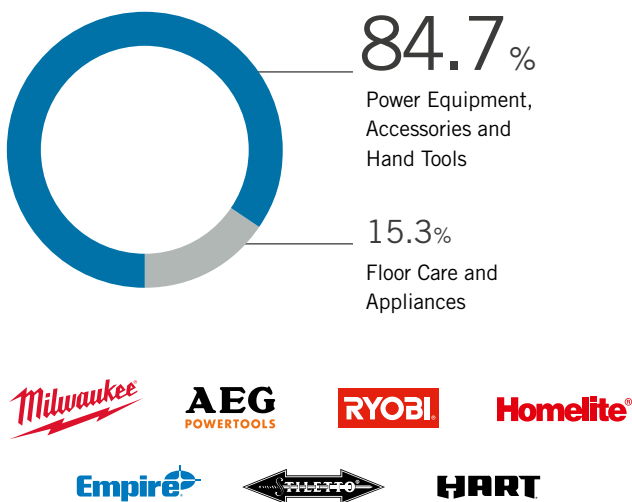


Management's Discussion and Analysis

Review of Operations

Sales by Business



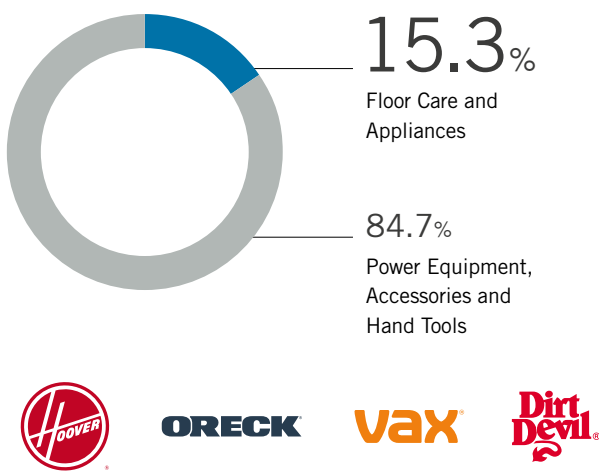
Focus on cordless innovation

Revenue growth of Power Equipment business was 14.9%

The business delivered operating profit of US\$512 million, a 18.9% increase over the previous year

The MILWAUKEE and RYOBI brands both delivered double-digit sales growth and outpaced the market

Sales by Business



Sales of cordless vacuums grew double-digit across all geographies

Outstanding brand portfolio includes HOOVER, DIRT DEVIL, ORECK and VAX

Invested in new production lines for our cordless products

Making progress executing the strategic changes

Review of Operations

TTI once again delivered record results in 2017. Total company revenue increased 10.6% from the prior year with growth in all regions. North America delivered strong 11.2% growth along with 3.3% growth in Europe and 20.8% from the rest of the world. Our focus on cordless innovation helped drive our Power Equipment business with revenue growth of 14.9%. Floor Care and Appliance business generated double-digit growth in cordless sales but with the strategic phase-out of the corded products the business declined 8.3%.

2017 was the ninth consecutive year of gross profit margin improvement from 36.2% in 2016 to 36.7% in 2017. This is a result of the organization's total commitment to our four strategic drivers which positively impact our goals. Innovative new products and services, cost efficiencies through continuous improvement initiatives, talent investment on a global basis, and world recognized and trusted brands all contribute to growing profitability.

Power Equipment

The Power Equipment business grew to US\$5.1 billion and 84.7% of total Group sales. The business also delivered operating profit of US\$512 million, a 18.9% increase over the previous year. The MILWAUKEE and RYOBI brands both delivered double-digit sales growth and outpaced the market.

Industrial Tools

The strategic focus on disruptive product innovation, direct end-user engagement, and operational performance drove Milwaukee to exceptional 2017 results. Sales grew 21.7% in the period outperforming the growth in the industrial and professional market. The strategy for continued market penetration is multi-leveled with the critically important end user and distribution interactions and the targeting of untapped adjacent categories all through the introduction of innovative products.

The business continues to successfully deliver on the strategy of providing a system-wide product range for professionals with special attention to trade users in the electrical, mechanical and plumbing industries. These trade-specific segments are experiencing a tremendous shift to the MILWAUKEE cordless revolution with the development of new categories.

Power Tools

The Milwaukee Power Tool business generated another year of double-digit sales growth exhibiting significant market share gains and new category expansion across the professional cordless power tool business segment. Examples of market changing innovative product introductions that are changing the way jobsites work occurred in lighting, drain cleaning, hydraulic and pneumatic where the need for electrical cords, hoses or gas storage is being eliminated. This is a direct result of the M12 and M18 cordless systems simplifying the decision process with a single battery platform. The M18 cordless system continues to be the fastest growing system for the professional end-user providing over 145 compatible tool solutions and the M12 cordless system surpassing over 80 compatible tools is maintaining our clear cordless leadership position in the sub-compact space.

Milwaukee continued investing and expanding the FUEL range by increasing the number of tools to more than 55. The new M18 FUEL mid-torque impact wrenches and the M18 high-torque impact wrenches are moving end-users from pneumatic to cordless enabling better maneuverability in tight spaces. Additional strategic product initiatives included the M18 FUEL HACKZALL utilizing a POWERSTATE brushless motor, a best in class 7/8" stroke length, and providing fast cutting and power in a one-handed reciprocating saw. The M18 FUEL 7-1/4" dual bevel sliding compound miter saw was designed for the demanding needs of the professional carpenter and remodeler. The M12 FUEL 1/2" ratchet combines both the torque and the compact size to replace pneumatic ratchets, becoming the ideal fastening solution for automotive mechanics and maintenance and repair professionals who demand maximum performance and convenient portability.

Leading the industry with disruptive cordless solutions for the mechanical, electrical and plumbing trades, the FORCELOGIC platform expanded its product range with the successful introductions of the M18 FORCELOGIC 1590 ACSR cable cutter, the M18 FORCELOGIC 12 ton crimper, and the innovative M18 FORCELOGIC 3" underground cable cutter which delivers improved reliability and productivity for the linemen in the electric power transmission and distribution trade.

The professional service plumber and maintenance repair professional have witnessed Milwaukee's expanded presence in the professional drain cleaning space with innovative cordless products. The handheld M18 FUEL drain snake with CABLE-DRIVE locking feed system was the first to deliver brushless motor technology to the drain cleaning industry. The M12 AIRSNAKE drain cleaning air gun is the industry's first drain cleaning machine designed to clear through drain covers and traps with powered air while leaving fixtures and drain covers intact. The M18 FUEL SWITCH PACK sectional drum system is the first drain cleaning solution that combines the benefits of sectional and drum machines.

A new category launched in 2016, M18 outdoor power equipment, reported strong results. Designed to meet landscape maintenance professional needs with increased productivity, the products eliminate cords and gas issues all with a single battery platform. The M18 FUEL string trimmer clears thick brush, reaches full throttle in under 1 second, and provides 1 hour of run time per charge. The M18 FUEL blower generates 30% less noise than gas-powered blowers and clears a distance of 15 feet. The M18 FUEL hedge trimmer delivers 2 hours runtime with the power to cut 3/4" branches.

High Output Lighting

Milwaukee is dominating the cordless high output and personal lighting categories. Our strategic initiative of capturing this market with innovative product solutions designed to deliver unmatched durability, performance, and increased productivity is witnessing acceptance in all the markets we serve. The M12 LED underhood light delivers TRUEVIEW high definition output adapting to any work situation with 2X more gripping surface for maximum hold while the FINISHGUARD hooks provide lasting protection against scratches to a vehicle's finish. The M18 RADIUS site light, capable of running on one or two battery packs, creates full 360° coverage with 14 hours from one charge. In addition, with plug-in and daisy-chaining capability, professionals can connect up to 12 lights off of a single circuit. The M18 ROVER mounting flood light brings extreme versatility to any jobsite with multiple mounting options in magnets and spring loaded clamps.

We entered the personal lighting category with a system of USB rechargeable lighting solutions which deliver over 2,000 recharges and 3X faster charging via USB. Products include the USB rechargeable ROVER pocket flood light designed to carry and attach anywhere, the USB rechargeable hard hat headlamp delivering 475 lumens, a slip resistant strap and a water, dust, and drop resistant body and lens for the toughest workplace conditions, and the USB rechargeable 700L flashlight with a sliding head for adjusting beam pattern.

Accessories

The Milwaukee Power Tool Accessory business finished 2017 with strong double-digit growth as a result of end-user conversions, new product introductions, and aggressive distribution efforts. Leading the growth was the SDS concrete drill bit and chisel segment which targets end-user demands of time saving engineered speed and extended chisel life. The SHOCKWAVE product range continues to be the brand of choice for impact rated drilling and driving accessories as Milwaukee extended the SHOCKWAVE range of products to include trade-specific accessory solutions for the power utility market including the linemen's impact augers and sockets.

Hand Tools and Storage

There were a number of exciting developments in the Milwaukee Hand Tool and Storage business driving double-digit growth across all product lines. The launch of the PACKOUT modular storage system has delivered on its promise of being the most versatile and durable modular storage system. Sales exceeded expectations with a positive growth outlook and dozens of new PACKOUT products on the horizon.

Additionally, screwdrivers, with patent-pending features such as tactile identification on the handle, tape measures, with new size reductions and increased durability, and Empire Levels, a leading company in the layout category, all delivered outstanding performance.

Advancements in new technology is behind Empire Level's growth. The expansion of the ULTRAVIEW LED technology into the torpedo level category provides a lightweight, pocketable solution in poorly lit work conditions. In addition, the launch of a new line of digital levels with industry first features like auto-calibration, making them the easiest to use in the industry, and the innovative advancements in compact box levels and torpedo levels proved to capture the imagination and acceptance of the professional users.

DIY and Professional Tools

RYOBI DIY Power Tools

RYOBI ONE+ brand is the largest cordless DIY power tool system in the world with over 120 tools on the same battery platform. RYOBI ONE+ brand delivered double-digit sales growth and dominates the DIY markets in North America and ANZ and is expanding rapidly across EMEA. We continue to increase the RYOBI brand user base with an ongoing flow of innovative new products featuring cutting-edge cordless technology that makes DIY projects faster, easier and more exciting.

Our stream of RYOBI new products includes the successful brushless range of professional performance tools that fit the ONE+ SYSTEM. An important recent new introduction is the RYOBI ONE+ 6 gallon wet/dry vac breaking new ground as the industry's first high capacity cordless job site vacuum delivering corded like performance. A 23 gauge pin nailer was added to the ONE+ AIRSTRIKE line of nailers with the ability to drive up to 3,500 nails on a single charged battery. Further broadening the RYOBI power tool range is the new ONE+ 10" dual bevel sliding compound miter saw which is driven by two ONE+ batteries and delivers over 800 cross cuts per charge.

AEG Professional Tools

The AEG brand of Professional Power Tools aimed at the tradesman produced solid growth in 2017 in the targeted EMEA and ANZ regions with excellent performance from the continued expansion of the 18V and 12V cordless ranges. The 18V cordless platform now offers over 40 power tools. A number of significant new 18V products were launched during the period including the revolutionary heavy duty hammer drill and the brushless 18V heavy duty reciprocating saw which set new standards in performance. The AEG brand of power tools has strong distribution partner momentum and a robust pipeline of new AEG 18V and 12V power tools to continue the growth in 2018.

Outdoor Products

The Outdoor Products business delivered a robust year delivering double-digit growth in sales with a focus on the targeted North America, ANZ and EMEA regions. The key drivers behind the growth were innovative product introductions, aggressive in-store merchandising, digital communication, and strategic promotional activity.

RYOBI Outdoor

The RYOBI Outdoor Product business produced strong sales results again in 2017 driven by excellent sales to both new and repeat users of the ONE+ and 40V cordless systems, plus significant new product launches that continued to showcase the advanced technology and innovations on both these cordless platforms. The growing awareness of the benefits from cordless technology is converting users from traditional gas powered equipment while also expanding the outdoor category.

RYOBI Outdoor Products experienced accelerating demand for the ONE+ high performance string trimmer, hedge trimmer, jet fan blower and chain saws. We gained market share with our innovative range of ONE+ and 40V mowers. Several notable new product innovations included the brushless ONE+ LITHIUM+ cordless trimmer, a RYOBI 40V brushless 20" mower, a redesigned 40V jet fan blower, and a RYOBI 38" riding mower, all surpassing sales expectations. The cordless mowers are delivering first to market performance with broad user acceptance. The 20" 40V mower expands an already successful range and brings excellent performance with industry best performance. More and more DIY end users are moving to the convenience of cordless products when working outdoors.

Floor Care and Appliances

The Floor Care and Appliance business declined 8.3% and accounted for 15.3% of TTI sales. With our outstanding brand portfolio including HOOVER, DIRT DEVIL, ORECK and VAX, the business is focusing on high growth cordless products and leveraging the TTI cordless technology. Sales of cordless vacuums grew double-digit across all geographies, validating our strategic plan aimed at increased profitability and a return to top line growth in the long term. The business is making progress executing the strategic changes by investing in R&D for cordless technology and new product development, discontinuation of non-strategic products and streamlining operations. During the year we invested in new production lines for our cordless products at our world class manufacturing facility. This is a critical step as we leverage our larger cordless power tool core competencies in floor care manufacturing.

North America

The North America business delivered growth in the cordless segment highlighted by the successful launch of the HOOVER REACT cordless pole vacuum and HOOVER FUSION cordless vacuum, both with market leading run time and performance of the ONE PWR cordless battery system with rapid charge. The new HOOVER power scrub range of carpet extractors gained momentum in the second half of 2017 and represents the start of a new portfolio of carpet extractors and accompanying cleaning solutions.

The DIRT DEVIL brand had an outstanding year outpacing the industry by growing at a double-digit rate. This was a result of successful product launches with the POWER MAX series of uprights and a range of cordless REACH MAX pole vacuums targeted toward the on-the-go millennial consumer. Our digital marketing and social media campaigns are proving highly effective in growing this segment of the market.

Our ORECK brand introduced a range of cordless pole vacuums, incorporating new-to-world POD technology, providing an unsurpassed “clean air” management system. This powerful technology offers significant user benefits for the ORECK platform going forward. ORECK products are supported with a direct to consumer model and highly impactful digital marketing campaign. Additionally, the Hoover Commercial Cleaning business had a solid year with the expansion of its customer base in cordless cleaning with back packs and HUSHTONE cordless uprights. The HUSHTONE upright is the leading commercial cordless upright and expands our battery network.

Europe

Floor Care business in Europe delivered strong growth in the strategic cordless stick vacuum category. In 2017 the innovative BLADE cordless stick vac was introduced in the UK market. Launching with two variants, both the BLADE 24V and BLADE 32V cordless stick vacs proved to be an immediate success with consumers adopting the efficient cleaning performance and long runtime of 35 minutes and 45 minutes respectively. The new floor cleaning head and DIRECT HELIX technology optimize airflow at all angles to maximize performance and efficiency. Following the successful UK launch, the BLADE cordless stick vac was launched across Europe and is achieving strong sales. We have a next generation BLADE in the pipeline which will further drive growth in the cordless floor care category in 2018. Another new product success is the VAX rapid power pro carpet washer offering our fastest ever carpet drying time and achieved our highest ever consumer rating.

Our Commitment to ESG

As a responsible corporate citizen, TTI is committed to operating its business in line with environmental, social and governance (ESG) best practices, and to considering the views of stakeholders as it enhances and grows the business sustainably. The Directors oversee the company’s management of ESG performance and compliance with all applicable legal and other requirements. TTI is vigilant to ensure compliance with applicable laws and regulations in the areas in which it does business and certifies compliance across all of its business units on a bi-annual basis. It is not believed that any particular law or regulation would have a material effect on the business. TTI has many measures at its disposal and checks and balances to ensure that were it found to be noncompliant in any given area, it could quickly bring its operations into compliance and mitigate the risks. TTI implements systems to manage risk and audits performance to ensure compliance with all local laws, regulations and standards related to corporate governance, business operations, employment, health and safety and the environment.

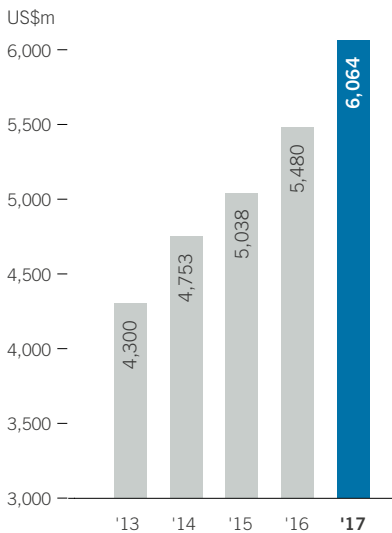
The company recognizes the importance of relationships with key stakeholders to the success of the business, to the retention and recruitment of leading talent, to the continued innovation of TTI’s products, and to enhancing the sustainability of its operations and supply chain. Regular communication with regulatory authorities, shareholders and investors, business partners, customers, suppliers and employees is essential for being aware of and meeting evolving requirements and expectations.

Detail on how TTI integrates sustainability into the business, meets its ESG commitments and legal and other requirements, and engages with stakeholders is provided throughout this report and specifically on pages 70 to 91.

Financial Review

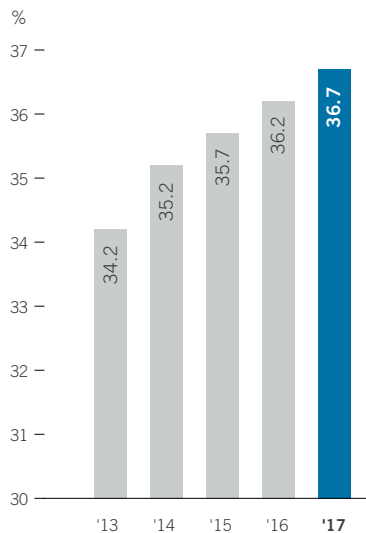
Revenue

US\$ **6,064** million
+10.6%



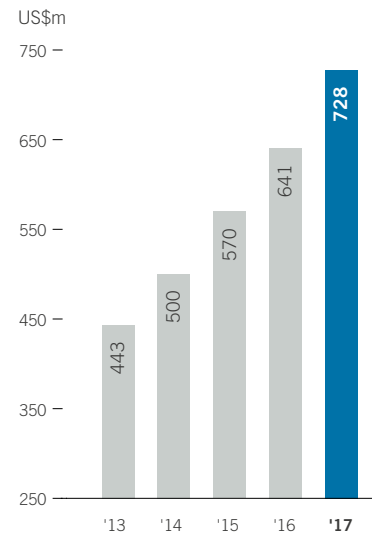
Gross Profit Margin

36.7 %
+50 bps



EBITDA

US\$ **728** million
+13.6%



Book Value per Share

US\$ **1.49**
+13.7%

Capex

US\$ **205** million
(2016: 190 million)

Effective Tax Rate

6.9 %
(2016: 7.1%)

Cash and Cash Equivalent

US\$ **864** million
(2016: US\$803 million)

Investments in Product Design and Development

US\$ **164** million
2.7% of turnover

Net Cash Position

Gearing is improved from 5.2%
in 2016 to **net cash**

Financial Review

Financial Results

Result Analysis

The Group's revenue for the year amounted to US\$6.1 billion, an increase of 10.6% as compared to US\$5.5 billion in 2016. Profit attributable to Owners of the Company amounted to US\$470 million as compared to US\$409 million in 2016, an increase of 15.0%. Basic earnings per share for the year improved to US\$25.66 cents as compared to US\$22.32 cents in 2016.

EBITDA amounted to US\$728 million, an increase of 13.6% as compared to US\$641 million in 2016.

EBIT amounted to US\$519 million, an increase of 15.3% as compared to US\$450 million in 2016.

Gross Margin

Gross margin improved to 36.7% as compared to 36.2% last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the year amounted to US\$1,712 million as compared to US\$1,540 million in 2016, representing 28.2% of turnover (2016: 28.1%). The increase was mainly due to the strategic investments in new products.

Investments in product design and development amounted to US\$164 million, representing 2.7% of turnover (2016: 2.7%) reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the year amounted to US\$14 million as compared to US\$10 million in 2016, an increase of 35.0%. The increase mainly due to the increase in the volume of business and interest rate increased during the year. In view of the potential further rate increase, the Company will focus in managing its financial resources to be more efficient going forward. Interest coverage, expressed as a multiple of EBITDA to total interest was 30.2 times (2016: 30.0 times).

The effective tax rate, being tax charged for the year to before tax profits was at 6.9% (2016: 7.1%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$2.7 billion as compared to US\$2.4 billion in 2016. Book value per share was at US\$1.49 as compared to US\$1.31 last year, an increase of 13.7%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2017, the Group's cash and cash equivalents amounted to US\$864 million (2016: US\$803 million), of which 50.2%, 21.6%, 7.6% and 20.6% were denominated in US\$, RMB, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved from 5.2% in 2016 to net cash. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing, if any, will remain low going forward.

Bank Borrowings

Long term borrowings accounted for 66.5% of total debts (2016: 52.8%).

The Group's major borrowings continued to be in US Dollars. Borrowings are predominantly LIBOR based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Amongst the bank borrowings, fixed rate debts account for 12.3% of the total debt, the balance being floating rate debts.

Working Capital

Total inventory was at US\$1,467 million as compared to US\$1,296 million in 2016. Days inventory increased by 2 days from 86 days to 88 days. The higher inventory days as compared to past years was mainly due to the strategic decision to carry a higher level of inventory to support our service level, considering our high growth momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 67 days as compared to 62 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 62 days as compared to 57 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were 95 days as compared to 89 days in 2016.

Working capital as a percentage of sales was at 16.5% as compared to 16.4% in 2016.

Capital Expenditure

Total capital expenditures for the year amounted to US\$205 million (2016: US\$190 million).

Capital Commitments and Contingent Liabilities

As at December 31, 2017, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$22 million (2016: US\$33 million), and there were no material contingent liabilities or off balance sheet obligations.

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2017

- (i) the Group's largest customer and five largest customers accounted for approximately 45.5% and 55.8% respectively of the Group's total revenue; and
- (ii) the Group's largest supplier and five largest suppliers accounted for approximately 4.7% and 16.7% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

Human Resources

The Group employed a total of 22,033 employees as at December 31, 2017 (2016: 20,642) in Hong Kong and overseas. Total staff cost for the year under review amounted to US\$963 million (2016: US\$807 million).

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

Corporate Strategy and Business Model

The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floor care for consumers, professional and industrial users in the home improvement, infrastructure and construction industries. We are committed to implementing our long term strategic plan that focuses on "Powerful brands, Innovative Products, Operational Excellence and Exceptional People".

We continue to strengthen our portfolio of powerful brands with a focused marketing approach. Brands extension into new product categories and under-represented markets enable us to generate outstanding growth. Geographic expansion will be a highlight of TTI's future, our long term strategy is to aggressively build our business both inside and outside North America and we have spent relentless efforts to expand and establish presence in high potential markets around the world.

Introducing innovative new products is the centerpiece of our long term strategy. We continue to invest in building a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

Our strategy in operational excellence will continue, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.

Purchase, Sale or Redemption of Securities

A total of 1,500,000 ordinary shares (those bought back by the Company during 2016 at prices ranging from HK\$27.50 to HK\$28.15 per share) were settled and cancelled by the Company during 2017. The aggregate amount paid by the Company for such buy-backs cancelled during 2017 amounting to US\$5,388,000 was charged to the retained earnings.

The shares bought back were cancelled and accordingly the issued share capital of the Company was reduced. The buy-backs of the Company's shares during the year were effected by the Directors pursuant to the mandate granted by shareholders at the previous annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2017. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK39.75 cents (approximately US5.12 cents) per share with a total of approximately US\$93,877,000 for the year ended December 31, 2017 (2016: HK30.00 cents (approximately US3.86 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 28, 2018. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 22, 2018. This payment, together with the interim dividend of HK27.75 cents (approximately US3.57 cents) per share (2016: HK20.00 cents (approximately US2.57 cents)) paid on September 22, 2017, makes a total payment of HK67.50 cents (approximately US8.69 cents) per share for 2017 (2016: HK50.00 cents (approximately US6.44 cents)).

Closure of Register of Members

The register of members of the Company will be closed for the following periods:

To ascertain members' eligibility to attend and vote at the 2018 Annual General Meeting, the register of members of the Company will be closed from May 16, 2018 to May 18, 2018, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2018 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 15, 2018.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 28, 2018 when no transfers of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 25, 2018.