underprovision in prior years	(2,804)	5,038
	<u>184,649</u>	<u>168,814</u>
Deferred tax:		
Current year ( <i>Note 42</i> )	(56,717)	(75,556)
	<u>184,017</u>	<u>157,714</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years.

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

The tax expenses for the year are reconciled as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Profit before taxation	<u>1,263,086</u>	<u>1,216,881</u>
Tax at Hong Kong profits tax rate	221,040	212,954
Effect of different tax rates of subsidiaries operating in other jurisdictions	75,955	48,505
Tax effect of expenses not deductible for tax purposes	37,306	20,757
Tax effect of income not taxable for tax purposes	(153,758)	(124,272)
Tax effect of tax losses not recognized	14,448	16,307
Recognition of tax losses previously not recognized	(10,500)	(18,098)
Under(over)provision in respect of prior years	468	1,539
Others	(942)	22
Tax expenses for the year	<u>184,017</u>	<u>157,714</u>

Details of deferred tax are set out in Note 42.

## 11. PROFIT FOR THE YEAR

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Amortization of intangible assets	89,417	47,084
Auditors' remuneration	18,234	15,934
Amortization of lease prepayments	1,402	1,402
Depreciation on property, plant and equipment		
Owned assets	441,970	456,449
Assets held under finance leases	9,308	14,729
Exchange (gain)/loss	(8,438)	10,235
Gain on disposal of property, plant and equipment	(6,926)	(2,690)
Impairment loss of available-for-sale investments	–	13,830
Operating lease expenses recognized in respect of:		
Premises	125,756	114,300
Motor vehicles	39,439	38,582
Plant and machinery	21,299	20,884
Other assets	23,794	24,312
Staff costs		
Directors' remuneration		
Fees	1,000	566
Other emoluments	48,900	38,785
Other staff	2,006,006	2,024,449
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	93,331	103,840
Defined benefit plans	21,102	47,877
	<u>2,170,339</u>	<u>2,215,517</u>

Staff costs disclosed above do not include an amount of HK\$285,968,000 (2005: HK\$317,788,000) relating to research and development activities, which is included under research and development costs.

## 12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2005: nine) directors were as follows:

For the year ended 31st December, 2006

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Share-based payments HK\$'000	
Mr Horst Julius Pudwill	–	25,516	12	–	25,528
Dr Roy Chi Ping Chung <i>JP</i>	–	8,441	12	–	8,453
Mr Kin Wah Chan	–	5,977	12	–	5,989
Mr Chi Chung Chan	–	6,039	12	–	6,051
Mr Stephan Horst Pudwill	–	1,695	12	–	1,707
Mr Vincent Ting Kau Cheung	250	183	–	–	433
Mr Joel Arthur Schleicher	250	305	–	–	555
Mr Christopher Patrick Langley <i>OBE</i>	250	342	–	–	592
Mr Manfred Kuhlmann	250	342	–	–	592
Total	<u>1,000</u>	<u>48,840</u>	<u>60</u>	<u>–</u>	<u>49,900</u>

For the year ended 31st December, 2005

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Share-based payments HK\$'000	
Mr Horst Julius Pudwill	10	18,989	12	–	19,011
Dr Roy Chi Ping Chung <i>JP</i>	10	7,868	12	–	7,890
Mr Kin Wah Chan	10	5,726	12	–	5,748
Mr Chi Chung Chan	10	5,737	12	–	5,759
Mr Vincent Ting Kau Cheung	10	–	–	–	10
Dr Akio Urakami	–	–	–	–	–
Mr Joel Arthur Schleicher	172	–	–	–	172
Mr Christopher Patrick Langley <i>OBE</i>	172	–	–	–	172
Mr Manfred Kuhlmann	172	–	–	417	589
Total	<u>566</u>	<u>38,320</u>	<u>48</u>	<u>417</u>	<u>39,351</u>



**13. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, four (2005: four) were group directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining one (2005: Nil) individual was as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Salaries and other benefits	4,863	2,665
Contributions to retirement benefits schemes	23	12
	<u>4,886</u>	<u>2,677</u>

During each of the two years ended 31st December, 2006 and 2005, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

**14. DIVIDENDS PAID**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Final dividend paid:		
2005: HK 12.60 cents (2004: HK 12.50 cents) per share	184,609	169,651
Interim dividend paid:		
2006: HK 6.50 cents (2005: HK 6.00 cents) per share	95,236	81,818
	<u>279,845</u>	<u>251,469</u>

The final dividend in respect of the current financial year of HK 12.60 cents per share (2005: HK 12.60 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

**15. EARNINGS PER SHARE**

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

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to equity holders of the parent	1,071,864	1,018,984
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	22,710	22,316
Earnings for the purpose of diluted earnings per share	<u>1,094,574</u>	<u>1,041,300</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,464,595,829	1,385,789,675
Effect of dilutive potential ordinary shares:		
Share options	30,435,277	41,186,410
Convertible bonds	65,922,585	65,922,585
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,560,953,691</u>	<u>1,492,898,670</u>

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings outside Hong Kong	Leasehold improvements	Office equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Moulds and tooling	Vessels	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>									
<b>Cost</b>									
At 1st January, 2005	431,135	154,653	482,832	515,175	21,170	1,129,394	11,835	40,796	2,786,990
Currency realignment	(55,048)	(1,745)	(19,337)	(80,404)	(1,087)	(58,083)	-	(2,266)	(217,970)
Additions	1,278	22,769	112,911	127,517	7,430	178,914	-	82,415	533,234
Acquisition of subsidiaries	571,356	14,549	168,688	1,327,128	4,977	836,921	-	90,371	3,013,990
Disposals	(74,713)	(14,793)	(13,633)	(115,322)	(1,923)	(17,178)	-	-	(237,562)
Reclassification	14,928	-	11,206	24,476	258	10,210	-	(61,078)	-
At 31st December, 2005	888,936	175,433	742,667	1,798,570	30,825	2,080,178	11,835	150,238	5,878,682
Currency realignment	40,362	1,646	20,703	66,748	1,018	46,887	-	2,402	179,766
Additions	14,289	25,966	68,459	79,585	4,173	138,709	64	141,915	473,160
Disposals	(54,540)	(9,661)	(16,186)	(40,285)	(2,428)	(180,563)	-	-	(303,663)
Reclassification	36,492	10,335	17,504	51,565	(459)	37,216	-	(152,653)	-
At 31st December, 2006	925,539	203,719	833,147	1,956,183	33,129	2,122,427	11,899	141,902	6,227,945
<b>Depreciation and Amortization</b>									
At 1st January, 2005	118,913	104,196	341,260	378,960	16,246	943,657	3,912	-	1,907,144
Currency realignment	(26,180)	(1,114)	(13,116)	(70,687)	(795)	(53,979)	-	-	(165,871)
Provided for the year	36,553	12,959	86,064	125,834	4,134	203,927	1,707	-	471,178
Acquisition of subsidiaries	187,560	5,568	139,396	995,950	3,952	747,099	-	-	2,079,525
Eliminated on disposals	(19,696)	(4,681)	(13,633)	(113,479)	(1,242)	(15,588)	-	-	(168,319)
Reclassification	(64)	-	(11,890)	11,886	-	68	-	-	-
At 31st December, 2005	297,086	116,928	528,081	1,328,464	22,295	1,825,184	5,619	-	4,123,657
Currency realignment	20,395	541	13,386	56,495	601	45,522	-	-	136,940
Provided for the year	31,807	17,387	87,844	116,227	3,282	193,020	1,711	-	451,278
Eliminated on disposals	(34,275)	(7,926)	(16,079)	(35,893)	(2,394)	(179,109)	-	-	(275,676)
Reclassification	-	26	864	(878)	(137)	125	-	-	-
At 31st December, 2006	315,013	126,956	614,096	1,464,415	23,647	1,884,742	7,330	-	4,436,199
<b>Net Book Values</b>									
At 31st December, 2006	610,526	76,763	219,051	491,768	9,482	237,685	4,569	141,902	1,791,746
At 31st December, 2005	591,850	58,505	214,586	470,106	8,530	254,994	6,216	150,238	1,755,025

**APPENDIX II**
**FINANCIAL INFORMATION ON THE GROUP**

	Buildings outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Moulds and tooling HK\$'000	Total HK\$'000
<b>The Company</b>							
<b>Cost</b>							
At 1st January, 2005	65,945	59,691	103,973	219,622	10,019	525,133	984,383
Additions	–	10,334	21,007	12,143	709	53,922	98,115
Transfer to subsidiaries	–	(1,544)	(1,398)	(91,800)	–	(81)	(94,823)
Disposals	–	–	(4)	(3,085)	(158)	(637)	(3,884)
At 31st December, 2005	65,945	68,481	123,578	136,880	10,570	578,337	983,791
Additions	–	16,062	16,120	14,943	920	37,109	85,154
Transfer from (to) subsidiaries	–	258	(879)	13,652	–	(39,171)	(26,140)
Disposals	–	–	(6)	(947)	(1,401)	(973)	(3,327)
At 31st December, 2006	65,945	84,801	138,813	164,528	10,089	575,302	1,039,478
<b>Depreciation and Amortization</b>							
At 1st January, 2005	20,759	54,025	77,845	178,276	8,575	431,480	770,960
Provided for the year	2,638	4,462	13,770	13,253	861	58,079	93,063
Transfer to subsidiaries	–	(1,303)	(921)	(71,739)	–	(27)	(73,990)
Eliminated on disposals	–	–	(4)	(2,712)	(158)	(200)	(3,074)
At 31st December, 2005	23,397	57,184	90,690	117,078	9,278	489,332	786,959
Provided for the year	2,638	6,136	16,576	13,883	774	43,442	83,449
Transfer to subsidiaries	–	–	(784)	(1,463)	–	(22,521)	(24,768)
Eliminated on disposals	–	–	(5)	(947)	(1,401)	(562)	(2,915)
At 31st December, 2006	26,035	63,320	106,477	128,551	8,651	509,691	842,725
<b>Net Book Values</b>							
At 31st December, 2006	<u>39,910</u>	<u>21,481</u>	<u>32,336</u>	<u>35,977</u>	<u>1,438</u>	<u>65,611</u>	<u>196,753</u>
At 31st December, 2005	<u>42,548</u>	<u>11,297</u>	<u>32,888</u>	<u>19,802</u>	<u>1,292</u>	<u>89,005</u>	<u>196,832</u>

The net book values of properties shown above comprise:

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Land and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	570,616	546,664	–	–
Medium-term lease	<u>39,910</u>	<u>45,186</u>	<u>39,910</u>	<u>42,548</u>
	<u>610,526</u>	<u>591,850</u>	<u>39,910</u>	<u>42,548</u>

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately HK\$137,833,000 and nil respectively (2005: HK\$138,189,000 and Nil respectively) in respect of assets held under finance leases.

The gross carrying amount of the Group's and the Company's property, plant and equipment include amounts of approximately HK\$1,890,000,000 and HK\$249,000,000 respectively in respect of fully depreciated property, plant and equipment that is still in use.

## 17. LEASE PREPAYMENTS

	The Group <i>HK\$'000</i>	The Company <i>HK\$'000</i>
<b>Cost</b>		
At 1st January, 2005	6,449	6,449
Currency realignment	(1,240)	–
Additions	63,674	–
	<hr/>	<hr/>
At 31st December, 2005	68,883	6,449
Currency realignment	2,300	–
	<hr/>	<hr/>
At 31st December, 2006	<hr/> 71,183	<hr/> 6,449
<b>Amortization</b>		
At 1st January, 2005	1,677	1,677
Currency realignment	(25)	–
Provided for the year	1,402	129
	<hr/>	<hr/>
At 31st December, 2005	3,054	1,806
Currency realignment	68	–
Provided for the year	1,402	129
	<hr/>	<hr/>
At 31st December, 2006	<hr/> 4,524	<hr/> 1,935
<b>Net Book Values</b>		
At 31st December, 2006	<hr/> <hr/> 66,659	<hr/> <hr/> 4,514
At 31st December, 2005	<hr/> <hr/> 65,829	<hr/> <hr/> 4,643

All lease prepayments are medium-term leases outside Hong Kong.

## 18. GOODWILL

	The Group <i>HK\$'000</i>
<b>Cost</b>	
At 1st January, 2005	653,504
Arising on acquisition of subsidiaries	3,277,624
Adjustments to consideration on acquisition of subsidiaries in prior years	12,807
	<hr/>
At 31st December, 2005 (as originally stated)	3,943,935
Adjustments to provisional fair values of subsidiaries acquired in 2005	47,032
	<hr/>
At 31st December, 2005 (as restated) and at 1st January, 2006	3,990,967
Currency realignment	5,466
Arising on acquisition of additional interest of subsidiaries	46,563
	<hr/>
At 31st December, 2006	<hr/> <hr/> 4,042,996

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

## 19. INTANGIBLE ASSETS

	Deferred development costs <i>HK\$'000</i>	Patents and trademarks <i>HK\$'000</i>	Manufacturing know-how <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>The Group</b>				
<b>Cost</b>				
At 1st January, 2005	52,764	195,958	3,510	252,232
Currency realignment	(5,217)	(6,596)	–	(11,813)
Additions	173,939	87,131	–	261,070
Acquisition of subsidiaries	58,988	987,805	–	1,046,793
Written off in the year	(2,029)	(2,791)	–	(4,820)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2005	278,445	1,261,507	3,510	1,543,462
Currency realignment	5,733	2,672	–	8,405
Additions	192,830	50,016	–	242,846
Written off in the year	–	(4,325)	–	(4,325)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2006	477,008	1,309,870	3,510	1,790,388
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Amortization</b>				
At 1st January, 2005	–	17,537	1,814	19,351
Currency realignment	(701)	(2,042)	–	(2,743)
Provided for the year	21,965	24,417	702	47,084
Acquisition of subsidiaries	7,197	13,899	–	21,096
Eliminated on write off	–	(2,779)	–	(2,779)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2005	28,461	51,032	2,516	82,009
Currency realignment	1,139	1,967	–	3,106
Provided for the year	59,815	28,900	702	89,417
Eliminated on write off	–	(4,325)	–	(4,325)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2006	89,415	77,574	3,218	170,207
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying Amounts</b>				
At 31st December, 2006	<u>387,593</u>	<u>1,232,296</u>	<u>292</u>	<u>1,620,181</u>
At 31st December, 2005	<u>249,984</u>	<u>1,210,475</u>	<u>994</u>	<u>1,461,453</u>

	<b>Deferred development costs</b> <i>HK\$'000</i>	<b>Patents</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>The Company</b>			
<b>Cost</b>			
At 1st January, 2005	–	8,240	8,240
Additions	102,473	42,064	144,537
	<hr/>	<hr/>	<hr/>
At 31st December, 2005	102,473	50,304	152,777
Additions	108,009	6,581	114,590
	<hr/>	<hr/>	<hr/>
At 31st December, 2006	210,482	56,885	267,367
	<hr/>	<hr/>	<hr/>
<b>Amortization</b>			
At 1st January, 2005	–	4,415	4,415
Provided for the year	–	9,783	9,783
	<hr/>	<hr/>	<hr/>
At 31st December, 2005	–	14,198	14,198
Provided for the year	20,495	12,482	32,977
	<hr/>	<hr/>	<hr/>
At 31st December, 2006	20,495	26,680	47,175
	<hr/>	<hr/>	<hr/>
<b>Carrying Amounts</b>			
At 31st December, 2006	189,987	30,205	220,192
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31st December, 2005	102,473	36,106	138,579
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Deferred development costs are internally generated. All the patents and trademarks and manufacturing know-how were acquired from third parties.

The above intangible assets, other than trademarks, of the Group and the Company have definite useful lives and are amortized on a straight-line basis over 4 to 10 years.

The trademarks are considered by the management of the Group as having an indefinite useful life because they expected to contribute to net cash inflows indefinitely. The trademarks will not be amortized until their useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

## 20. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The carrying amounts of goodwill and trademarks with indefinite useful lives as at 31st December, 2006 allocated to the following cash-generating units (“CGUs”) are as follows:

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Trademarks</b> <i>HK\$'000</i>
Power Equipment	3,421,716	234,000
Floor Care	621,280	–
	<hr/>	<hr/>
	4,042,996	234,000
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31st December, 2006, management of the Group determined that there is no impairment of any of its CGUs containing goodwill or trademarks with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amount of the CGUs are determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate at 5% and 12% and extrapolated using a steady 3% growth rate.

**21. INVESTMENTS IN SUBSIDIARIES**

	<b>The Company</b>	<b>2005</b>
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments in unlisted shares, at cost	<u>630,546</u>	<u>551,396</u>

Particulars of the principal subsidiaries of the Company as at 31st December, 2006 are set out in Note 51.

**22. INTERESTS IN ASSOCIATES**

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost less impairment loss recognized	–	–	23,790	23,790
Share of net assets	14,499	15,394	–	–
Net amounts due from associates	<u>178,490</u>	<u>174,059</u>	<u>160,848</u>	<u>149,236</u>
	<u>192,989</u>	<u>189,453</u>	<u>184,638</u>	<u>173,026</u>

Particulars of the associates as at 31st December, 2006 are set out in Note 52.

The amounts due from associates are unsecured, bear interest at LIBOR plus 2% and are repayable on demand. In the opinion of directors, no part of the amounts will be repaid within the next twelve months and the amounts are therefore presented as non-current assets.

The summarized financial information in respect of the Group's associates is set out below:

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	122,344	160,742
Total liabilities	<u>(64,348)</u>	<u>(99,165)</u>
Net assets	<u>57,996</u>	<u>61,577</u>
Group's share of net assets of associates	<u>14,499</u>	<u>15,394</u>
Turnover	<u>234,634</u>	<u>274,330</u>
Loss for the year	<u>(15,005)</u>	<u>(22,485)</u>
Group's share of results of associates for the year	<u>(895)</u>	<u>(6,463)</u>

At the balance sheet date, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together "Gimelli Group companies"). The carrying value of the Group's interests in the Gimelli Group companies is nil at both 31st December, 2006 and 31st December, 2005.

### 23. AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognized	43,315	15,558	1,195	1,195

As at the balance sheet date, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

### 24. INVENTORIES

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	1,175,864	1,139,478	249,846	225,745
Work in progress	108,834	104,442	29,215	38,443
Finished goods	2,735,185	2,727,296	149,744	69,495
	<u>4,019,883</u>	<u>3,971,216</u>	<u>428,805</u>	<u>333,683</u>

### 25. 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:

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 60 days	3,143,989	2,622,904	41,553	16,363
61 to 120 days	230,131	255,728	977	6,903
121 days or above	103,977	115,733	2,133	19,096
Total trade receivables	3,478,097	2,994,365	44,663	42,362
Other receivables	348,941	270,990	–	–
	<u>3,827,038</u>	<u>3,265,355</u>	<u>44,663</u>	<u>42,362</u>

The fair value of the Group's and the Company's trade and other receivables at 31st December, 2006 approximates the corresponding carrying amount.



**26. BILLS RECEIVABLE**

The fair value of the Group's and the Company's bills receivable at 31st December, 2006 approximates the corresponding carrying amount.

All the Group's and Company's bills receivable at 31st December, 2006 is due within 120 days.

**27. AMOUNTS DUE FROM (TO) SUBSIDIARIES**

The fair value of the Company's amounts due from (to) subsidiaries at 31st December, 2006 approximates the corresponding carrying amount.

**28. TRADE RECEIVABLES FROM ASSOCIATES**

The fair value of the Group's trade receivable from associates at 31st December, 2006 approximates the corresponding carrying amount. All the Group's trade receivable from associates at 31st December, 2006 is due within 120 days.

**29. HELD-FOR-TRADING INVESTMENTS IN HONG KONG**

The Group's held-for-trading investments in Hong Kong at 31st December, 2006 are carried at fair value.

**30. BANK BALANCES, DEPOSITS AND CASH**

Bank balances carry interest at market rates which range from 1.75% to 5.15%. Bank overdrafts carry interest at market rates which range from 4.58% to 6.19%.

**31. TRADE AND OTHER PAYABLES**

The aged analysis of trade payables is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	1,345,473	1,552,235	403,583	453,877
61 to 120 days	91,696	278,482	36,838	147,106
121 days or above	30,547	70,475	2,947	60,486
	<hr/>	<hr/>	<hr/>	<hr/>
Total trade payables	1,467,716	1,901,192	443,368	661,469
Other payables	1,650,404	1,689,507	196,016	217,265
	<hr/>	<hr/>	<hr/>	<hr/>
	3,118,120	3,590,699	639,384	878,734
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's and the Company's trade and other payables at 31st December, 2006 approximates the corresponding carrying amount.

**32. BILLS PAYABLE**

The fair value of the Group's and the Company's bills payable at 31st December, 2006 approximates the corresponding carrying amount.

All the Group's and Company's bills payable at 31st December, 2006 is due within 120 days.

**33. WARRANTY PROVISION**

	<b>The Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January	338,211	241,375
Currency realignment	5,261	(6,767)
Additional provision in the year	607,031	530,336
Acquisition of subsidiaries	–	94,426
Utilization of provision	(580,865)	(521,159)
	<u>369,638</u>	<u>338,211</u>
At 31st December	<u>369,638</u>	<u>338,211</u>

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold. It is expected that the majority of this expenditure will be incurred in the next financial year.

**34. TRADE PAYABLE TO AN ASSOCIATE/AMOUNTS DUE TO ASSOCIATE**

The fair value of the Group's and the Company's trade payable to an associate at 31st December, 2006 approximates the corresponding carrying amount.

**35. OBLIGATIONS UNDER FINANCE LEASES**

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment under finance leases, with lease terms ranging from 3 years to 20 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates. No arrangements have been entered into for contingent rental payments.

The maturity of obligations under finance leases is as follows:

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Group</b>				
Amounts payable under finance leases:				
Within one year	20,453	20,341	18,535	18,107
In more than one year but not more than two years	16,585	18,464	13,614	15,686
In more than two years but not more than three years	14,116	14,175	11,309	11,411
In more than three years but not more than four years	13,701	13,248	10,989	10,188
In more than four years but not more than five years	13,682	12,284	11,063	8,903
More than five years	127,567	108,892	78,554	79,279
	<u>206,104</u>	<u>187,404</u>	<u>144,064</u>	<u>143,574</u>
Less: future finance charges	(62,040)	(43,830)	–	–
Present value of lease obligations	<u>144,064</u>	<u>143,574</u>	144,064	143,574
Less: Amount due within one year shown under current liabilities			(18,535)	(18,107)
Amount due after one year			<u>125,529</u>	<u>125,467</u>

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at 31st December, 2006, approximates their carrying amount.

**36. DISCOUNTED BILLS WITH RECOURSE**

Bills discounted with a bank at an effective interest rate of 5.88% per annum (2005: 4.32% per annum) have a maturity profile of less than 120 days.

**37. CONVERTIBLE BONDS**

On 16th June, 2004, the Group announced the issue of 5-year Zero Coupon Convertible Bonds at par, due in July, 2009 (the "Bonds"), for an aggregate principal amount of US\$140,000,000 (approximately HK\$1,092,000,000). The Bonds are convertible, at the option of bondholders, into ordinary shares of HK\$0.10 each of the Company at an initial conversion price of US\$2.1247 per share at any time from 7th August, 2005 to 1st July, 2009. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at 107.76% of its principal amount on the maturity date of 8th July, 2009. However, on or after 8th July, 2007 and prior to the maturity date, the bondholders may, at their option, require the Company to redeem all or some of the Bonds at 104.59% of the principal amount.

The Bonds contain two components, a liability and an equity element. Upon the application of HKAS 32 Financial Instruments: Disclosure and Presentation, the Bonds were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity as "Convertible bonds equity reserve". The effective interest rate of the liability component is 2.11%.

The movement of the liability component of the Bonds for the year is set out below:

	<b>The Group and the Company</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Liability component at the beginning of the year	1,078,307	1,051,257
Interest charge	27,527	27,050
	<u>1,105,834</u>	<u>1,078,307</u>

The fair value of the liability component of the Bonds at 31st December, 2006, determined based on the present value of the estimated future cash outflows discounted at the prevailing market interest rate at the balance sheet date, was approximately HK\$885,158,000.

**38. UNSECURED BORROWINGS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trust receipt loans	152,416	127,672	–	–
Bank loans	2,094,643	1,891,735	272,223	234,000
Bank borrowings	2,247,059	2,019,407	272,223	234,000
Fixed interest rate notes ( <i>Note</i> )	2,639,143	2,640,353	–	–
Total borrowings	<u>4,886,202</u>	<u>4,659,760</u>	<u>272,223</u>	<u>234,000</u>

The borrowings of the Group and the Company are repayable as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	421,849	434,349	38,889	234,000
In more than one year but not more than two years	240,672	18,181	233,334	–
In more than two years but not more than three years	1,584,538	1,566,877	–	–
In more than three years but not more than four years	–	–	–	–
More than five years	2,639,143	2,640,353	–	–
	<u>4,886,202</u>	<u>4,659,760</u>	<u>272,223</u>	<u>234,000</u>
Less: Amount due within one year shown under current liabilities	<u>(421,849)</u>	<u>(434,349)</u>	<u>(38,889)</u>	<u>(234,000)</u>
Amount due after one year	<u><u>4,464,353</u></u>	<u><u>4,225,411</u></u>	<u><u>233,334</u></u>	<u><u>–</u></u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	<b>2006</b>	<b>2005</b>
Effective interest rate:		
Fixed-rate borrowings	4.09% to 5.44%	4.09% to 5.44%
Variable-rate borrowings	<u>4.49% to 6.77%</u>	<u>3.07% to 5.67%</u>

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	<i>HKD'000</i>	<i>AUD'000</i>	<i>NZD'000</i>	<i>EUR'000</i>
As at 31st December, 2006	2,042,955	12,178	3,750	5,000
As at 31st December, 2005	1,921,672	14,025	3,500	–

*Note:* In 2003, the Group issued fixed interest rate notes, through its wholly-owned entity in the USA, for an aggregate principal amount of US\$145,000,000. The notes were issued in two fixed rate tranches, being US\$120,000,000 for 10 years at 4.7% per annum and US\$25,000,000 for 7 years at 4.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes.

In 2005, the Group issued other fixed interest rate notes, through its wholly-owned entity in the USA, for an aggregate principal amount of US\$200,000,000. The notes were issued in two fixed rate tranches of US\$150,000,000 for 10 years at 5.44% per annum and US\$50,000,000 for 7 years at 5.17% per annum. The proceeds were used to finance the acquisition of subsidiaries.

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

## 39. SHARE CAPITAL

	2006 <i>Number of shares</i>	2005	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<b>Ordinary shares</b>				
Authorized:				
Shares of HK\$0.10 each	2,400,000,000	2,400,000,000	240,000	240,000
Issued and fully paid:				
Shares of HK\$0.10 each at 1st January	1,461,720,652	1,352,304,652	146,172	135,230
Issued on share placement	–	96,000,000	–	9,600
Issued on exercise of share options	3,503,000	13,416,000	350	1,342
Shares of HK\$0.10 each at 31st December	1,465,223,652	1,461,720,652	146,522	146,172

On 8th September, 2005, the Group placed an aggregate of 96,000,000 shares to independent investors at a price of HK\$19.25 per share. The new shares placed represent approximately 7.05% of the issued share capital of the Company of 1,361,898,652 shares at the date of placement and approximately 6.58% of the issued capital of the Company of 1,457,898,652 shares as enlarged by the placement.

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

Details of the share options are set out in Note 47.

## 40. RESERVES

	Share premium <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>The Company</b>					
At 1st January, 2005	810,611	26,334	–	2,018,991	2,855,936
Premium on shares issued	1,956,700	–	–	–	1,956,700
Transaction costs attributable to issue of new shares	(34,502)	–	–	–	(34,502)
Recognition of equity-settled share based payment	–	–	6,703	–	6,703
Profit for the year	–	–	–	524,432	524,432
Final dividend – 2004	–	–	–	(169,651)	(169,651)
Interim dividend – 2005	–	–	–	(81,818)	(81,818)
At 1st January, 2006	2,732,809	26,334	6,703	2,291,954	5,057,800
Premium on shares issued	22,040	–	–	–	22,040
Recognition of equity-settled share based payment	–	–	7,091	–	7,091
Profit for the year	–	–	–	584,849	584,849
Final dividend – 2005	–	–	–	(184,609)	(184,609)
Interim dividend – 2006	–	–	–	(95,236)	(95,236)
At 31st December, 2006	2,754,849	26,334	13,794	2,596,958	5,391,935

As at 31st December, 2006, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$2,596,958,000 (2005: HK\$2,291,954,000).

## 41. RETIREMENT BENEFITS OBLIGATIONS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Pension plan obligations ( <i>Note i</i> )	672,117	621,737
Post-retirement, medical, dental and life insurance plan obligations ( <i>Note ii</i> )	146,965	151,770
Others	15,005	12,830
	<u>834,087</u>	<u>786,337</u>

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes (“MPF Schemes”) registered under the Mandatory Provident Fund Ordinance since December, 2000.

The Group’s overseas subsidiaries operate a number of defined contribution schemes and defined benefit schemes which cover substantially all of their employees. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees’ payroll.

*Note i:*

Pension plan obligations

The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. Under the plan, the employees are entitled to retirement benefits varying between 10.00 and 20.00 per cent of final salary on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out on 1st January, 2007 by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

*Note ii:*

Post-retirement, medical, dental and life insurance plan obligations

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the USA, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on 1st January, 2007 by Mercer Human Resource Consulting. There are no assets segregated and restricted for these benefits and the plans are funded on a pay-as-you-go basis.

The main actuarial assumptions used were as follows:

	Pension plan 2006	Post-retirement medical, dental and life insurance plan 2006
Discount rate	4.00%	5.80%
Expected rate of salary increases	2.00%	N/A
Future pension increases	2.00%	N/A
Medical cost inflation (ultimate)	N/A	5.00%

Amounts recognized in profit or loss in respect of the plans are as follows:

	Pension plan		Post-retirement medical, dental and life insurance plan	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current service cost	(2,952)	5,198	4,389	4,329
Actuarial gain	–	–	(1,619)	–
Interest cost	14,591	29,879	6,693	8,471
	<u>11,639</u>	<u>35,077</u>	<u>9,463</u>	<u>12,800</u>

The charge for the year has been included in staff costs.

The amount included in the balance sheet arising from the Group's obligation in respect of the plans is as follows:

	Pension plan		Post-retirement medical, dental and life insurance plan	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Present value of unfunded obligations	<u>672,117</u>	<u>621,737</u>	<u>146,965</u>	<u>151,770</u>

Movements in the net liability in the current year were as follows:

	Pension plan	Post-retirement medical, dental and life insurance plan
	2006 HK\$'000	2006 HK\$'000
At 1st January	621,737	151,770
Net liabilities acquired on acquisition of subsidiaries		
Exchange differences	73,904	(425)
Current service cost	(2,952)	4,389
Actuarial gain	–	(1,619)
Interest cost	14,591	6,693
Benefits paid	(35,163)	(13,843)
At 31st December	<u>672,117</u>	<u>146,965</u>

One World Technologies, Inc., a subsidiary of the Group in the USA operates another defined benefit scheme. The pension costs of this defined benefit scheme are assessed in accordance with an actuarial valuation as at 1st January, 2007 performed by Aon Consulting, an employee benefits consulting group, using the Projected Unit Credit method. No medical trend rate assumption is necessary as at 31st December, 2006 and 2005 since all retirees are assumed to be affected by the fixed dollar subsidy and a discount rate of 5.80% (2005: 5.50%) was assumed for calculating the actuarial valuation.

There are no assets set aside for these benefits and the plan is funded on a pay-as-you-go basis. The accrued benefit costs under this scheme are to be reimbursed by a former shareholder of the overseas subsidiary in accordance with an assignment assumption, reimbursement and indemnification agreement. As such, the overseas subsidiary has set up a receivable and an accrued benefit cost of the same amount of approximately HK\$22,000,000 (2005: HK\$23,000,000) as at 31st December, 2006.

## 42. DEFERRED TAX ASSETS (LIABILITIES)

The following are the major deferred tax assets and liabilities recognized and movements thereon during the current and prior years:

	Accelerated tax depreciation <i>HK\$'000</i>	Warranty provision <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Employee related provision <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>The Group</b>							
At 1st January, 2005	(29,677)	70,925	(5,586)	29,927	147,486	75,088	288,163
Acquisition of subsidiaries	(119,720)	27,920	–	125,890	19,483	(251,430)	(197,857)
Currency realignment	2,616	(876)	–	(10,276)	(8,680)	(17,099)	(34,315)
(Charge) credit to income for the year	43,579	(2,445)	–	10,082	40,838	(16,498)	75,556
At 1st January, 2006	(103,202)	95,524	(5,586)	155,623	199,127	(209,939)	131,547
Currency realignment	(2,536)	(6,028)	–	10,860	19,210	(1,743)	19,763
(Charge) credit to income for the year	24,315	12,038	–	(9,885)	(22,774)	53,023	56,717
At 31st December, 2006	<u>(81,423)</u>	<u>101,534</u>	<u>(5,586)</u>	<u>156,598</u>	<u>195,563</u>	<u>(158,659)</u>	<u>208,027</u>

	Accelerated tax depreciation <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>The Company</b>			
At 1st January, 2005		(14,410)	(19,996)
Charge to income for the year		(338)	(338)
At 1st January, 2006		(14,748)	(20,334)
Credit to income for the year		4,840	4,840
At 31st December, 2006		<u>(9,908)</u>	<u>(15,494)</u>

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group		The Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Deferred tax assets	706,493	646,758	–	–
Deferred tax liabilities	(498,466)	(515,211)	(15,494)	(20,334)
	<u>208,027</u>	<u>131,547</u>	<u>(15,494)</u>	<u>(20,334)</u>

At the balance sheet date, the Group has unused tax losses of HK\$1,156 million (2005: HK\$1,170 million) available for the offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses of HK\$38 million (2005: HK\$32 million) due to the unpredictability of future profit streams.



## 43. ACQUISITION OF SUBSIDIARIES

The Group completed the purchase from Atlas Copco AB (“ATCO”) all of ATCO’s electric power tools and accessories business (the “Business”) conducted under the brand names “Milwaukee®” and “AEG®” as well as the “DreBo®” accessories businesses, (the “Acquired Companies”), with unanimous approval by all the shareholders present in person or by proxy at the Company’s Extraordinary General Meeting on 3rd January, 2005.

The purchase price for the Business, which was paid in cash at the closing of the transaction, was US\$627 million (approximately HK\$4,887 million), consisting of the pre-adjustment purchase price of US\$713 million (approximately HK\$5,560 million), reduced by an agreed pre-closing adjustment of US\$86 million (approximately HK\$672 million) in respect of a portion of the accrued and unfunded post-retirement liabilities of certain of the Acquired Companies and adjustments with respect to related deferred asset accounts and to certain accruals. The purchase price was calculated on the basis of the Acquired Companies having no indebtedness or cash and their net tangible assets (excluding, among other things, cash and amounts in respect of pre-agreed adjustments) being US\$285 million (approximately HK\$2,223 million). On 31st October, 2005, the Group and ATCO concluded that there will be no adjustments to the purchase price and the acquisition completed.

	<b>Acquiree's carrying amount before combination HK\$'000</b>	<b>Fair value adjustments HK\$'000</b>	<b>Fair value HK\$'000</b>
<b>Net Assets Acquired</b>			
Property, plant and equipment	951,927	(17,462)	934,465
Intangible assets	88,948	936,749	1,025,697
Deferred tax assets	293,484	–	293,484
Inventories	873,050	10,163	883,213
Trade and other receivables, deposits and prepayments	1,153,104	–	1,153,104
Bills receivables	71,874	–	71,874
Tax recoverable	2,176	–	2,176
Bank balances and cash	211,585	–	211,585
Trade and other payables	(1,185,318)	–	(1,185,318)
Tax payable	(79,263)	–	(79,263)
Warranty provision	(94,426)	–	(94,426)
Obligations under finance leases	(147,948)	–	(147,948)
Deferred tax liabilities	(491,341)	–	(491,341)
Retirement benefit obligations	(874,012)	–	(874,012)
	<u>773,840</u>	<u>929,450</u>	<u>1,703,290</u>
Goodwill arising on acquisition			<u>3,277,624</u>
Cash consideration paid during the year			<u>4,980,914</u>
Net cash outflow arising on acquisition:			
Cash consideration paid during the year			(4,980,914)
Bank balances and cash acquired			<u>211,585</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			<u><u>(4,769,329)</u></u>

The goodwill arising on the acquisition of the subsidiaries is attributable to the anticipated profitability of the distribution of the Group’s products in the new markets and the anticipated future operating synergies from the combination.

The subsidiaries acquired contributed approximately HK\$5,940,957,000 to the Group’s turnover, and approximately HK\$354,605,000 to the Group’s profit before taxation and interest for the period between the date of acquisition and the balance sheet date as at 31st December, 2005.

**44. MAJOR NON-CASH TRANSACTIONS**

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of HK\$1,418,000 (2005: HK\$7,900,000).

**45. LEASE COMMITMENTS**

At the balance sheet date, the Group and the Company had outstanding commitments under non-cancellable operating leases, which would fall due as follows:

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	174,848	167,654	15,786	18,022
In the second to fifth year inclusive	337,931	368,848	9,855	25,575
After five years	132,132	175,124	16,094	16,160
	<u>644,911</u>	<u>711,626</u>	<u>41,735</u>	<u>59,757</u>

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery, motor vehicles, office properties and other assets. Leases are negotiated for a term ranging from 1 year to 10 years.

**46. CONTINGENT LIABILITIES**

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of credit facilities utilized by associates	<u>36,026</u>	<u>30,654</u>	<u>36,026</u>	<u>30,654</u>

In addition, the Company has given guarantees to banks and independent third parties in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at 31st December, 2006 amounted to HK\$5,546,886,000 (2005: HK\$5,467,275,000).

**47. SHARE OPTIONS****Scheme adopted on 25th May, 2001 and terminated on 28th March, 2002 ("Scheme B")**

In accordance with the Company's share option scheme adopted pursuant to a resolution passed on 25th May, 2001, the Board of Directors of the Company may grant share options to eligible persons, including full-time officers, Executive Directors and full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company. The purpose of the scheme is to provide incentives or rewards to directors and eligible persons.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date which the offer of share options is accepted to the fifth anniversary thereof. The subscription price is set at not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the share option.

The maximum number of shares in respect of which share options may be granted under Scheme B is not permitted to exceed 10% of the issued share capital of the Company from time to time. No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under Scheme B.

Scheme B was terminated on 28th March, 2002 pursuant to a resolution passed on that date.

**Scheme adopted on 28th March, 2002 (“Scheme C”)**

Following the termination of Scheme B, a new share option scheme was adopted pursuant to a resolution passed on 28th March, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

- (i) employees; or
- (ii) Non-executive Directors (including Independent Non-executive Directors); or
- (iii) suppliers or customers; or
- (iv) any person or entity that provides research, development or other technological support; or
- (v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Scheme C expired on 27th March, 2007.

# APPENDIX II

# FINANCIAL INFORMATION ON THE GROUP

The following table discloses movements in the Company's share options during the year:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Outstanding at end of the year	Subscription price HK\$	Exercise period
<b>Directors</b>								
Mr Horst Julius Pudwill	28.6.2002	Scheme C	25,728,000	-	-	25,728,000	3.600	28.6.2002 – 27.6.2007
	19.9.2003	Scheme C	560,000	-	-	560,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	-	-	400,000	12.170	25.2.2004 – 24.2.2009
Dr Roy Chi Ping Chung JP	28.6.2002	Scheme C	12,864,000	-	-	12,864,000	3.600	28.6.2002 – 27.6.2007
	19.9.2003	Scheme C	560,000	-	-	560,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	400,000	-	-	400,000	12.170	25.2.2004 – 24.2.2009
Mr Kin Wah Chan	1.3.2004	Scheme C	1,000,000	-	-	1,000,000	12.525	1.3.2004 – 28.2.2009
	17.7.2003	Scheme C	1,000,000	-	-	1,000,000	7.625	17.7.2003 – 16.7.2008
Mr Chi Chung Chan	19.9.2003	Scheme C	500,000	-	-	500,000	8.685	19.9.2003 – 18.9.2008
	25.2.2004	Scheme C	1,000,000	-	-	1,000,000	12.170	25.2.2004 – 24.2.2009
	1.3.2004	Scheme C	500,000	-	-	500,000	12.525	1.3.2004 – 28.2.2009
Mr Stephan Horst Pudwill	1.3.2004	Scheme C	100,000 <sup>(1)</sup>	-	-	100,000	12.525	1.3.2004 – 28.2.2009
	30.4.2002	Scheme C	100,000	-	100,000	-	3.200	30.4.2002 – 29.4.2007
Mr Joel Arthur Schleicher	17.7.2003	Scheme C	200,000	-	-	200,000	7.625	17.7.2003 – 16.7.2008
	25.2.2004	Scheme C	100,000	-	-	100,000	12.170	25.2.2004 – 24.2.2009
	17.7.2003	Scheme C	200,000	-	100,000	100,000	7.625	17.7.2003 – 16.7.2008
Mr Christopher Patrick Langley OBE	25.2.2004	Scheme C	100,000	-	-	100,000	12.170	25.2.2004 – 24.2.2009
Mr Manfred Kuhlmann	7.2.2005	Scheme C	100,000	-	-	100,000	17.750	7.2.2005 – 6.2.2010
<b>Total for directors</b>			<b>45,412,000<sup>(1)</sup></b>	<b>-</b>	<b>200,000</b>	<b>45,212,000</b>		
<b>Employees</b>								
23.7.2001	Scheme B	300,000	-	300,000	-	1.058	23.7.2001 – 22.7.2006	
	Scheme C	1,880,000	-	665,000	1,215,000	3.200	30.4.2002 – 29.4.2007	
5.7.2002	Scheme C	500,000	-	500,000	-	3.350	5.7.2002 – 4.7.2007	
17.7.2003	Scheme C	3,470,000	-	796,000	2,674,000	7.625	17.7.2003 – 16.7.2008	
19.9.2003	Scheme C	204,000	-	-	204,000	8.685	19.9.2003 – 18.9.2008	
1.3.2004	Scheme C	6,879,000 <sup>(1)</sup>	-	982,000	5,897,000	12.525	1.3.2004 – 28.2.2009	
14.4.2004	Scheme C	200,000	-	-	200,000	12.950	14.4.2004 – 13.4.2009	
5.5.2004	Scheme C	300,000	-	-	300,000	11.050	5.5.2004 – 4.5.2009	
7.6.2004	Scheme C	200,000	-	-	200,000	12.000	7.6.2004 – 6.6.2009	
18.8.2004	Scheme C	60,000	-	60,000	-	11.250	18.8.2004 – 17.8.2009	
2.10.2004	Scheme C	1,000,000	-	-	1,000,000	15.350	2.10.2004 – 1.10.2009	
13.12.2004	Scheme C	250,000	-	-	250,000	15.710	13.12.2004 – 12.12.2009	
17.1.2005	Scheme C	150,000	-	-	150,000	16.520	17.1.2005 – 16.1.2010	
7.2.2005	Scheme C	100,000	-	-	100,000	17.750	7.2.2005 – 6.2.2010	
7.4.2005	Scheme C	200,000	-	-	200,000	17.210	7.4.2005 – 6.4.2010	
27.4.2005	Scheme C	25,000	-	-	25,000	17.660	27.4.2005 – 26.4.2010	
10.5.2005	Scheme C	200,000	-	-	200,000	17.200	10.5.2005 – 9.5.2010	
1.6.2005	Scheme C	20,000	-	-	20,000	17.420	1.6.2005 – 31.5.2010	
17.6.2005	Scheme C	250,000	-	-	250,000	17.950	17.6.2005 – 16.6.2010	
27.6.2005	Scheme C	500,000	-	-	500,000	19.200	27.6.2005 – 26.6.2010	
1.1.2006	Scheme C	-	300,000	-	300,000	18.690	1.1.2006 – 31.12.2010	
1.3.2006	Scheme C	-	3,564,000	-	3,564,000	13.970	1.3.2006 – 28.2.2011	
10.3.2006	Scheme C	-	150,000	-	150,000	14.350	10.3.2006 – 9.3.2011	
25.4.2006	Scheme C	-	20,000	-	20,000	13.700	25.4.2006 – 24.4.2011	
15.6.2006	Scheme C	-	200,000	-	200,000	10.270	15.6.2006 – 14.6.2011	
17.6.2006	Scheme C	-	350,000	-	350,000	10.550	17.6.2006 – 16.6.2011	
3.7.2006	Scheme C	-	25,000	-	25,000	10.700	3.7.2006 – 2.7.2011	
4.10.2006	Scheme C	-	75,000	-	75,000	11.628	4.10.2006 – 3.10.2011	
1.11.2006	Scheme C	-	1,500,000	-	1,500,000	11.252	1.11.2006 – 31.10.2011	
3.11.2006	Scheme C	-	100,000	-	100,000	11.480	3.11.2006 – 2.11.2011	
8.11.2006	Scheme C	-	30,000	-	30,000	12.200	8.11.2006 – 7.11.2011	
4.12.2006	Scheme C	-	150,000	-	150,000	10.952	4.12.2006 – 3.12.2011	
13.12.2006	Scheme C	-	20,000	-	20,000	10.560	13.12.2006 – 11.12.2011	
<b>Total for employees</b>			<b>16,688,000<sup>(1)</sup></b>	<b>6,484,000</b>	<b>3,303,000</b>	<b>19,869,000</b>		
<b>Total for all categories</b>			<b>62,100,000</b>	<b>6,484,000</b>	<b>3,503,000</b>	<b>65,081,000</b>		
								Percentage to total Company's shares in issue at end of the year
<b>Total under Scheme B</b>			300,000	-	300,000	-		0.00%
<b>Total under Scheme C</b>			61,800,000	6,484,000	3,203,000	65,081,000		4.44%
<b>Total</b>			<b>62,100,000</b>	<b>6,484,000</b>	<b>3,503,000</b>	<b>65,081,000</b>		<b>4.44%</b>

**APPENDIX II**
**FINANCIAL INFORMATION ON THE GROUP**

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

<b>Option type</b>	<b>Outstanding at 1.1.2006</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Lapsed or cancelled during the year</b>	<b>Outstanding at 31.12.2006</b>
Scheme B	300,000	–	300,000	–	–
Scheme C	61,800,000	6,484,000	3,203,000	–	65,081,000
	<u>62,100,000</u>	<u>6,484,000</u>	<u>3,503,000</u>	<u>–</u>	<u>65,081,000</u>

<b>Option type</b>	<b>Outstanding at 1.1.2005</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Lapsed or cancelled during the year</b>	<b>Outstanding at 31.12.2005</b>
Scheme B	600,000	–	300,000	–	300,000
Scheme C	73,455,000	1,545,000	13,116,000	84,000	61,800,000
	<u>74,055,000</u>	<u>1,545,000</u>	<u>13,416,000</u>	<u>84,000</u>	<u>62,100,000</u>

Details of the share options held by the directors included in the above table are as follows:

	<b>Outstanding at 1st January</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Reclassification</b>	<b>Outstanding at 31st December</b>
2006	<u>45,312,000</u>	<u>–</u>	<u>200,000</u>	<u>100,000<sup>(1)</sup></u>	<u>45,212,000</u>

	<b>Outstanding at 1st January</b>	<b>Granted during the year</b>	<b>Exercised during the year</b>	<b>Outstanding at 31st December</b>
2005	<u>47,412,000</u>	<u>100,000</u>	<u>2,200,000</u>	<u>45,312,000</u>

The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK\$14.81.

No option lapsed or was cancelled during the year.

*Note:*

- (1) Mr Stephan Horst Pudwill has been appointed as a Group Executive Director of the Company since 22nd May, 2006. The 100,000 share options held by him was classified under the category of "Employees" previously.

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
1.1.2006	18.6900	3 years	35%	4.060%	1.5%
1.3.2006	13.9700	3 years	35%	4.100%	1.5%
10.3.2006	14.3500	3 years	35%	4.225%	1.5%
25.4.2006	13.7000	3 years	35%	4.309%	1.5%
15.6.2006	10.2700	3 years	35%	4.560%	1.5%
17.6.2006	10.5500	3 years	35%	4.572%	1.5%
3.7.2006	10.7000	3 years	35%	4.571%	1.5%
4.10.2006	11.6300	3 years	35%	3.791%	1.5%
1.11.2006	11.2500	3 years	35%	3.692%	1.5%
3.11.2006	11.4800	3 years	35%	3.727%	1.5%
8.11.2006	12.2000	3 years	35%	3.774%	1.5%
4.12.2006	10.9500	3 years	35%	3.548%	1.5%
13.12.2006	10.5600	3 years	35%	3.563%	1.5%

All the share options are fully vested at grant date.

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

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

The weighted average closing price of the Company's shares on various dates of grant was HK\$13.00 per option.

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

The Group recognized total expense of HK\$7,091,000 for the year ended 31st December, 2006 (2005: HK\$6,703,000) in relation to share options granted by the Company.

The fair values of the share options granted in the current year measured as at various dates of grant ranged from HK\$2.46 to HK\$4.72 (2005: ranged from HK\$3.78 to HK\$4.71) per option. The weighted average fair value of the share options granted in the current year was HK\$3.03 per option.

#### 48. CAPITAL COMMITMENTS

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of the purchase of property, plant and equipment:				
Contracted for but not provided	516,648	199,554	22,446	59,349
Authorized but not contracted for	103,443	68,957	–	–
	<u>620,091</u>	<u>268,511</u>	<u>22,446</u>	<u>59,349</u>

**49. POST BALANCE SHEET EVENT**

On 21st December, 2006, the Group entered into a purchase agreement to acquire the Hoover floor care business from Whirlpool Corporation.

The total consideration for the purchase consists of the payment of US\$107 million (HK\$832 million) in cash and certain assumed obligations. The transaction, which is subject to regulatory and antitrust clearance and customary closing conditions, was closed as of 31st January, 2007.

Hoover offers a comprehensive line of products for general and special-purpose vacuuming and carpet washing, including full-size uprights and canisters, deep cleaners, and hard-floor cleaners.

**50. RELATED PARTY TRANSACTIONS**

During the year, the Group entered into the following transactions with related parties:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Management fee income	464	456
Management fee expenses	420	420
Interest income received	9,911	7,138
Sales income	91,308	402
Equipment charge income	2,166	897
Commission income received	–	17,287
Royalty income	46,800	–
	<u>46,800</u>	<u>–</u>

The remuneration of directors and other members of key management during the year was as follows:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Short-term benefits	122,314	129,998
Post-employment benefits	2,510	9,446
Termination benefits	6,240	13,175
Share-based payments	5,976	4,653
	<u>137,040</u>	<u>157,272</u>

Details of the balances with related parties are set out in the consolidated balance sheet, balance sheet and Note 22.

**51. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

Particulars of the principal subsidiaries of the Company as at 31st December, 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
A&M Electric Tools GmbH	Germany	€20,451,675	–	100	Trading and manufacture of power equipment products
Digiwireless Limited	Hong Kong	HK\$2	100	–	Investment holding
DreBo Werkzeugfabrik GmbH	Germany	€1,000,000	–	100	Trading and manufacture of power equipment products
Homelite Asia (Dongguan) Company Limited	PRC	US\$17,700,000	–	100	Manufacture of outdoor power equipment products
Homelite Asia Ltd.	British Virgin Islands ("BVI")	US\$1	–	100	Investment holding
Homelite Consumer Products, Inc.	USA	US\$10	–	100	Trading of outdoor power equipment products
Homelite Far East Company Limited	Hong Kong	HK\$2	100	–	Trading of outdoor power equipment products
Homelite Technologies Ltd.	Bermuda	US\$12,000	100	–	Investment holding
MacEwen Property Co. Inc.	USA	US\$100	100	–	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK\$100,000	100	–	Trading of household electronic and electrical products
Milwaukee Electric Tool Corporation	USA	US\$50,000,000	–	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	USA	US\$10	–	100	Investment holding
OWT France SAS	France	€1,750,000	–	100	Investment holding
OWT Industries, Inc.	USA	US\$10	–	100	Manufacture of electric components and power equipment products
Royal Appliance International GmbH	Germany	€2,050,000	100	–	Trading of household electronic and electrical products
Royal Appliance Mfg. Co.	USA	US\$1	–	100	Trading and manufacture of floor care products
Ryobi Technologies Canada Inc.	Canada	C\$600,000	–	100	Trading of electric power equipment products



**APPENDIX II**
**FINANCIAL INFORMATION ON THE GROUP**

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Ryobi Technologies GmbH	Germany	€500,000	100	–	Trading of electric power equipment products
Ryobi Technologies S.A.S.	France	€14,919,832	–	100	Trading of electric power equipment products
Ryobi Technologies (UK) Limited	United Kingdom	£4,000,000	–	100	Trading of electric power equipment products
Sang Tech Industries Limited	Hong Kong	HK\$1,000,000	100	–	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK\$2,000,000	100	–	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HK\$2,000,000	75.725	–	Manufacture of electronic products
Techpower Engineering Company Limited	Hong Kong	HK\$2	100	–	Manufacture of components
Techtronic Appliances (Hong Kong) Limited	Hong Kong	HK\$2	–	100	Trading and manufacture of floor care products
Techtronic Appliances International Ltd.	BVI	US\$1	–	100	Investment holding
Techtronic Industries Australia Pty. Ltd.	Australia	A\$5,500,000	100	–	Trading of electric power equipment products
Techtronic Industries (Dongguan) Co. Ltd.	PRC	US\$12,500,000	–	100	Manufacture of power equipment products
Techtronic Industries N.Z. Ltd.	New Zealand	NZ\$1,165,500	100	–	Trading of electric power equipment products
Techtronic Industries North America, Inc.	USA	US\$10	98.4	1.6	Investment holding
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NT\$5,000,000	100	–	Provision of inspection services
TTI Investments (Dongguan) Company Limited	Hong Kong	HK\$2	100	–	Investment holding
Vax Appliances (Australia) Pty. Ltd.	Australia	A\$1,200,008	100	–	Assembly and distribution of floor care products
Vax Limited	United Kingdom	£33,000	100	–	Assembly, procurement and distribution of floor care products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

**52. PARTICULARS OF ASSOCIATES**

Particulars of the associates as at 31st December, 2006 are as follows:

<b>Name of associate</b>	<b>Place of incorporation/ operation</b>	<b>Issued and fully paid share capital</b>	<b>Proportion of nominal value of issued capital held by the Company Directly %</b>	<b>Principal activities</b>
Gimelli International (Holdings) Limited	The Cayman Islands	US\$6,250	40.8	Investment holding
Precision Technology Industries Limited	Bermuda	US\$12,000,000	25	Manufacture of power equipment products

**53. US DOLLAR EQUIVALENTS**

These are shown for reference only and have been arrived at based on the fixed exchange rate of HK\$7.80 to US\$1.00.

**54. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

**3. MATERIAL CHANGES SINCE 31 DECEMBER 2006**

The Board is not aware of any material changes in the financial or trading position or outlook of the Group since 31 December 2006, the date to which the latest published audited accounts of the Group were made up.

**4. INDEBTEDNESS**

At the close of business on 31 March 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had outstanding bank overdrafts of approximately HK\$334,417,000 and other unsecured bank borrowings of approximately HK\$2,626,802,000. In addition, the Group also had outstanding at that date obligations under finance leases and hire purchase contracts of approximately HK\$142,707,000, discounted bills with recourse of approximately HK\$1,268,901,000, fixed interest rate notes of approximately HK\$2,652,941,000 and convertible bonds in an aggregate amount of approximately HK\$1,112,776,000. No guarantee was given to the Group in respect of credit facilities granted to the Group. Subsequent to 31 March 2007 but prior to the Latest Practicable Date, none of the convertible bonds mentioned above were converted into Shares.

At the close of business on 31 March 2007, the Group provided guarantees to banks in respect of bank facilities utilized by associates of approximately HK\$32,128,000. Although the Group is engaged in a number of claims or matters involving litigation which remained outstanding as at 31 March 2007, as at such date, no member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, none of the companies in the Group had outstanding at the close of business on 31 March 2007 any mortgages, charges, debentures, or other loan capital or bank overdrafts, loans, debt securities or similar indebtedness, or any obligations under finance leases or hire purchase contracts or any guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 March 2007.

As at the Latest Practicable Date, the Directors confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group subsequent to 31 March 2007.

**1. RESPONSIBILITY**

- 1.1 This Composite Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Offeror, the Group and the TTI Offers.
- 1.2 The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document, except in respect of information relating to the Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those in relation to the Group) have been arrived at after due and careful consideration and there are no other facts (other than information relating to the Group) not contained in this Composite Document, the omission of which would make any of the statements in this Composite Document misleading.

**2. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS IN TTI SHARES AND TTI SECURITIES**

- 2.1 As at the Latest Practicable Date, the interests of the Offeror and its Concert Parties in TTI are set out below:

<b>Name</b>	<b>Nature of Interests</b>	<b>Interests in TTI Shares</b>	<b>Approximate percentage of interests</b>
Mr. Horst Julius Pudwill	Beneficial Owner	103,337,500	6.87%
	Interests of Spouse (Mrs. Barbara Pudwill)	760,000	0.05%
	Interests of controlled corporation, Sunning Inc. (100% owned by Mr. Horst Julius Pudwill)	185,584,764	12.33%
	Interests of controlled corporation, Cordless Industries Company Limited (70% owned by Mr. Horst Julius Pudwill)	25,952,521	1.72%

<b>Name</b>	<b>Nature of Interests</b>	<b>Interests in TTI Shares</b>	<b>Approximate percentage of interests</b>
Dr. Roy Chi Ping Chung JP	Beneficial Owner	126,405,948	8.40%
	Interests of Spouse (Ms. Li Oi King)	136,000	0.01%
	Interests of controlled corporation, Cordless Industries Company Limited (30% owned by Dr. Roy Chi Ping Chung JP)	11,122,509	0.74%
Mr. Stephan Horst Pudwill	Beneficial Owner	4,054,500	0.27%
Mr. Christopher Horst Pudwill	Beneficial Owner	280,000	0.02%
Total (Offeror and its Concert Parties)		<u>457,633,742</u>	<u>30.41%</u>

As at the Latest Practicable Date, the interests of the Offeror and its Concert Parties in TTI Options are set out below:

<b>Name</b>	<b>Date on which TTI Options were granted</b>	<b>Outstanding unexercised TTI Options as at the Latest Practicable Date</b>	<b>Subscription price HK\$</b>	<b>Exercise period</b>
Mr. Horst Julius Pudwill	19 September 2003	560,000	8.685	19 September 2003 to 18 September 2008
	25 February 2004	400,000	12.170	25 February 2004 to 24 February 2009
Dr. Roy Chi Ping Chung JP	19 September 2003	560,000	8.685	19 September 2003 to 18 September 2008
	25 February 2004	400,000	12.170	25 February 2004 to 24 February 2009

Name	Date on which TTI Options were granted	Outstanding unexercised TTI Options as at the Latest Practicable Date	Subscription price HK\$	Exercise period
Mr. Stephan Horst Pudwill	1 March 2004	100,000	12.525	1 March 2004 to 28 February 2009
Mr. Christopher Horst Pudwill	17 July 2003	20,000	7.625	17 July 2003 to 16 July 2008
	1 March 2004	20,000	12.525	1 March 2004 to 28 February 2009

Save as disclosed above:

(a) neither the Offeror, nor any of its Concert Parties, owned or controlled; and

(b) none of the Offeror Directors was beneficially interested in,

directly or indirectly, any TTI Shares, convertible securities, warrants, options or derivatives in respect of TTI Shares as at the Latest Practicable Date.

2.2 On 14 May 2007, (i) Mr. Horst Julius Pudwill exercised 25,728,000 TTI Options at the exercise price of HK\$3.60 per TTI Share; and (ii) Dr. Roy Chi Ping Chung JP exercised 12,864,000 TTI Options at the exercise price of HK\$3.60 per TTI Share.

Save as disclosed above:

(a) neither the Offeror, nor any of its Concert Parties; and

(b) none of the Offeror Directors (including their respective spouses, de facto spouse, children, parents, siblings, related trusts and companies controlled by any of them),

has dealt for value in any TTI Shares, convertible securities, warrants, options or derivatives in respect of TTI Shares during the Relevant Period.

2.3 As at the Latest Practicable Date, there were no persons who, prior to the posting of this Composite Document, have irrevocably committed themselves to accept or reject the TTI Offers.

- 2.4 As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Code has been entered into between the Offeror or any of its Concert Parties and any other persons.
- 2.5 As at the Latest Practicable Date, no arrangement, agreement or undertaking has been entered into by the Offeror, the Offeror Directors or any of its Concert Parties for the transfer, charge or pledge by any of them to any other person of any TTI Shares, convertible securities, warrants, options or derivatives in respect of TTI Shares acquired pursuant to the TTI Offers.
- 2.6 As at the Latest Practicable Date, no benefit has been, or will any benefit be given, to any director of TTI as compensation for loss of office or otherwise in connection with the TTI Offers (save as statutory compensation required under the appropriate laws).
- 2.7 As at the Latest Practicable Date, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of its Concert Parties and any of the Directors or recent Directors, TTI Shareholders or recent TTI Shareholders having any connection with or dependence upon the TTI Offers.
- 2.8 As at the Latest Practicable Date, there were no agreements or arrangements to which the Offeror is a party, which relate to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the TTI Offers and the consequences of its doing so, including details of any break fees payable as a result.

### **3. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES**

- 3.1 The Offeror is a company incorporated in the British Virgin Islands on 2 May 2007. The Offeror is an investment holding company established for the purpose of making the TTI Offers and has not conducted any business or acquired any assets. The directors of the Offeror are Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP.
- 3.2 The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, The British Virgin Islands. The correspondence address of the Offeror is situated at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong.
- 3.3 The principal members of the Concert Parties are Mr. Stephan Horst Pudwill, Mr. Christopher Pudwill, Mrs. Barbara Pudwill, Ms. Li Oi King of 24th Floor, CDW Bldg, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong and Platinum, the financial adviser to the Offeror, whose registered address is 22/F, Standard Chartered Bank Building, 4 Des Voeux Road Central, Hong Kong.

**4. EXPERT AND CONSENT**

4.1 The following are the qualifications of Platinum whose letter is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Platinum	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

4.2 Platinum has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of its letter and references to its name in the form and context in which it is included.

**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection on the website of TTI ([www.irasia.com/listco/hk/techtronic](http://www.irasia.com/listco/hk/techtronic)) and the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of the despatch of this Composite Document until the end of the Offer Period up to and including the Closing Date:

- (a) memorandum and articles of association of the Offeror;
- (b) the letter dated 4 June 2007 from Platinum, the text of which is set out on pages 8 to 18 of this Composite Document;
- (c) written consent from Platinum as referred to in paragraph 4.2 of this Appendix III; and
- (d) the loan facility documents relating to the facility granted by HSBC and Citigroup to the Offeror.



## 1. RESPONSIBILITY

- 1.1 This Composite Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Offeror, the Group and the TTI Offers.
- 1.2 The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document, except in respect of information relating to the Offeror and its Concert Parties, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts (other than information relating to the Offeror and its Concert Parties) not contained in this Composite Document, the omission of which would make any of the statements in this Composite Document misleading.

## 2. SHARE CAPITAL

### (a) TTI Shares

The authorised and issued share capital of TTI as at the Latest Practicable Date were as follows:

<i>Authorised:</i>	<i>HK\$</i>
2,400,000,000 shares (shares of HK\$0.10 each)	<u>240,000,000</u>
<i>Issued:</i>	
1,505,050,652 shares (shares of HK\$0.10 each)	<u>150,505,065</u>

Save for the issue of (a) 1,235,000 new TTI Shares pursuant to the exercise of TTI Options by relevant eligible participants to the TTI Share Option Scheme during the period from 1 January 2007 to the Latest Practicable Date and (b) 38,592,000 new TTI Shares pursuant to the exercise of TTI Options by Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP on 14 May 2007, no TTI Shares were issued since 31 December 2006 (the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

All the existing issued TTI Shares rank *pari passu* in all respects including all rights as to dividends, voting and interests in capital.

### (b) TTI Securities

Save for the TTI Securities, TTI had no other outstanding convertible securities, warrants, options and derivatives in respect of TTI Shares as at the Latest Practicable Date.

**(c) Listing**

The TTI Shares are listed and traded on the Main Board of the Stock Exchange. The TTI Shares are not listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the TTI Shares being, or proposed to be sought, on any other stock exchange. The TTI ADRs are traded over the counter in US. The TTI Bonds are listed on the Stock Exchange.

**3. MARKET PRICES**

The table below sets out the closing prices of the TTI Shares quoted on the Stock Exchange on (a) the last trading day on which trading took place in each of the six calendar months immediately preceding the Last Trading Day; (b) 31 May 2007; (c) the Last Trading Day; and (d) the Latest Practicable Date:

	<b>Closing price per TTI Share</b> <i>HK\$</i>
30 November 2006	10.42
29 December 2006	10.08
31 January 2007	12.00
28 February 2007	10.70
30 March 2007	9.42
30 April 2007	10.46
31 May 2007	11.00
Last Trading Day	10.88
Latest Practicable Date	11.88

During the Relevant Period, the highest closing price of TTI Shares as quoted on the Stock Exchange was HK\$12.16 each on 12 February 2007, and the lowest closing price of the TTI Shares as quoted on the Stock Exchange was HK\$9.15 each on 28 March 2007.

**4. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN TTI SHARES, UNDERLYING TTI SHARES AND DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE OF TTI**

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of TTI in the TTI Shares, underlying TTI Shares pursuant to convertible securities, warrants, options or derivatives and debentures of TTI, and any shares, underlying shares and debentures of its associated corporations (within the meaning of Part XV of the SFO) which (i) were notified to TTI 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 TTI and the Stock Exchange, were as follows:

Name of Directors	Capacity/Nature of interests	Interests in TTI Shares (other than pursuant to TTI Securities) <sup>(1)</sup>	Interests in underlying TTI Shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in TTI Shares/ underlying TTI Shares	Approximate aggregate percentage of interests
Mr. Horst Julius Pudwill	Beneficial owner	103,337,500	960,000	327,717,294	21.77%
	Interests of spouse	760,000	–		
	Interests of controlled corporation	222,659,794 <sup>(2)</sup>	–		
Dr. Roy Chi Ping Chung JP	Beneficial owner	126,405,948	960,000	164,576,978	10.93%
	Interests of spouse	136,000	–		
	Interests of controlled corporation	37,075,030 <sup>(3)</sup>	–		
Mr. Kin Wah Chan	Beneficial owner	–	1,000,000	1,000,000	0.07%
Mr. Chi Chung Chan	Beneficial owner	–	3,000,000	3,000,000	0.20%
Mr. Stephan Horst Pudwill	Beneficial owner	4,054,500	100,000	4,154,500	0.28%
Mr. Vincent Ting Kau Cheung	Beneficial owner	1,920,000	–	1,920,000	0.13%
Mr. Joel Arthur Schleicher	Beneficial owner	100,000	300,000	460,000	0.03%
	Interests of spouse	–	60,000 <sup>(1)</sup>		
Mr. Christopher Patrick Langley OBE	Beneficial owner	500,000	200,000	700,000	0.05%
Mr. Manfred Kuhlmann	Beneficial owner	–	100,000	100,000	0.01%

Notes:

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

The interests of the Directors in the underlying TTI Shares pursuant to equity derivatives, which are held as beneficial owner, represent TTI Options granted to them pursuant to the TTI Share Option Scheme. These TTI Options are physically settled and unlisted, details of which are set out below:

Name of Directors	Date of grant	No. of underlying TTI Shares (in respect of TTI Options) held	Subscription price (HK\$)	Exercise period	Approximate percentage of existing issued share capital of TTI
Mr. Horst Julius Pudwill	19.9.2003	560,000	8.685	19.9.2003 – 18.9.2008 25.2.2004 – 24.2.2009	0.06%
	25.2.2004	400,000	12.170		
Dr. Roy Chi Ping Chung JP	19.9.2003	560,000	8.685	19.9.2003 – 18.9.2008 25.2.2004 – 24.2.2009	0.06%
	25.2.2004	400,000	12.170		
Mr. Kin Wah Chan	1.3.2004	1,000,000	12.525	1.3.2004 – 28.2.2009	0.07%

Name of Directors	Date of grant	No. of underlying TTI Shares (in respect of TTI Options) held	Subscription price (HK\$)	Exercise period	Approximate percentage of existing issued share capital of TTI
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	
	1.3.2004	500,000	12.525	1.3.2004 – 28.2.2009	
Mr. Stephan Horst Pudwill	1.3.2004	100,000	12.525	1.3.2004 – 28.2.2009	0.01%
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	
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 TTI Shares pursuant to listed equity derivatives represent an interest in 60,000 underlying TTI Shares held in the form of 12,000 TTI ADSs.

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

	<i>No. of TTI Shares</i>
Sunning Inc.	185,584,764
Cordless Industries Company Limited*	37,075,030
	<hr/>
	222,659,794
	<hr/> <hr/>

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of TTI had any interests or short positions in any TTI Shares, underlying TTI Shares pursuant to convertible securities, warrants, options or derivatives or debentures of TTI, or any shares, underlying shares or debentures of its associated corporations (within the meaning of Part XV of the SFO) which (i) would have to be notified to TTI 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 TTI and the Stock Exchange.

## 5. INTERESTS AND SHORT POSITIONS OF TTI SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at the Latest Practicable Date, the following persons (excluding the Directors and chief executive of TTI and their respective controlled corporations whose interests have been disclosed in the paragraph 4 of this Appendix IV) had interests or short positions in the TTI Shares or underlying TTI Shares pursuant to convertible securities, warrants, options or derivatives which would fall to be disclosed to TTI under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by TTI under Section 336 of the SFO:

Name	Total interests in TTI Shares		Approximate aggregate percentage of interests	
	Long Positions	Short Positions	Long Positions	Short Positions
Capital Research and Management Company <sup>(1)</sup>	117,596,600	–	7.81%	–
Prudential plc <sup>(2)</sup>	117,661,500	–	7.82%	–
OZ Management, L.L.C. <sup>(3)</sup>	89,439,300	–	5.94%	–

Notes:

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

Name	Remarks	Total interests in TTI Shares		Approximate percentage of interests
		Direct interests	Deemed interests	
Prudential plc	(a)	–	117,661,500	7.82%
Prudential Holdings Ltd	(b)	–	117,661,500	7.82%
Prudential Corporation Holdings Ltd	(b)	–	117,661,500	7.82%
Prudential Asset Management (Hong Kong) Ltd	(b)	117,661,500	–	7.82%

Remarks:

- (a) The capacity of Prudential plc in holding the 117,661,500 TTI Shares was as controlled corporation. Prudential plc is listed on the London Stock Exchange.
- (b) Prudential Holdings Ltd, Prudential Corporation Holdings Ltd and Prudential Asset Management (Hong Kong) Ltd were all direct or indirect subsidiaries of Prudential plc and by virtue of the SFO, Prudential plc was deemed to be interested in the TTI Shares held by these subsidiaries.

(3) The following is a breakdown of the interests in TTI Shares of OZ Management, L.L.C.:

Name	Remarks	Total interests in TTI Shares		Approximate percentage of interests
		Direct interests	Deemed interests	
OZ Management, L.L.C.	(a)	–	89,439,300	5.94%
OZ Asia Master Fund, Ltd.	(b)	43,407,300	–	2.88%
OZ Master Fund, Ltd.	(b)	43,747,700	–	2.91%
Fleet Maritime, Inc.	(b)	670,700	–	0.04%
GPV LVII, Inc.	(b)	692,600	–	0.05%
Goldman Sachs & Co. Profit Sharing Master Trust	(b)	512,700	–	0.03%
OZ Global Special Investment Master Fund, LP.	(b)	408,300	–	0.03%

*Remarks:*

- (a) The capacity of OZ Management, L.L.C. in holding the 89,439,300 TTI Shares was as investment manager.
- (b) OZ Asia Master Fund, Ltd., OZ Master Fund, Ltd., Fleet Maritime, Inc., GPV LVII, Inc., Goldman Sachs & Co. Profit Sharing Master Trust and OZ Global Special Investment Master Fund, LP. were corporations or entities controlled directly by OZ Management, L.L.C. and by virtue of the SFO, OZ Management, L.L.C. was deemed to be interested in the TTI Shares held by these corporations or entities.

Save as disclosed in the paragraph 4 of this Appendix IV and as disclosed in this paragraph 5 of this Appendix IV, as at the Latest Practicable Date, none of the Directors or chief executive of TTI were aware of any other person who had an interest or short position in the TTI Shares and underlying TTI Shares pursuant to convertible securities, warrants, options or derivatives which would fall to be disclosed to TTI under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by TTI under Section 336 of the SFO.

## 6. INTERESTS

### (i) Interests in TTI

As at the Latest Practicable Date,

- (a) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Code with TTI or with any person who is an associate of TTI by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Code and therefore no such person owned or controlled any TTI Shares or TTI Securities;
- (b) no subsidiary of TTI, nor any pension fund of the Group, owned or controlled any TTI Shares or TTI Securities;
- (c) neither Rothschild nor any other advisers to TTI, as specified in class (2) of the definition of “associate” under the Code, owned or controlled any TTI Shares or TTI Securities; and
- (d) save as disclosed in Appendix III and this Appendix IV, none of the Offeror and its Concert Parties owned, controlled or directed any TTI Shares or TTI Securities.

**(ii) Interests in the Offeror**

As at the Latest Practicable Date, Mr. Horst Julius Pudwill (the Chairman and Chief Executive Officer of TTI and an executive Director) owns 2 issued shares of US\$1.00 each in the Offeror, and Dr. Roy Chi Ping Chung JP (the Vice Chairman of TTI and an executive Director) owns 1 issued share of US\$1.00 in the Offeror, the aggregate of these shares represent the entire issued share capital of the Offeror. Save as disclosed above, none of the Directors, TTI, any members of the Group, any pension fund of the Group or any adviser to TTI own, control or direct any securities of the Offeror as at the Latest Practicable Date.

**(iii) Other interests**

As at the Latest Practicable Date,

- (a) no fund manager connected with TTI had managed any TTI Shares or TTI Securities on a discretionary basis;
- (b) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the TTI Offers;
- (c) there was no agreement or arrangement between any Director and any other party which was conditional on or dependent upon the outcome of the TTI Offers or otherwise connected with the TTI Offers;
- (d) no material contracts had been entered into by the Offeror in which any Director has any material personal interest; and
- (e) none of the Directors had any commitment to accept or reject the TTI Offers.

**7. DEALINGS IN SECURITIES**

On 14 May 2007, Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP had exercised the TTI Options granted to them respectively on 28 June 2002 under the TTI Share Option Scheme at the exercise price of HK\$3.60 per TTI Share. As a result of the exercise of these TTI Options, Mr. Horst Julius Pudwill and Dr. Roy Chi Ping Chung JP each acquired 25,728,000 TTI Shares and 12,864,000 TTI Shares, respectively.

Save as disclosed above, none of the Offeror and its Concert Parties, the Offeror Directors and the Directors have dealt in TTI Shares and TTI Securities during the Relevant Period.

**8. MATERIAL CONTRACTS**

Save for the contracts mentioned below, none of TTI and any of the members of the Group has entered into any contract (not being contract in the ordinary course of business) which is or may be material within the period from two years immediately preceding 14 May 2007, the date of the Announcement and up to the Latest Practicable Date:

- (a) the placing agreement dated 8 September 2005 entered into between Sunning Inc. (“Vendor”) as vendor, TTI, Merrill Lynch Far East Limited (“Merrill Lynch”), HSBC (and together with Merrill Lynch, the “Joint Placing Agents”), CLSA Limited (“Co-placing Agent” and, together with the Joint Placing Agents, the “Placing Agents”) relating to 96,000,000 TTI Shares pursuant to which the Placing Agents had agreed on a several basis, as agents of the Vendor, to procure purchasers for or failing which as principal to purchase a total of 96,000,000 TTI Shares owned by the Vendor, upon the terms and subject to the conditions set out therein. Details of the placing agreement had been publicly disclosed by TTI by way of an announcement dated 8 September 2005;
- (b) the subscription agreement dated 8 September 2005 entered into between the Vendor and TTI relating to the issue by TTI, and the subscription by the Vendor, of 96,000,000 TTI Shares at the subscription price of HK\$19.25 per TTI Share, upon the terms and subject to the conditions set out therein. Details of the subscription agreement has been publicly disclosed by TTI by way of an announcement dated 8 September 2005; and
- (c) the conditional purchase and sale agreement dated 6 December 2006 (US Eastern Standard Time) made between The Hoover Company (“Hoover”), Maytag Corporation, Hoover Holdings Inc. and Maytag Holdings Inc. and TTI relating to the acquisition by TTI of (i) substantially all of the assets of Hoover, including all of the outstanding equity interests in each of Hoover General, LLC and Hoover Limited, LLC, (ii) all of the issued and outstanding shares of capital stock of Juver Industrial S.A. de C.V., and (iii) all of the issued and outstanding equity interests of Maytag China, LLC. The transaction was completed on 31 January 2007 (US Eastern Standard Time). Details of the conditional purchase and sale agreement had been publicly disclosed by TTI by way of an announcement dated 7 December 2006 and a circular to TTI Shareholders dated 21 December 2006.



**9. EXPERT AND CONSENT**

9.1 The following are the qualifications of Rothschild whose letter is contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Rothschild	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

9.2 Rothschild has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of its letter and references to its name in the form and context in which it is included.

9.3 The address of Rothschild is 16th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.

**10. 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.

**11. SERVICE CONTRACTS**

As at the Latest Practicable Date, there were no service contracts with TTI or any of its subsidiaries or associated companies in force for the Directors which:

- (i) including both continuous and fixed term contracts, had been entered into or amended within six months before 14 May 2007, the date of the Announcement; or
- (ii) were continuous contracts with a notice period of 12 months or more; or
- (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

**12. OTHERS**

- (a) The registered office of TTI is situated at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong. The share registrar and transfer office of TTI is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (b) The Company Secretary and Qualified Accountant of TTI 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 qualified to practise as a Certified Public Accountant in Hong Kong.
- (c) Mr. Vincent Ting Kau Cheung, the 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 TTI (as to Hong Kong law) in connection with the TTI Offers and the firm 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.

### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection on the website of TTI ([www.irasia.com/listco/hk/techtronic](http://www.irasia.com/listco/hk/techtronic)) and the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of the despatch of this Composite Document until the end of the Offer Period up to and including the Closing Date:

- (a) the memorandum and articles of association of TTI;
- (b) the annual reports of TTI for the two financial years ended 31 December 2005 and 31 December 2006 respectively;
- (c) the letter dated 4 June 2007 from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Composite Document;
- (d) the letter dated 4 June 2007 from Rothschild to the Independent Board Committee, the text of which is set out on pages 25 to 41 of this Composite Document;
- (e) the written consent from Rothschild as referred to in paragraph 9.2 of this Appendix IV;
- (f) the material contracts as referred to in paragraph 8 of this Appendix IV; and
- (g) all the other documents in relation to the Offeror as referred to in paragraph 5 of Appendix III to this Composite Document.