Techtronic Industries

Annual Report 2011

TTI 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, repair and construction industries. Our unrelenting strategic focus on Powerful Brands, Innovative Products, Operational Excellence and Exceptional People drives our culture.

Our brands and products are recognized worldwide for their deep heritage, superior quality, outstanding performance and compelling innovation. Through a company-wide commitment to innovation and strong customer partnerships, we consistently deliver new products that enhance customer satisfaction and productivity. This focus and drive provides TTI with a powerful platform for sustainable leadership and strong growth.

Founded in 1985 in Hong Kong, TTI has a portfolio of industry leading brands, a worldwide customer reach, and over 17,000 staff. TTI is listed on the Stock Exchange of Hong Kong and in 2011 had worldwide sales of US$3.7 billion.

Contents

Financial Highlights

» Record sales and profitability

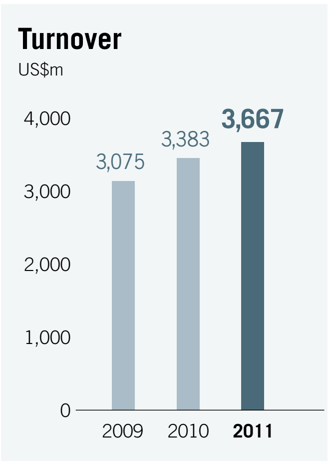
» New products drive growth

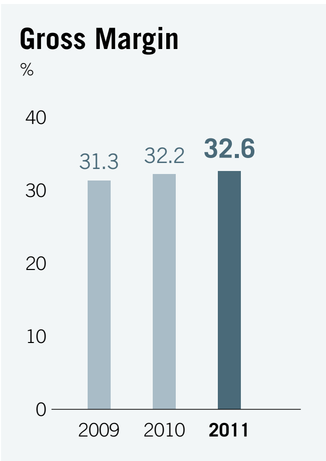
» Continued geographic expansion

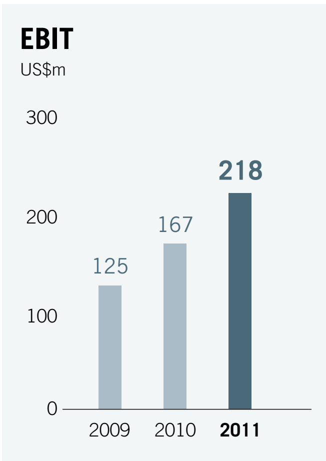
» Ongoing gross margin improvement

» Increased free cash flow

	2011 US$m	2010 US$m	**Changes %**
Turnover	**3,667**	3,383	**+8.4%**
EBITDA	**338**	280	**+20.5%**
EBIT	**218**	167	**+30.6%**
Profit attributable to Owners of the Company	**151**	95	**+58.9%**
Basic earnings per share (US cents)	**9.39**	5.93	**+58.3%**
Dividend per share (approx. US cents)	**1.64**	1.28	**+28.1%**







Chairman's Statement

Techtronic Industries ("TTI") delivered strong results in 2011, reporting record sales and profits, as our business continued to expand in key markets while successfully managing costs and delivering higher margins. This solid performance demonstrates the fundamental strengths of the Group, centred on our strategic drivers of Powerful Brands, Innovative Products, Exceptional People and Operational Excellence.

Dependable Performance

Sales for the year ended December 31, 2011 increased 8.4% over 2010 to US$3.7 billion as we outpaced the market in a demanding global economic environment. Gross profit margin increased to 32.6%, from 32.2% in 2010 and 31.3% in 2009 showing our ability to drive productivity gains in our operations and supply chain, despite the head winds from higher commodity prices and rises in other input costs. SG&A expenses were reduced from 26.9% of sales in 2010 to 26.8% in 2011. All these improvements drove 2011 earnings before interest and tax up by 30.6% to US$218 million, with margin improving by 100 basis points to 5.9%. Better interest expenses and tax management further lifted profit attributable to shareholders of the Company by 58.9% to US$151 million, while earnings per share rose by 58.3% over the previous year to US9.39 cents.

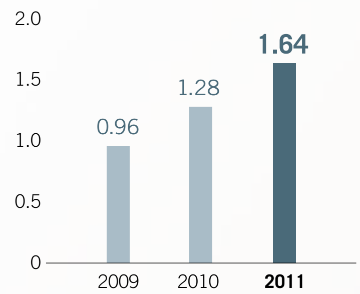
Sales at our largest business, Power Equipment, rose by 11.6% to US$2.7 billion, accounting for 72.6% of total sales, up from 70.5% in 2010. Floor Care and Appliances sales rose by 0.7% to US$1.0 billion, accounting for 27.4% of total sales. Despite a challenging market environment, we were able to grow our core North America and Europe businesses. Our geographic expansion program is gaining traction, delivering a 22.3% increase in rest of the world sales.

Combined sales growth and improvements in operational efficiency drove positive free cash flow of US$149 million for the year. Our debt and working capital position remains comfortable and in line with our targets. Working capital as a percentage to sales improved from 21.9% in 2010 to 18.9% in 2011. Gearing continued to decline, reaching 59.3% at the end of 2011 from 66.1% as at June 30, 2011.

I am pleased to announce that the Board is recommending a final dividend of HK7.75 cents (approximately US1.00 cent) per share. Together with the interim dividend of HK5.00 cents (approximately US0.64 cent) per share, this will result in a full-year dividend of HK12.75 cents (approximately US1.64 cents) per share, against HK10.00 cents (approximately US1.28 cents) per share in 2010, an increase of 27.5%.

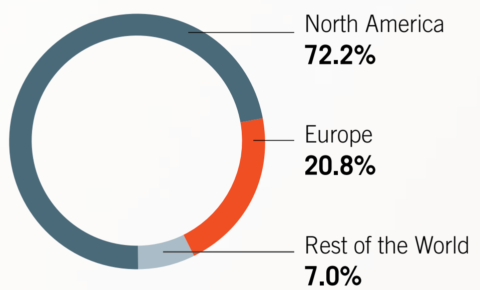
Dividend per Share

US cents



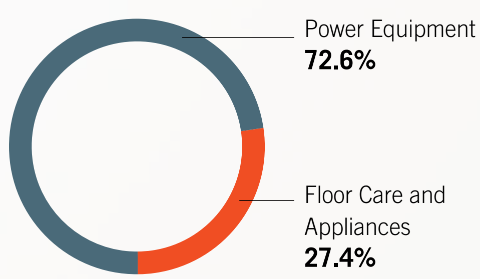
Sales by Location

%



Sales by Business

%



Dedicated Focus

We have a sound strategy with a dedicated focus on execution. We are delivering value to our customers and providing TTI with a scalable engine for growth.

TTI has a stable of powerful brands that occupy leadership positions in important markets across the globe. Our multi-brand approach in power tools, outdoor power equipment and floor care allows us to segment end-users. An example of the power of our brands has been the transformation of RYOBI® power tools and accessories into a leader in the consumer segment. Behind this success is the RYOBI® ONE+ System® of cordless tools, which continues to expand its customer base. The success of the cordless system has now been leveraged into the consumer outdoor portable tools segment, which had a successful 2011, firmly establishing another growth category for the RYOBI® brand.

We understand that exciting new products are fundamental to winning customers and that user-focused innovation creates strong brand loyalty. We have invested in R&D every year, even in times of economic challenge, resulting in new products contributing approximately one third of the Group's sales, the level targeted in our Strategic Roadmap.

We have an enviable track record of enhancing our existing product platforms while each year producing ground-breaking new products. This is clearly demonstrated by the game-changing MILWAUKEE® lithium ion cordless power tool innovations that enhance end-user productivity. These range from their REDLITHIUM™ with best-in-class power, to the newly introduced FUEL™, which is the leading edge in unbeatable durability, energy efficiency, long charge life and power. As a result, MILWAUKEE® has become one of the fastest growing industrial power tool brands in North America and other key markets.

Our dedicated focus on cost improvement and productivity follows a highly disciplined, company-wide process that delivers savings through value analysis of products, manufacturing and other supply chain efficiencies. This focus was an important contributor to our gross margin improvement in 2011, as it enabled us to offset rising input costs.

Seizing Growth Opportunities

TTI has been growing its business, improving profitability, generating free cash flow, and strengthening its balance sheet. We have created a leading position with our strong brand portfolio, cost efficient production and stream of innovative products which are facilitating further expansion into new categories and new geographies. Global brands, rapid speed-to-market of new innovative products, and scale are necessary to achieve market leadership and superior growth. Our proven track record demonstrates that we have solid, executable plans in place to capture enormous growth potential going forward.

I wish to extend my appreciation to our many dedicated customers and business partners for their support during the year, to our people for their passion and hard work in turning TTI's vision into the reality of well made, cost effective products, my fellow directors for their sound contribution and to our many shareholders for their commitment.

Horst Julius Pudwill
Chairman
March 22, 2012

Chief Executive Officer's Strategic Review

2011 proved to be an outstanding year for TTI. We delivered strong financial results and we made great strides implementing our long-term strategic plan.

The centerpiece of our long-term strategy is developing leadership positions by continuously introducing innovative new products. Our new product machine does not focus on "rebranded" line extensions. At TTI we are developing a series of game-changing, technologically advanced new products and platforms. These innovations address our end-user needs with breakthrough performance, enhanced productivity and exceptional industrial design as witnessed by new product introductions amassing sales of over US$3 billion in the last three years. Our passion for new products is matched by our passion for operational performance. An innovative culture means we execute effectively, always doing it right and examining new processes for doing it better.

We are implementing this 'disruptive' innovation model throughout all of our business units. Let me share some powerful examples of our disruptive innovation now rolling out into the market:

MILWAUKEE® FUEL™ – When we introduced MILWAUKEE® REDLITHIUM™ cordless, we set a new performance standard for cordless power tools. Now we are launching the revolutionary MILWAUKEE® FUEL™ lithium series. MILWAUKEE® FUEL™ will deliver breakthrough power, run-time and life for the industrial cordless users.

Subcompact Lithium – TTI continues to pioneer the 12-volt lithium subcompact market. We are introducing a series of M12™ MILWAUKEE® lithium power tools. Additionally, we are expanding our RYOBI® and JobMax™ subcompact lithium platforms.

RYOBI® ONE+ System® – Today, the RYOBI® ONE+ System® cordless platform delivers the broadest range of cordless tools available on one battery platform. We are expanding the RYOBI® ONE+ System® with our new generation 'G4' range of superior DIY cordless tools. Additionally, we are rolling out a new RYOBI® ONE+ System® inflator, radio charger, and flashlight.

Strategic Roadmap

RYOBI® Outdoor – We have achieved tremendous success with our RYOBI® ONE+ System® outdoor lithium tools. To expand on this success, we now offer a 24-volt RYOBI® lithium line and a new 36-volt RYOBI® outdoor high-performance lithium platform. RYOBI® is pioneering the outdoor lithium cordless market around the world.

New Businesses – At TTI we continue to introduce new businesses. We have introduced a hand tool business featuring productivity enhancing MILWAUKEE® hand tools and HART® branded striking tools. Our newly created hand tool business has vast potential. Our investment in developing a test and measurement start-up inside the company is now paying off with the introduction of the MILWAUKEE® Fluorescent Lighting Tester (FLT). The FLT is a unique innovative diagnostic tool that greatly enhances productivity for the target user.

Floor Care – Our floor care team is expanding the WindTunnel® Air™ range of lightweight, compact, high performance vacs featuring the elegant design our customers covet. This new generation of vacs is taking off in both the US and Europe.

Geographic Expansion

TTI has a strong foundation in the US market and we will benefit from an improving US economic environment. However, our long-term strategy is to aggressively build our business outside the US. We have worked hard to expand or establish companies in high potential markets around the world. Our teams in Canada, Western Europe, Central Europe, the Middle East, Latin America, Australia, and Asia all made exciting progress in 2011. This international progress will continue in the years ahead.

Leadership Development Program (LDP)

Our investment in people is exemplified by our LDP which is now drawing excellent talent from several continents with a network of over 50 universities. We have hired over 600 LDPs and close to 50% having been promoted at least two times. The Program is flourishing as we are building an exceptional team of future leaders.

Innovation Is Our Future

What is most exciting is we are just getting started! Our culture of innovation, from daily consumer and professional interaction to product design, from investments in technology and people to best in class processes, will ensure we have many new product innovations on the way with the ability to execute on a global level for the years ahead.

I want to extend a special thanks to our R&D and product development teams around the world. We are highly fortunate to have a talented and dedicated group of world-class people driving TTI product development!

In closing, I am grateful for the vision and the support of our Chairman, Horst Pudwill. Horst's passion to build TTI continues to drive our company to new levels of excellence.

Joseph Galli Jr
Chief Executive Officer
March 22, 2012

Strategic Drivers

Powerful Brands, Innovative Products, Exceptional People and Operational Excellence are the core strengths of TTI. They enable us to achieve our strategic goals, maximizing returns.

Reliable Performance

We are proud that our organization has consistently improved performance in all areas year after year. Revenue, gross margins, cost reductions, innovations and geographic expansion, to name a few, have all exhibited growth even in a challenging market environment. We attribute this success to our dedication and focus to the strategic efforts we have made to defining the core drivers that propel our business. Exceptional People creating Innovative Products and delivering Operational Excellence grow Powerful Brands. This synergy, based around meeting the needs of consumer and professional users is the fuel behind TTI's dependable performance.

Powerful Brands

Our brands are sold around the world. They have become powerful global brands because they not only meet our customers' needs; they work day in and day out. In short, they are dependable! In addition, we have outpaced our competitors in product innovations that have delivered increased market share and customer satisfaction.

Innovative Products

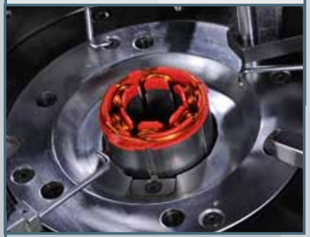
Our product innovation is a result of continuous interaction with our customers and end-users. This on-the-job and in-the-home involvement produces the insights that create trend-setting ideas and products. The result is increased market share and higher customer satisfaction.

Exceptional People

The foundation of an organization is its people. At TTI, we invest heavily in developing current and future leaders through aggressive recruitment, training and recognition programs. Strong, effective leadership keeps our company strategically focused on facing the often unpredictable market forces.

Operational Excellence

Execution is the other side of the innovation coin. Without it, ideas remain ideas. At TTI, we are passionate about being the very best in every aspect of our operation. We closely examine every detail from design engineering to supply chain logistics in order to eliminate waste and improve productivity. Our operational teams have driven scalability utilizing our resources at a global level.



The new RYOBI® ONE+ System® 18-volt Reciprocating Saw has a unique Anti-Vibe™ handle which reduces fatigue during prolonged use, making your job more comfortable while providing 3,100 strokes per minute.

Powerful Brands

The RYOBI® ONE+ System® is a unique tool range in which one battery and charger can be used with over 50 power tools and outdoor products. All products are powered by either Ni Cad or Lithium ion 18-volt batteries which are interchangeable, removing the added expense of buying batteries and chargers with every tool purchased.

The ONE+ System® gives end-users unbeatable flexibility to build their collection of power tools and outdoor products individually or in great combinations when they want and as they need them, making it the clever way to buy power tools. The system continually adds new end-users and has a loyal following of end-users who keep coming back for the latest ONE+ System® product offerings.

The ONE+ System® has achieved an unbeatable following, making RYOBI® a leader in the consumer power tools segment and one of the fastest growing consumer power tool brands worldwide.

The M18 FUEL™ ½" Hammer Drill/Driver is the most powerful drill in its class. It is part of the new M18 FUEL™ line of cordless products which delivers up to 10x longer motor life, 25% more power and 50% more run-time.

Innovative Products

+UP TO **10X** LONGER MOTOR LIFE

+UP TO **25%** MORE POWER

+UP TO **50%** MORE RUN-TIME

MILWAUKEE® continues to revolutionize cordless power tools with the introduction of M18 FUEL™ – an exclusive line of extreme-performance cordless power tools designed to deliver unmatched productivity. As a leader in cordless tool development, MILWAUKEE® has integrated three ground-breaking technologies: POWERSTATE™ brushless motor, REDLITHIUM™ battery technology, and REDLINK PLUS™ Intelligence, to provide a new class in durability, run-time and performance for the professional tradesman.

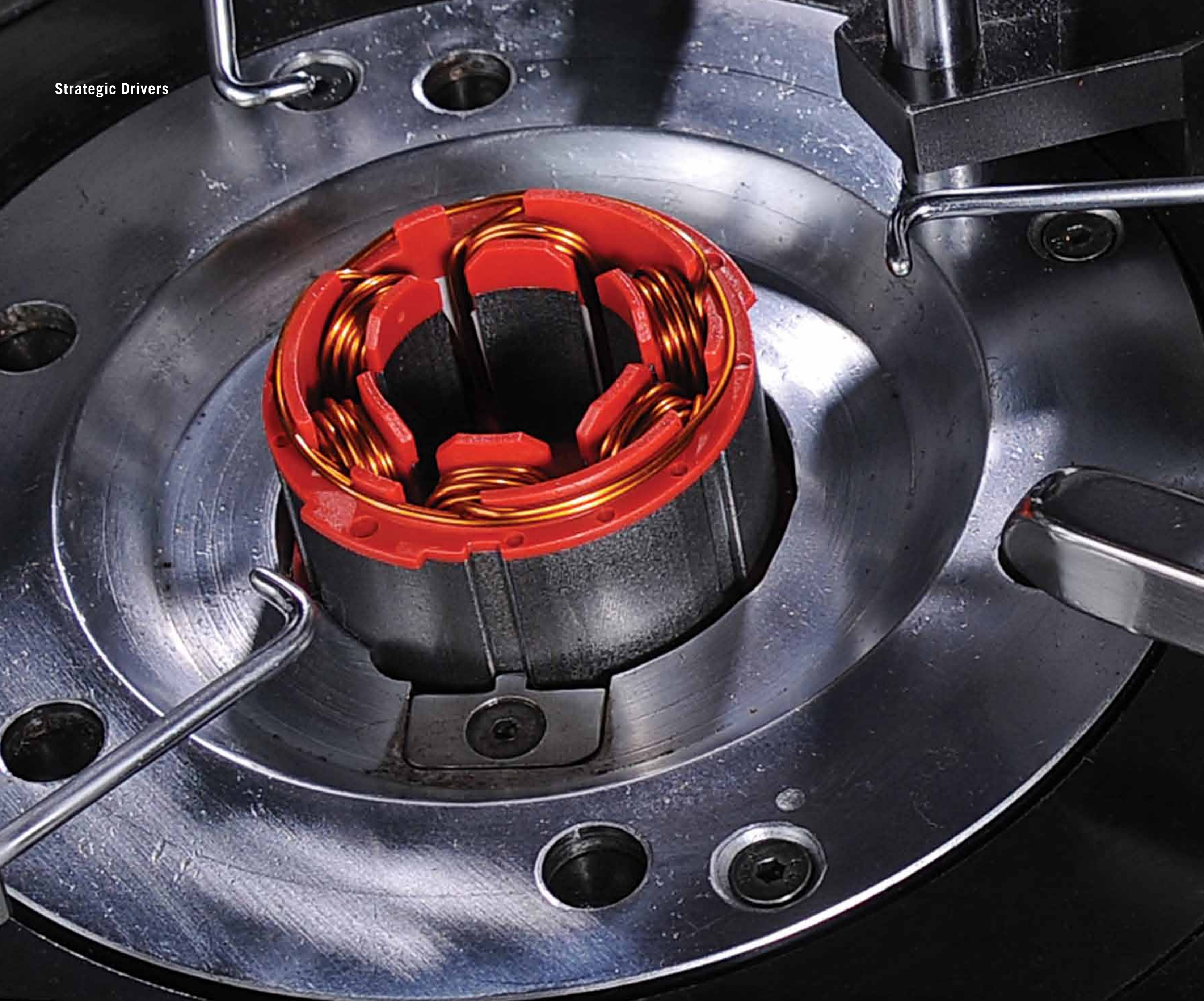
The new POWERSTATE™ brushless motor works harder and lives longer than all leading competitors, and will deliver years of maintenance-free performance. MILWAUKEE® REDLITHIUM™ batteries provide significantly more run-time, power and recharges than any other lithium products on the market. REDLITHIUM™ batteries operate cooler and perform in climates as low as 0°F/-18°C with fade free power. REDLINK PLUS™ Intelligence hardware and software is the world's most advanced system of cordless power tool electronics that maximize performance and integrates a full-circle communication between tool, battery and charger, and constantly monitors this internal network to maintain ideal conditions.

The success of Team TTI is built on the foundation of TTI's Leadership Development Program (LDP). The Program, launched in 2007, was strategically designed to recruit the best and brightest talent from college campuses and provide a clearly defined career path that grows and promotes Exceptional People. The Program incorporates mentoring, multi-dimensional training, and extensive field experience. This rigorous, yet rewarding training and development program is focused on three core areas of the company: Sales, Marketing and Product Development. Chet Conlon (picture left) exemplifies the strength behind this career long program. Chet was recruited through LDP and began as a Field Sales Representative in 2007. He has been promoted five times and is now a National Account Manager.

Exceptional People

Team TTI begins with dedicated and well trained employees meeting with consumers and professional users on a daily basis. We visit retail locations to interact with the customer as they are in the decision making process to assist them with product knowledge and demonstrations, plus ideas for solving their projects efficiently. This, of course, is the ideal time to ask questions about performance, what they like, what they don't like and, most important, what they would like to see in new products or features.

This type of interaction and input is invaluable since the customer will often describe what they want to do which provides the inspiration our Team TTI uses to create an innovative solution for that desire. This is what helps us win in the market. We are very good listeners. And with over 400 Team TTI staff, we do a lot of listening providing one-to-one customer contact in all global markets. We are learning and sharing to make our customer's lives better.



Operational Excellence

A recent example of improved technology and processes is the vertical integration of advanced motor manufacturing for the newly developed POWERSTATE™ brushless motor technology, part of the technology in MILWAUKEE®'s FUEL™ program. The new-to-market POWERSTATE™ brushless motor works harder and lives longer than leading competitors' motors. The MILWAUKEE® FUEL™ POWERSTATE™ brushless motor is produced on state-of-the-art, computer controlled motor manufacturing equipment for the highest level of accuracy, performance and quality.

Our standing goal of Operational Excellence is a never ending process. The opportunities for improving efficiencies and achieving higher standards are available throughout the organization. This is why we invest in processes that help identify even the smallest advancement, whether it is in manufacturing or billing procedures, because a thousand small steps lead to significant companywide improvement.

We are proud of the achievements we have made in scalability, technology breakthroughs, talent growth and worldwide procedures that have helped to eliminate waste while improving speed-to-market innovations. Our focus on raising the bar on our operational performance will never stop.

Power Equipment Overview

The Power Equipment business, comprising of MILWAUKEE®, AEG®, RYOBI® power tools and accessories, and RYOBI® and HOMELITE® outdoor products and accessories, achieved an 11.6% increase in sales in 2011 to HK$2.7 billion. The business accounted for 72.6% of Group turnover, against 70.5% in 2010.

RYOBI® ONE+ System® 18-volt Impact Driver

ONE+ System® delivers more innovation, features and power to Impact Drivers than ever. The RYOBI® ONE+ System® 18-volt Impact Driver is over 33% faster and more powerful than the previous model and incorporates Tri-Beam LED lights to eliminate shadows on bits and fasteners in the darkest work areas. No other Impact Driver is more convenient to use due to the exclusive MagTray™ magnetic holder, onboard bit storage and auto-load chuck. Like all RYOBI® ONE+ System® items, this Impact Driver works with any ONE+ System® battery.

	Milwaukee	AEG POWERTOOLS	RYOBI	Homelite
Brand	MILWAUKEE® is an industry-leading manufacturer and marketer of heavy-duty, portable electric power tools and accessories. MILWAUKEE® leverages technology and disruptive innovation to deliver trade-based solutions to skilled tradesmen around the world.	The AEG® power tools brand has been delivering high-performance tools since 1898. 114 years later and nothing has changed, AEG® power tools continues to push boundaries and innovate with a current focus on the cordless sector, harnessing lithium ion power as well a myriad of traditional but highly innovative corded tools.	RYOBI® offers the most extensive award winning and innovative line of consumer focused products and accessories for worldwide use. The RYOBI® power tool range is anchored by the 18-volt ONE+ System® of over 50 products, ranging from drills, drivers, saws and trimmers to sanders. RYOBI® also offers a wide variety of outdoor products that supports end-user needs with extensive lines of energy efficient gas, electric and cordless products.	HOMELITE® Consumer Products manufactures a full-line of outdoor power equipment including string trimmers, blowers, chain saws, hedge trimmers, pressure washers, generators and outdoor accessories for the consumer, do-it-yourselfer and garden enthusiast.
				
Products and Technology	**Products** • Cordless Power Tools, Corded Power Tools and Accessories, Solutions based Hand Tools, Test & Measurement diagnostic equipment **Cordless Platforms** • Lithium ion batteries M12™, M18®, M28™ REDLITHIUM™ **Technology** • State of the art motor technology – POWERSTATE™ Brushless Motor • Advanced electronics – REDLINK PLUS™ **Accessory technology** • Sawzall® blades, SWITCHBLADE® self-feed bits, BIG HAWG® hole cutters, THUNDERBOLT® drill bits, Shockwave Impact Duty™	**Products** • Cordless and Corded Power Tools **Cordless Platforms** • Pro Lithium ion Cordless System 12-volt 14.4-volt and 18-volt • Omni Pro™ Multitool system with interchangeable heads • Cordless and Corded Power Tools, and support accessories **Accessory Technology** • Fixtec® rapid accessory change system	**Products** • Cordless and Corded Power Tools • Gas, Electric and Cordless Powered Outdoor Products • Power Tool and Outdoor Products Accessories **Technology** *Power Tools* • 18-volt ONE+ System® • 4-volt Lithium ion *Outdoor Products* • 2-Cycle & 4-Cycle – Gas • 4-volt, 24-volt & 36-volt Lithium ion Systems **Accessories Technology** • SpeedLoad®	**Products** • Gas and Electric Powered Trimmers, Blowers, Chain Saws, Hedge Trimmers, Lawn Mowers, Log Splitters, Pressure Washers, and Generators **Technology** • HOMELITE® products are designed to provide consumers great performance at an incredible value
End-Users	• Mechanical, electrical, plumbing, remodeling and maintenance repair professionals	• Professional tradesmen, Contractors	• Do-it-Yourselfers and Cost-Conscious Professionals • Homeowners, woodworkers, hobbyists, craftspeople, and value-conscious contractors	• Consumers, Do-it-Yourselfers and garden enthusiasts
Distribution	• Home Center channels, Hardware, Industrial MRO, Plumbing, Electrical, Construction and Automotive channels	• Professional / Traditional Trade distribution • Professional section of Modern channels and Home Centers	• Home Centers and Hardware stores	• Worldwide primarily through Home Centers, Garden Centers and Hardware stores

Review of Operations

The MILWAUKEE® M18® Cordless ¼" Hex Impact Driver delivers 2,200 RPM and a category leading 1,400 in-lbs of torque. Additionally, the Driver offers 0 – 3,200 IPM, providing more impact for increased productivity. It deploys MILWAUKEE®'s Impact Mechanism, increasing driving speed and maximizing torque, and is driven by MILWAUKEE®'s 4-Pole Frameless Motor maximizing tool efficiency and increasing run-time.

MILWAUKEE® Shockwave Impact Duty™ 30° Knuckle™ Pivoting Bit Holder allows users to drive fasteners and drill holes in tight, difficult work areas. It is designed for use with Shockwave Impact Duty™ ¼" Hex accessories and is rated to handle up to 2,000 in-lbs of torque in impact drivers.

The Ax Sawzall® blade range includes NAIL GUARD™ and FangTip™ innovation. NAIL GUARD™ has an aggressive 5 TPI pattern for faster cuts and a unique design that protects against tooth fracture. FangTip™ bites into the wood on first contact for steady and accurate cut.

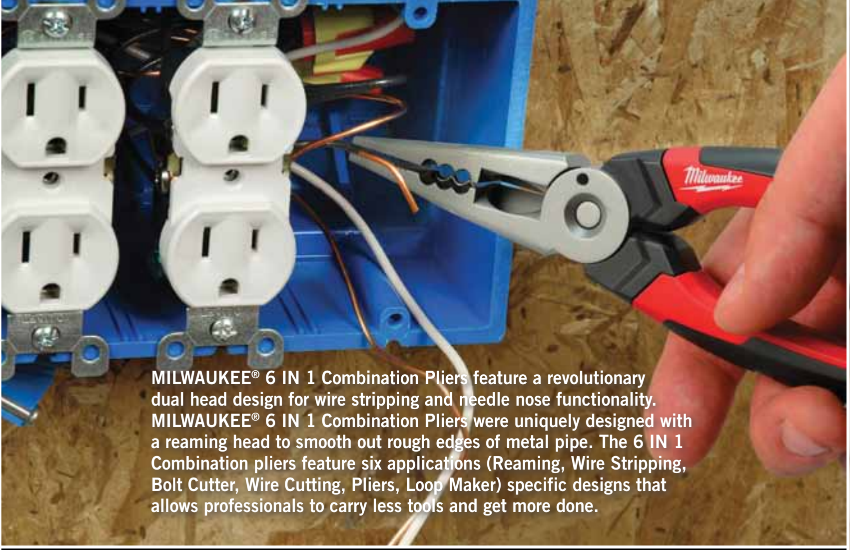
The Ax Sawzall® blades have been engineered to deliver the fastest cuts, longest life, greatest tooth durability and quickest plunge cuts of any wood demolition blade on the market.

Power Equipment

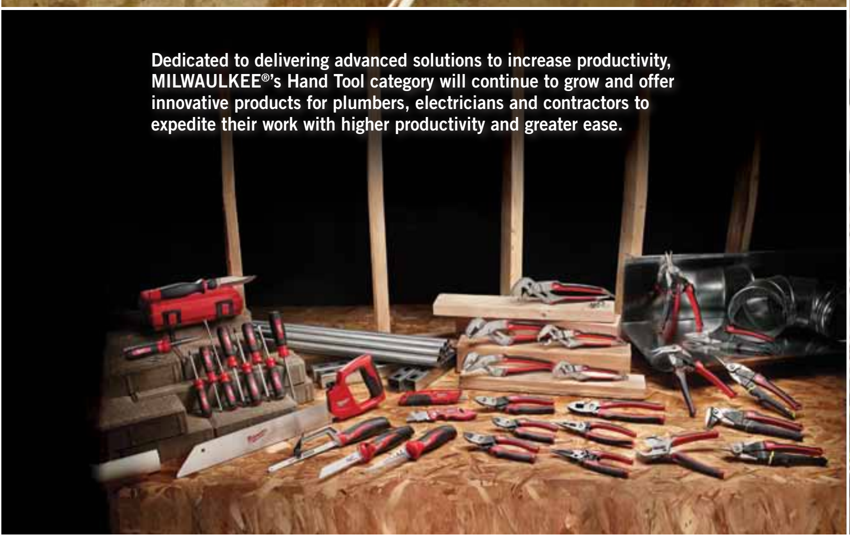
The Power Equipment business, comprising of power tools, outdoor products and accessories, achieved an 11.6% increase in sales in 2011 to US$2.7 billion. This positive performance was the result of continued successful expansion of our MILWAUKEE® REDLITHIUM™ cordless platforms and strong growth in hand tools and accessories, as well as further expansion of our RYOBI® cordless lithium ion power tool and outdoor product ranges. The business accounted for 72.6% of Group turnover, against 70.5% in 2010.

Industrial

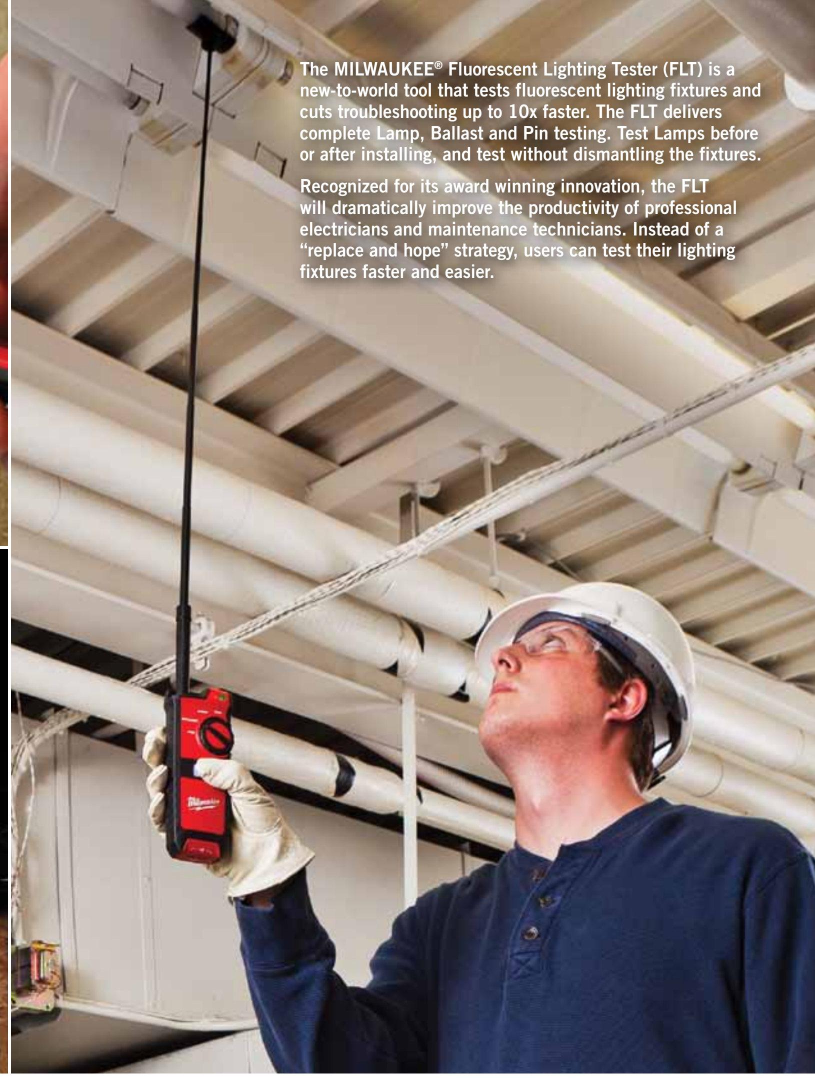
Our industrial power equipment business under the MILWAUKEE® brand had a strong year, delivering solid double-digit sales growth globally driven by further market penetration, built on the increasing adoption of lithium ion cordless products. During the year, MILWAUKEE® introduced REDLITHIUM™ and added a number of new products to their M12™ and M18® lithium ion cordless systems. MILWAUKEE®'s game-changing cordless technology has won rapid end-user adoption in the industrial trade channels.



MILWAUKEE® 6 IN 1 Combination Pliers feature a revolutionary dual head design for wire stripping and needle nose functionality. MILWAUKEE® 6 IN 1 Combination Pliers were uniquely designed with a reaming head to smooth out rough edges of metal pipe. The 6 IN 1 Combination pliers feature six applications (Reaming, Wire Stripping, Bolt Cutter, Wire Cutting, Pliers, Loop Maker) specific designs that allows professionals to carry less tools and get more done.



Dedicated to delivering advanced solutions to increase productivity, MILWAULKEE®'s Hand Tool category will continue to grow and offer innovative products for plumbers, electricians and contractors to expedite their work with higher productivity and greater ease.



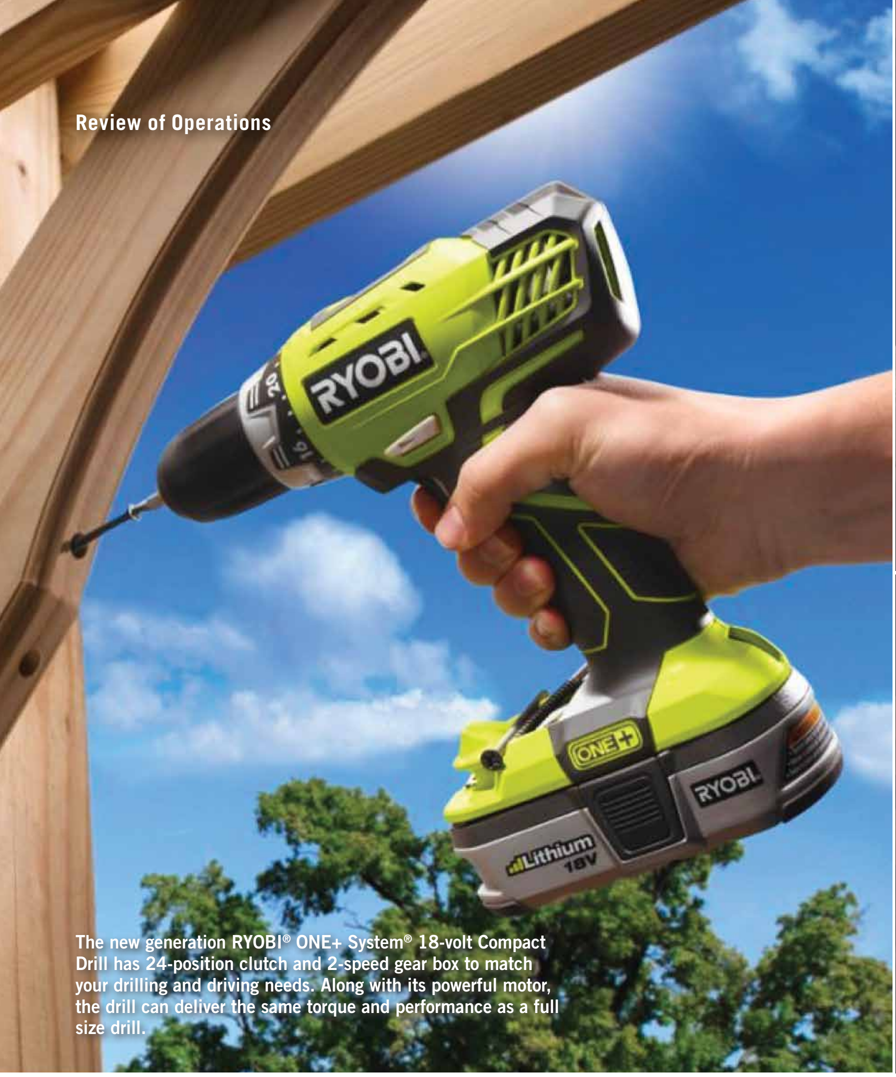
The MILWAUKEE® Fluorescent Lighting Tester (FLT) is a new-to-world tool that tests fluorescent lighting fixtures and cuts troubleshooting up to 10x faster. The FLT delivers complete Lamp, Ballast and Pin testing. Test Lamps before or after installing, and test without dismantling the fixtures.

Recognized for its award winning innovation, the FLT will dramatically improve the productivity of professional electricians and maintenance technicians. Instead of a "replace and hope" strategy, users can test their lighting fixtures faster and easier.

MILWAUKEE® power tool accessories achieved good performance for the year, experiencing solid growth with the launch of the second generation of Shockwave™ drilling and fastening accessories and wood Sawzall® blades with FangTip™ productivity-enhancing design and the advanced tooth NAIL GUARD™ feature. Our professional MILWAUKEE® hand tool program provided incremental growth building momentum with a successful second phase launch in 2011. The highly innovative range of hand tools targeted at professional users offers completely new features, providing the ultimate in productivity and performance.

Consumer and Professional

In 2011, sales of professional and consumer power tools increased, supported by strong new product introductions in cordless products and accessories, as we continued to expand our professional range under the AEG® brand, while refreshing the consumer Do-it-Yourself consumer brand RYOBI® with a new line of products and the striking new hyper-green brand identity.



The new generation RYOBI® ONE+ System® 18-volt Compact Drill has 24-position clutch and 2-speed gear box to match your drilling and driving needs. Along with its powerful motor, the drill can deliver the same torque and performance as a full size drill.

The 12-volt Cordless Lithium ion AEG® Omni Pro™ Multi-tool offers the ultimate flexibility to professional end users. The tool comes with a range of interchangeable heads for drilling, screwdriving, cutting, sawing, sanding, trimming, scraping, hammering, and a lot more.

Pro Lithium family – The second generation cordless technology of AEG® Pro Lithium™ technology, guarantees users receive more run-time, longer life and overall more productivity. The triple protection system protects the battery cells from over-heating, over loading, and over/under charging, offering optimum performance at all levels.

RYOBI® strengthened its position in North America as it enhanced the core 18-volt ONE+ System® by launching a range of new products that offer super-compact designs and improved performance. RYOBI® continues to build on its commitment to innovative product development and world-class marketing backed by a well trained in-store sales team. The success in product innovation, a key factor in driving growth, has established RYOBI® as the leading Do-it-Yourself brand with a strong product portfolio, a substantial and loyal end-user following, and solid retail partnerships with broad distribution.

In Europe and rest of the world, new product introductions throughout the year enabled our AEG® brand to deliver solid growth. Key among them was the launch of a new range of professional cordless tools using Pro Lithium™, the next generation high performance lithium ion technology. The 12-volt Omni Pro™ multi-tool range has generated end-user excitement with its flexible multiple head attachments which deliver lithium power to perform different tasks for the professional user. In the consumer Do-it-Yourself segment, sales of RYOBI® products increased, driven by new products and distribution partnerships.

RYOBI® 's 36-volt lithium ion Cordless Mower delivers gas performance and runtime, while providing maintenance and fade-free lithium ion power, cutting up to 4,000 square feet of grass in a single charge. The RYOBI® 36-volt lithium ion battery features IntelliCell™ technology that monitors and balances individual cells to maximize runtimes, storage life and safety, while providing up to 10% more usable power.

HOMELITE® Chain Saws deliver incredible cutting performance in a light weight design for user comfort.

ONE+ System® Hedge Trimmer – The new RYOBI® ONE+ System® 18-volt long reach hedge trimmer has a 4-position articulating head and a rotating rear handle, allowing users to trim higher hedges at ease.

RYOBI

Homelite®

Outdoor Products

Outdoor products had a good year, as they benefited from the tremendous success of the RYOBI® power tools 18-volt ONE+ System®, which is now being applied to the outdoor products segment. We refreshed and expanded the RYOBI® 18-volt ONE+ System® through the launch of new products, including a new line trimmer and a hedge trimmer with HedgeSweep™ technology. Additionally, the new RYOBI® cordless 24-volt lithium ion platform exceeded sales targets as it captured the interest of end-users and garden enthusiasts, transforming their view of cordless outdoor technology by virtue of the products' compactness, convenience, ergonomic design and high performance.

In Europe and the rest of the world, outdoor products benefited from the introduction of a range of RYOBI® 36-volt lithium ion cordless products. This technology breakthrough delivers power and run time performance that far exceeds other cordless products. As a result of the RYOBI® 36-volt range, consumers have a performance choice to replace gas driven products.

Floor Care and Appliances Overview

The Floor Care and Appliances business comprising of HOOVER®, DIRT DEVIL® and VAX® achieved sales that rose by 0.7% over 2010 to US$1.0 billion, accounting for 27.4% of Group turnover.

HOOVER® WindTunnel® Air™

The HOOVER® WindTunnel® Air™ Upright is the most powerful, lightweight, multi-cyclonic, No Loss of Suction Upright Vacuum.

HOOVER® TwinTank™

The HOOVER® TwinTank™ Steam Mop cleans and disinfects the entire home with 100% biodegradable, non-toxic Steam Plus™ cleaning solution. The TwinTank™ Steam Mop cleans, disinfects and kills or removes more than 99.99% of harmful bacteria.

HOOVER® MaxExtract® Pressure Pro 60

The HOOVER® MaxExtract® Pressure Pro 60 combines exclusive Spin Scrub® and Dual V® Technology with the two SmartTanks™ system for an easy to use and easy to clean carpet washing system.

	HOOVER	DIRT DEVIL	VAX
Brand	HOOVER® has helped families keep their homes fresh and clean for more than 100 years. With a wide range of cleaning products, HOOVER® delivers superior cleaning performance, consistency and exceptional customer service. From the first HOOVER® vacuum in 1908 the brand continues to build products that exceed our customers needs through innovative product features.	DIRT DEVIL® encourages their customers to roll up their sleves, get tough and Fight Dirty® in their home. With powerful lightweight Uprights and manouverable Stick Vacs, DIRT DEVIL® offers a broad range of cleaning solutions. From apartment dwellers to first time home owners, a DIRT DEVIL® product is essential in any living situtaion.	VAX® is the UK's best selling floor care brand and the only floor care specialist to offer a comprehensive range of carpet cleaners, upright and cylinder vacuum cleaners, steam, cordless, and hard floor cleaners. Designing and developing products with consumers cleaning needs in mind, and to suit every budget we offer a floor care cleaning solution for any home.
			
Products and Technology	**Products** • Upright – Bagged and Bagless, Canister – Bagged and Bagless, Stick, Handheld Vacuums, Carpet Washers and Solutions, Hard floor Cleaners and Solutions, Steam Cleaners and Cleaning Solutions, Specialty Garage Utility Cleaning Systems and Air Purification Products **Technology** • WindTunnel® and WindTunnel Max™, Multipurpose Spinscrub®, MaxExtract®, MaxExtract® Pressure Pro, Bagged, Bagless Cyclonic, Wide Path® Nozzle suction, Dual V® Twin Air Path Suction, Dual Tank Water Filtration and lithium ion cordless	**Products** • Uprights – Bagged and Bagless, Quick Vacs, Canisters – Bagged and Bagless, Stick Vacs, Hand Vacs, Steam Cleaners, Pressure Washers, Robotic Vacuums and Accessories **Technology** • Bagged, Bagless, Cyclonic, Corded & Cordless	**Products** • Carpet Cleaners – Rapide®, Dual V® • Upright/Cylinder Vacuums – AIR®, Power® • Hard Floor Cleaners – Bare Floor Pro™, Floormate® • Cordless - Life® • VAX® Cleaning Solutions • VAX® CLEAN WITH NO MACHINE™ solutions **Technology** • Heated Cleaning, Single-cyclonic, Multi-cyclonic, Dual V® Twin Air Path Suction, Spin Scrub® deep cleaning, HEPA H12 Filtration
End-Users	• Homeowners and premium cleaning enthusiasts, cleaning businesses, industry and trades	• Homeowners and budget conscious cleaning enthusiasts	• The mass market of domestic cleaners who are looking for a floor care product, which offers high performance at a competitive price
Distribution	• Leading Home Centres, Mass Merchants, Catalogue, TV Shopping, Online Retailers	• Leading Home Centres, Mass Merchants, Catalogue, TV Shopping, Online Retailers	• Mass Merchandisers, Electrical Multiples, Grocery Retailers, DIY Retailers, TV Shopping, Online Retailers

Review of Operations

The HOOVER® T-Series™ WindTunnel® Rewind Plus has No Loss of Suction Technology to thoroughly clean embedded dirt. With On-Board tools, a 27-foot power cord that conveniently rewinds, and system check indicator for easy maintenance.

The HOOVER® Zen™ Whisper™ Multi-Cyclonic Canister by HOOVER® gives you a quiet clean without sacrificing the performance. A 21 foot power cord rewind and 6.5 foot hose allows users to reach further for a floor to ceiling clean.

Floor Care and Appliances

Floor Care and Appliances sales rose by 0.7% over 2010 to US$1.0 billion, accounting for 27.4% of Group turnover. We are an industry leader with a strong portfolio of brands: HOOVER®, VAX®, and DIRT DEVIL®. The business continued to generate innovative products coupled with tight control of operating costs and supply chain efficiencies to offset rising input costs.

In North America, HOOVER® continued to grow market share in both the carpet washer and upright categories. Despite macro-economic headwinds, HOOVER® increased its penetration in key categories for the second consecutive year. HOOVER®'s highly rated MaxExtract® deep cleaning carpet washers continue to deliver impressive sales results. A range of proprietary cleaning solutions for the MaxExtract® technology has proved an incremental revenue stream. HOOVER® continued to grow in the core upright vacuum category, driven by a number of innovative products and promotions. The DIRT DEVIL® range benefited from a rebranding and the introduction of new cyclonic stick and steam cleaners. Both HOOVER® and DIRT DEVIL® vacuum cleaners received approval ratings from a well-regarded consumer publication during the year, with HOOVER® winning the top ratings in the two upright categories and also the "best buy" recommendation.

The DIRT DEVIL® Easy Lite® Quick Vac is perfect for smaller living areas with a slim profile design. This lightweight vacuum packs a punch with cyclonic filtration and bagless technology to help Fight Dirty® in your homes.

VAX® Mach Air™ bagless upright vacuum cleaners use powerful multi-cyclonic suction, so filters do not get blocked and the machine cleans as good as the first time, every time.

Sales of VAX® and DIRT DEVIL® increased steadily in Europe and the rest of the world. VAX® expanded sales in core categories, in particular carpet washers, and entered new distribution channels. The newly launched VAX® Mach Air™ premium product series was successful and supported by a consumer marketing campaign with our retail partners. The business continued to drive expansion into new customer channels for both brands and develop a management team to support future growth.

Board of Directors

Patrick Kin Wah Chan	Frank Chi Chung Chan	Horst Julius Pudwill	Joseph Galli Jr	Stephan Horst Pudwill
Operations Director	Group Chief Financial Officer	Chairman	Chief Executive Officer	President of Strategic Planning

Group Executive Directors

Horst Julius Pudwill MSc

Chairman

Mr Horst Julius Pudwill, aged 67, a founding partner of TTI, has been the joint Chairman and Chief Executive Officer from 1985 until early 2008, following which Mr Pudwill retired as Chief Executive Officer but remains in office as Chairman of the Group. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations with the Chief Executive Officer reporting directly to him. Mr Pudwill is also a director of Sunning Inc. which has interest in the shares of the Company.

Mr Pudwill holds a Master's Degree in Engineering and a General Commercial Degree. He has extensive experience in international business. Mr Pudwill is the father of Mr Stephan Horst Pudwill.

Joseph Galli Jr BSBA, MBA

Chief Executive Officer

Mr Joseph Galli Jr, aged 53, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008.

He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

Mr Galli joined Black & Decker in 1980 where he worked for over 19 years and held various high level management positions, rising to the position of President of Worldwide Power Tools and Accessories. During his tenure at Black & Decker, he was responsible for the highly successful launch of the "DeWalt®" Brand heavy duty power tools in 1992. After leaving Black & Decker, Mr Galli joined Amazon.com where he was President and Chief Operating Officer from 1999 to 2000. From 2001 to 2005, he was a Director and Chief Executive Officer of Newell Rubbermaid Inc.

Mr Galli graduated from the University of North Carolina in 1980 with a Bachelor of Science in Business Administration. In 1987, he obtained an MBA from Loyola College in Baltimore, Maryland.

Vincent Ting Kau Cheung
Non-executive Director

Christopher Patrick Langley OBE
Independent Non-executive Director

Prof Roy Chi Ping Chung BBS JP
Non-executive Director

Joel Arthur Schleicher
Independent Non-executive Director

Manfred Kuhlmann
Independent Non-executive Director

Peter David Sullivan
Independent Non-executive Director

Patrick Kin Wah Chan FCCA, FCPA

Operations Director

Mr Patrick Kin Wah Chan, aged 52, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is currently an Executive Director of Dongguan City Association of Enterprises with Foreign Investment.

Frank Chi Chung Chan ACA, FCCA, FCPA, CPA (Practising)

Group Chief Financial Officer

Mr Frank Chi Chung Chan, aged 58, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England & Wales, an associate of the Taxation Institute of Hong Kong and qualified to practise as a Certified Public Accountant in Hong Kong.

He is currently an Independent Non-executive Director of Gold Peak Industries (Holdings) Limited, and an Independent Director of Tsit Wing International Holdings Limited, companies listed on the stock exchanges of Hong Kong and Singapore respectively.

Stephan Horst Pudwill

President of Strategic Planning

Mr Stephan Horst Pudwill, aged 35, joined the Group in 2004 and was appointed as Executive Director in 2006. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic business opportunities within the Group.

Prior to joining the Group, Mr Pudwill held managerial positions at Daimler Chrysler AG that included product marketing and strategic planning for the Mercedes-Benz car group.

Mr Pudwill holds a Bachelor of Arts Degree from the University of British Columbia and is Mr Horst Julius Pudwill's son.

Non-executive Directors

Prof Roy Chi Ping Chung BBS, JP

Prof Roy Chi Ping Chung BBS JP, aged 59, is a co-founder of TTI. Prof Chung, previously the Group Managing Director since 1985, was appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007 and he was responsible for the corporate and business management of the Group. Prof Chung has been re-designated as Non-executive Director of the Company with effect from July 1, 2011.

Prof Chung holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom. He was awarded the Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government effective on July 1, 2011. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and awarded an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was also appointed as Justice of Peace by the Hong Kong SAR Government effective on July 1, 2005 and won the Hong Kong Young Industrialists Award in 1997.

Prof Chung is an active member of many social committees and associations. He is also highly dedicated to the advancement of the industry. He is currently the Chairman of the Federation of Hong Kong Industries, a member on Innovation and Technology Steering Committee of the Innovation & Technology Commission, HKSAR, the Vice-Chairman of The Hong Kong Standards & Testing Centre Limited, the Director of The Hong Kong Safety Institute Limited, the Vice-Chairman of Hong Kong Design Centre Limited and the Council Member of the Hong Kong Trade Development Council. He is the Court Chairman of the Hong Kong Polytechnic University, a Council Member of University of Warwick, United Kingdom, the Vice-Chairman of Vocational Training Council, the Executive Committee Chairman of the Outward Bound Trust of Hong Kong Limited, the Executive Committee Chairman of the Boys' and Girls' Club Association of Hong Kong, and also a Member of Board of Directors of the Hong Kong Paediatric Foundation. He is the Founder of the Bright Future Charitable Foundation. Prof Chung is also an Independent Non-executive Director of Kin Yat Holdings Limited.

Vincent Ting Kau Cheung

Mr Cheung, aged 70, was appointed as a Director in 1991. He is a Non-executive Director of Gold Peak Industries (Holdings) Limited, listed on The Stock Exchange of Hong Kong Limited.

Mr Cheung is a graduate in law from University College London and has been a practising solicitor since 1970. He is qualified to practice law in Hong Kong and England and Wales and he is now a Consultant of Vincent T.K. Cheung, Yap & Co. He is also a Fellow of University College London and a Commandeur de l'Ordre du Mérite Agricole from France.

Independent Non-executive Directors

Joel Arthur Schleicher CPA, BSB

Mr Joel Arthur Schleicher, aged 60, was appointed as an Independent Non-executive Director in 1998. He has over 28 years of management experience in the manufacturing and technology/telecom services sectors.

Mr Schleicher was the Founder (2004), Chairman and CEO of Presidio, Inc., the foremost professional and managed services companies in North American, at the forefront of Virtualization/Data Center; Collaboration and other advanced IT infrastructure solution, which was successfully sold in 2011 having grown to over $1.4 billion in revenue. Since 1989, he has worked with private equity firms as a consultant, advisor, board member and held portfolio management roles including as Chairman and CEO for Interpath Communications, Inc,; CEO of Expanets, Inc. and President and COO for Nextel Communications, Inc. In the past, he has served on the board of directors of various North American domestic and international companies – both public and private.

Christopher Patrick Langley OBE

Mr Christopher Patrick Langley, aged 67, was appointed as an Independent Non-executive Director in May 2001. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Ltd. Mr Langley maintains close ties with the business community in Hong Kong. He is currently an Independent Non-executive Director of Winsor Properties Holdings Limited and Dickson Concepts (International) Limited, both listed on the stock exchange of Hong Kong, and a Non-executive Director of Lei Shing Hong Limited which has been delisted from the Stock Exchange of Hong Kong Limited on 17 March 2008.

Manfred Kuhlmann

Mr Manfred Kuhlmann, aged 67, was appointed as an Independent Non-executive Director in 2004. He was General Manager of Dresdner Bank AG Hong Kong Branch between 1994 and 1998 and General Manager of Dresdner Bank AG Dubai before he retired in August 2004. Mr Kuhlmann is a graduate of the Banking Academy, Hamburg and has extensive experience in the finance and banking industry. Since 2005 he serves as “Hamburg Ambassador” in the UAE, to support the economic ties between Hamburg, Germany and the UAE. Since July 2009 Mr Kuhlmann was a Non-executive Director and member of the Board of Avicenna Pharma Development FZLLC in Dubai, he retired from that position on 31 December 2010.

Peter David Sullivan BS

Mr Peter David Sullivan, aged 64, was appointed as Independent Non-executive Director effective February 1, 2008. He was an Executive Director and Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited. Mr Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. He also held a number of other major appointments, including as the Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce.

Mr Sullivan is the Chairman and Non-executive director of Cenkos Securities plc and Healthcare Locums plc, companies listed on AIM (a market operated by the London Stock Exchange). He is also a Non-executive director of JPMorgan Indian Investment Trust plc. that is listed on the London Stock Exchange and of the Bankers Investment Trust. Mr Sullivan was an Independent Non-executive Director of SmarTone Telecommunications Holdings Limited and Non-executive director of AXA Asia Pacific Holdings Limited that is listed on the Australian and New Zealand stock exchanges.

Mr Sullivan holds a Bachelor of Science Degree from the University of New South Wales.

Management's Discussion and Analysis

Financial Review

Financial Results

Result Analysis

The Group's turnover for the year amounted to US$3.7 billion, an increase of 8.4% as compared to the US$3.4 billion reported in 2010. Profit attributable to Owners of the Company amounted to US$151 million as compared to US$95 million reported in 2010. Basic earnings per share for the year improved to US9.39 cents as compared to US5.93 cents in 2010.

EBITDA amounted to US$338 million, an increase of 20.5% as compared to US$280 million reported in 2010.

EBIT amounted to US$218 million, an increase of 30.6% as compared to US$167 million reported in 2010.

Gross Margin

Gross margin improved to 32.6% as compared to 32.2% reported last year. The margin improvement was the result of new product introduction, category expansion, all with higher margin, efficient production in the new PRC facility, effective supply chain management and volume leverage on our economies of scale.

Operating Expenses

Total operating expenses for the year amounted to US$985 million as compared to US$911 million reported in 2010. SG&A as a percentage of sales improved by 0.1% to 26.8%.

Investments in product design and development amounted to US$69 million, representing 1.9% of turnover (2010: 1.9%) reflecting our continuous investment in R&D even in times of economic challenge. With our new innovation centre in full operation in 2012, efficiency and cost effectiveness is expected to be further improved in the coming years.

Net interest expenses for the year amounted to US$58 million as compared to US$72 million reported in 2010. Interest coverage, expressed as a multiple of EBITDA to total interest was 5.4 times (2010: 3.8 times).

The effective tax rate, being tax charged for the year to before tax profits was at 5.8%. The Group will continue to leverage its global operations to further improve the overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$1.2 billion as compared to US$1.1 billion in 2010. Book value per share was at US$0.78 as compared to US$0.69 as reported last year, an increase of 13.0%.

Financial Position

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 to 59.3% as compared to 72.9% last year. One of the Group's primary objectives is to reduce gearing and we remain confident that gearing will improve further after the successful implementation of key initiatives to deliver focused and stringent working capital management.

In January 2012, some of the holders of the Company's convertible bonds converted convertible bonds of US$40,000,000 into shares of the Company at HK$5.20 per share for 59,615,384 shares. This will also lower our interest cost in future periods. Gearing on a pro-forma basis immediately improved to approximately 54.4% following the conversion.

Bank Borrowings

Long term borrowings accounted for 33.1% of total debts (44.8% at December 31, 2010).

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

During the year, the Group repaid US$5.6 million of fixed interest rate notes, refinanced by a new syndicated loan obtained in February 2011. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory increased from US$645 million in 2010 to US$704 million in 2011. Days inventory was maintained at 70 days. Part of the increase in inventory at year end was a result of pre-build of products before the Chinese New Year in mid-January 2012 to prepare for the sales in early February. The Group will continue to focus in reducing the inventory level and improve inventory turns.

Trade receivable turnover days were at 60 days as compared to 63 days as reported last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 53 days as compared to 55 days as reported last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were extended by 10 days from 52 days reported in 2010 to 62 days in 2011.

The Group's current ratio decreased from 1.34 times in 2010 to 1.23 times and the quick ratio also decreased to 0.79 from 0.89 in 2010. The decline was mainly due to the reclassification of convertible bonds from long term to current. Excluding the reclassification of convertible bonds, the current ratio and quick ratio were 1.35 and 0.87 respectively.

Working capital as a percentage of sales was at 18.9% as compared to 21.9% last year.

Capital Expenditure

Total capital expenditures for the year amounted to US$95 million (2010: US$93 million) including US$7 million (2010: US$2 million) related to the new Asia Industrial Park and Innovation Centre.

Capital Commitments and Contingent Liabilities

As at December 31, 2011, total capital commitments amounted to US$16 million (2010: US$14 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, 2011

(i) the Group's largest customer and five largest customers accounted for approximately 37.7% and 51.9% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 3.6% and 13.2% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

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

Human Resources

The Group employed a total of 17,818 employees (2010: 18,440 employees) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$495 million (2010: US$461 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.

Financial Review *(continued)*

Purchase, Sale or Redemption of Shares

A total of 5,516,500 ordinary shares of HK$0.10 each were repurchased by the Company during the year at prices ranging from HK$4.62 to HK$6.33 per share. The aggregate amount paid by the Company for such repurchases amounting to US$3,817,000 was charged to the retained earnings.

The repurchased shares were cancelled and the issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value thereof.

The repurchase of the Company's shares during the year were effected by the Directors pursuant to the mandate from shareholders received at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

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

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, 2011. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK7.75 cents (approximately US1.00 cent) per share for the year ended December 31, 2011 (2010: HK6.25 cents (approximately US0.80 cent)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 25, 2012. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 6, 2012. This payment, together with the interim dividend of HK5.00 cents (approximately US0.64 cent) per share (2010: HK3.75 cents (approximately US0.48 cent)) paid on September 16, 2011, makes a total payment of HK12.75 cents (approximately US1.64 cents) per share for 2011 (2010: HK10.00 cents (approximately US1.28 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 2012 Annual General Meeting, the register of members of the Company will be closed from May 17, 2012 to May 18, 2012, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for attend and vote for the 2012 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on May 16, 2012.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed from May 24, 2012 to May 25, 2012, both days inclusive, during which period 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on May 23, 2012.

Corporate Governance Report

The Company is committed to a high standard of corporate governance and investor relations with a view to assuring the conduct of management of the Company as well as enhancing the interests of all shareholders. The corporate governance principles of the Company emphasize a quality Board for leadership and control of the Company, effective internal controls, transparency and accountability to all shareholders.

Compliance with Code of Governance Practices

The Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules (the "Code") throughout the year ended December 31, 2011, except none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one-third of the Board must retire by rotation at each general meeting of the Company and if eligible, offer themselves for re-election.

Apart from compliance of the code provisions set out in the Code, the Company also voluntarily complied with the recommended best practices set out in the Code in order to achieve and maintain high standard of corporate governance and strike for the best interests of the Company and shareholders as a whole.

Board of Directors

Roles and Responsibilities

The board of directors (the "Board") assumes responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Group affairs. Principal responsibilities of the Board including, but are not limited to, the following:-

- formulate overall mid-term and long-term strategy and direction of the Company and maintain good corporate governance.
- review and monitor risks and changes in local and international business community in order to enhance shareholders' value.
- decide or consider matters covering major acquisitions and disposals, appointment of Directors, senior management and external auditors, and other significant operational matters.
- oversee and control the Company's operations and financial performance through the determination of the annual budget and continuous review of performance results.

Written procedures have been formally adopted in order to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. The written procedures are reviewed by the Board regularly.

Board Composition

As at the date of this report, the Board consists of five Group Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The list of Directors and their role and function are published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk) . The composition of the Board of the Company is as follows:-

Group Executive Directors

Mr Horst Julius Pudwill (Chairman)
Mr Joseph Galli Jr (Chief Executive Officer)
Mr Kin Wah Chan (Operations Director)
Mr Chi Chung Chan (Group Chief Financial Officer)
Mr Stephan Horst Pudwill (President of Strategic Planning)

Non-executive Directors

Prof Roy Chi Ping Chung BBS JP[1]
Mr Vincent Ting Kau Cheung

Independent Non-executive Directors

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan

[1] Prof Roy Chi Ping Chung BBS JP re-designated from Group Vice Chairman and Executive Director to Non-executive Director with effect from July 1, 2011.

The roles of Chairman and Chief Executive Officer of the Company have been segregated and clearly distinguished.

The roles of Chairman comprises, but are not limited to, the following:

- to ensure that all Directors are properly briefed on issues arising at Board meetings.
- to ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.
- to ensure that good corporate governance practices and procedures are established.
- to encourage all Directors to make full and active contributions to the Board's affairs and to take the lead to ensure that the Board acts in the best interests of the Company.
- to ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

The role of Chief Executive Officer comprises, but is not limited to, the following:

- to lead the global management team in the Group's daily operations.
- to facilitate the integrating acquisitions in North America and Europe, and to enhance the global sales potential of our strong brand portfolio.

Every Director is aware that, before accepting appointment as a director, he must be able to contribute sufficient time and attention to the affairs of the Company. Orientation which details the duties and responsibilities of directors under the Listing Rules, the Company's Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong is provided for every newly appointed director. Presentations are, as necessary, given by senior executives of the Company and external professionals. Regular training and updates are offered to Directors as necessary to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. Appropriate Directors' and Officers' liability insurance cover has also been arranged to indemnify the Directors and Officers of the Group for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually. All above-mentioned arrangements aim to assist the relevant Director to discharge his duties to the Company and protect the interests of the Company and the shareholders.

All Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association and the Listing Rules. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the first general meeting after their appointment. The biographical details and relevant relationships are set out on pages 28 to 31 of this annual report. As at the date of this report, Independent Non-executive Directors and Non-executive Directors form the majority of the Board. The Independent Non-executive Directors representing over one-third of the Board and each of the Independent Non-executive Directors has professional financing or accounting qualifications as required under Rule 3.10 of the Listing Rules. All the Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors and still considers them to be independent. Active participation of Independent Non-executive Directors and Non-executive Directors in Board and Board Committees assure the independent views and inputs to the best interests of the Company.

Compliance with the Codes for Securities Transactions

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2011.

The Board has also adopted another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the "Code for Securities Transactions by Relevant Employees"). No incident of non-compliance was noted by the Company during the year.

Both the Model Code and the Code for Securities Transactions by Relevant Employees have been published on the Company's website (www.ttigroup.com).

Board Meetings

The Board is strictly committed to at least four scheduled meetings in a year and will meet more frequently as and when required. All members of the Board are given complete and reliable information in relation to the affairs of the Group, and receive the support from and access to the Company Secretary of the Company in respect of all meetings of the Board. Each Director is afforded access, on his request, to senior management of the Group and to independent professional advice on performing their duties at the Company's expenses. All Directors receive briefings and professional development training as necessary to ensure a proper understanding of the business of the Group and their responsibilities under statute and at common law.

Four Board meetings were held in 2011. Attendance records of each Director are set out in the section "Board and Board Committee Meetings in 2011" at the end of this report. The meeting agenda is set by the Chairman in consultation with members of the Board. Minutes of the Board and Board Committee meetings with sufficient details of matters and concerns discussed are kept in safe custody by the Company Secretary of the Company, are sent to the Directors for record and are open for inspection by the Directors.

Proposed Board, Board Committee meeting and Annual General Meeting dates for 2012 have been agreed in the last Board meeting held in 2011 to facilitate maximum attendance of Directors.

Board Committees

Three Board committees have been set up, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of these Board Committees has specific written terms of reference which deal clearly with their authority and duties and have been published on the Company's website (www.ttigroup.com). Independent Non-executive Directors form majority of all Board Committees except the Nomination Committee to ensure independent views and opinions contributed and expressed at the Board Committee meetings. In order to monitor and oversee the delegated authority and responsibilities, the Board received reports about the activities and decisions of the Board Committees on a regular basis. Attendance records of each Board Committee are set out in the section "Board and Board Committee Meetings in 2011".

Audit Committee

The Audit Committee is comprised of three members, all of them are Independent Non-executive Directors, being Mr Peter David Sullivan, Mr Joel Arthur Schleicher and Mr Manfred Kuhlmann, and is chaired by Mr Peter David Sullivan. Each member of the Audit Committee has professional, financial, or accounting qualifications as required under Rule 3.10 of the Listing Rules.

The major objectives of the Audit Committee is to ensure the effectiveness of internal control system and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations and to oversee the integrity of the financial statements of the Company. The Audit Committee is also directly responsible on behalf of the Board for the selection, oversight and remuneration of the Company's external auditors; the assessment of the independence and qualifications of the external auditors; the oversight of the performance of the Company's external auditors and the maintenance of an appropriate relationship with the external auditors.

The Audit Committee held four meetings during 2011 to review with the Group Chief Financial Officer, other senior management and the external auditors the Group's significant financial matters, internal controls, the Company's accounting principles and practices, risk management, financial reporting matters and findings of internal and external auditors.

Nomination Committee

The Nomination Committee is comprised of four members, and is chaired by Mr Horst Julius Pudwill (Chairman), the other members being Mr Vincent Ting Kau Cheung (a Non-executive Director), Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann.

The main responsibilities of the Nomination Committee is to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitably qualified candidates and make recommendations for consideration of the Board and shareholders. While considering suitable candidates of directors, the Nomination Committee would consider professional knowledge, industry experience, personal skills, ethics and integrity as well as the ability to contribute sufficient time to the Board.

The Nomination Committee held two meetings during 2011. The work performed by the Nomination Committee, with sufficient resources provided by the Company, during 2011 included:-

- review of the structure, size and composition, including skills, knowledge and experience, of the Board of the Company
- review the existing Nomination Policy
- assess the independence of Independent Non-executive Directors
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2011 Annual General Meeting

Remuneration Committee

The Remuneration Committee is comprised of five members, and is chaired by Mr Vincent Ting Kau Cheung (a Non-executive Director), the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Joel Arthur Schleicher and Mr Peter David Sullivan.

The Remuneration Committee has been established to assist the Board in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group as well as the remuneration of Directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications, and competence, and having regard to the Company's operating results, individual performance, and comparable market statistics. The Remuneration Committee reports directly to the Board on its decisions or recommendations, and consults the Chairman and/or Chief Executive Officer for the proposals of other Executive Directors' remuneration packages with access to sufficient resources and professional advices if necessary.

The Remuneration Committee held three meetings and reviewed, among other things, the existing Remuneration Policy and made recommendations to the Board during 2011.

Accountability and Audit

The Board acknowledges its responsibility for overseeing the preparation of the accounts of the Group which give a true and fair view of the Group's state of affairs, results and cash flows for the year.

The Board will present a balanced, clear and understandable assessment of annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

Internal Controls

The Board is responsible for maintaining sound and effective internal control systems and approving and reviewing key internal control policies including delegated authorities, policy on market disclosure and investor relations, non-audit services and treasury management policy. The Board conducted an annual review of the effectiveness of the internal control systems of the Company during 2011. An internal control system is designed to provide reasonable, but not absolute assurance, that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operational systems.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's internal control system that have been put in place. The reviews covering financial, operational, compliance controls as well as risk management performed in 2011 included:

- the organization structure and delegated authorities
- the performance and adequacy of accounting and financial reporting functions
- The strategic and annual operating plan
- the effectiveness of the Company's procedures relating to statutory and regulatory compliance
- the scope and quality of management's ongoing monitoring of risks and system of internal control
- the risk management process including formal risk assessment at the enterprise level upon discussions with senior management responsible for day-to-day management of significant risks

External Auditors

The external auditors of the Group is Deloitte Touche Tohmatsu, and in 2011, Deloitte Touche Tohmatsu provided the following audit and non-audit services to the Group:

Nature of Services	Amount (US$'million)
External Audit Services	3.2
Taxation Services	0.1
Other Services	0.0

The other services provided by Deloitte Touche Tohmatsu comprised professional services conducted under the terms of specified engagements.

To ensure the independence of the external auditors, the nature and ratio of annual fees to external auditors for audit services and non-audit services are subject to scrutiny by the Audit Committee. All non-audit services from external auditors are regulated by a Policy on Non-Audit Services published on the Company's website (www.ttigroup.com).

To enhance independent reporting by external auditors of the Group, the Independent Non-executive Directors and the external auditors of the Group meet without the presence of the management of the Group every year.

Investor Relations and Shareholder Communications

The Company believes that effective communication with its shareholders and investors is important and essential. The Company holds regular meetings with institutional shareholders and analysts and encourages shareholders to attend annual general meetings to communicate with Directors and management of the Company directly.

All the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations at press conference, which published on the Company's website (www.ttigroup.com), provide timely, efficient and accurate information to the shareholders and investors.

A Policy on Market Disclosure, Investor and Media Relations, published on the Company's website (www.ttigroup.com), ensures that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

The Company values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to Investor Relations and Communication by mail or by email to the Company at ir@tti.com.hk.

Board and Board Committee Meetings in 2011

A summary of attendance of Board and Board Committee meetings in 2011 are detailed in the following table:

	Meetings attended / Held in 2011			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held during the year	4	4	2	3
Group Executive Directors				
Mr Horst Julius Pudwill	4/4		2/2	
Mr Joseph Galli Jr	4/4			
Mr Kin Wah Chan	4/4			
Mr Chi Chung Chan	4/4			
Mr Stephan Horst Pudwill	4/4			
Non-executive Directors				
Prof Roy Chi Ping Chung BBS JP	4/4(1)			
Mr Vincent Ting Kau Cheung	3/4		2/2	3/3
Independent Non-executive Directors				
Mr Joel Arthur Schleicher	4/4	4/4		2/3
Mr Christopher Patrick Langley OBE	4/4	2/2(2)	2/2	3/3
Mr Manfred Kuhlmann	4/4	4/4	2/2	3/3
Mr Peter David Sullivan	4/4	4/4		3/3
Dates of meetings	January 21, 2011 March 24, 2011 May 19, 2011 August 18, 2011	January 21, 2011 March 22, 2011 May 19, 2011 August 16, 2011	March 23, 2011 August 16, 2011	March 23, 2011 May 20, 2011 August 16, 2011

Notes:

(1) Prof Roy Chi Ping Chung BBS JP re-designated from Group Vice Chairman and Executive Director to Non-executive Director with effect from July 1, 2011.

(2) Mr Christopher Patrick Langley OBE ceased to be a member of the Audit Committee on March 24, 2011.

Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2011.

Principal Activities

The Company acts as an investment holding company and also trades electrical and electronic products.

The principal activities of the principal subsidiaries and associates are set out in Notes 55 and 56 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended December 31, 2011 are set out in the consolidated statement of comprehensive income on page 52.

An interim dividend of HK5.00 cents (approximately US0.64 cent) per share amounting to approximately US$10,347,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK7.75 cents (approximately US1.00 cent) per share to the shareholders on the register of members on May 25, 2012, amounting to approximately US$15,976,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately US$16,879,000 on moulds and tooling and acquired office equipment, furniture and fixtures for approximately US$12,279,000 and plant and machinery for approximately US$15,709,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 17 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 44 to the financial statements.

A total of 5,516,500 ordinary shares of HK$0.10 each were repurchased by the Company during the year at prices ranging from HK$4.62 to HK$6.33 per share. The aggregate amount paid by the Company for such repurchases amounting to US$3,817,000 was charged to the retained earnings.

The repurchased shares were cancelled and the issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value of those cancelled shares.

The repurchase of the Company's shares during the year were effected by the directors pursuant to the mandate from shareholders received at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Directors

The directors of the Company during the year and up to the date of this report were:

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
Mr Kin Wah Chan
Mr Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Directors:

Prof Roy Chi Ping Chung BBS JP
(re-designated as a Non-executive Director with effect from July 1, 2011)
Mr Vincent Ting Kau Cheung

Independent Non-executive Directors:

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan

In accordance with Article 103 of the Company's Articles of Association, Messrs. Chi Chung Chan, Stephan Horst Pudwill, Vincent Ting Kau Cheung and Manfred Kuhlmann will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests

As at December 31, 2011, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and as adopted by the Company, were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives)(1)	Interests in underlying shares pursuant to equity derivatives(1)	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	145,361,000	1,200,000	400,480,794	25.01%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	253,159,794(2)	—		
Mr Joseph Galli Jr	Beneficial owner	814,500	2,000,000	2,814,500	0.18%
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.06%
Mr Chi Chung Chan	Beneficial owner	—	1,000,000	1,000,000	0.06%
Mr Stephan Horst Pudwill	Beneficial owner	4,509,500	1,000,000	5,509,500	0.34%
Prof Roy Chi Ping Chung BBS JP	Beneficial owner	56,405,948	600,000	94,216,978	5.88%
	Interests of spouse	136,000	—		
	Interests of controlled corporation	37,075,030(3)	—		
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	600,000	2,520,000	0.16%
Mr Joel Arthur Schleicher	Beneficial owner	100,000	600,000	760,000	0.05%
	Interests of spouse	—	60,000(1)		
Mr Christopher Patrick Langley OBE	Beneficial owner	900,000	600,000	1,500,000	0.09%
Mr Manfred Kuhlmann	Beneficial owner	—	600,000	600,000	0.04%
Mr Peter David Sullivan	Beneficial owner	—	600,000	600,000	0.04%

Notes:

(1) Interests in shares and underlying shares stated above represent long positions of the Company.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives, which were held as beneficial owner, represent share options granted to them respectively pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below. These share options are physically settled and unlisted.

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

Directors' and Chief Executive's Interests *(continued)*

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

	No. of shares
Sunning Inc.	216,084,764
Cordless Industries Company Limited *	37,075,030
	253,159,794

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

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

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV or the SFO) as at December 31, 2011.

Share Options

Scheme adopted on March 28, 2002 ("Scheme C")

Scheme C was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. 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$1.00 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 quotation 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 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, 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 Officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 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 tenth 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 quotation 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.

Share Options *(continued)*

Scheme adopted on May 29, 2007 ("Scheme D") *(continued)*

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.00% of the issued share capital of the Company from time to time or 10.00% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1.00% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

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	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 - 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 - 25.11.2020
Mr Joseph Galli Jr	1.11.2006	C	1,500,000	—	—	(1,500,000)	—	11.252	1.11.2006 - 31.10.2011
	6.3.2007	C	1,000,000	—	—	—	1,000,000	10.572	6.3.2007 - 5.3.2012
	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Chi Chung Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Stephan Horst Pudwill	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 15.11.2019
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Christopher Patrick Langley OBE	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Manfred Kuhlmann	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Peter David Sullivan	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Total for directors			**10,300,000**	**1,000,000**	**—**	**(1,500,000)**	**9,800,000**		

Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

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	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	1.1.2006	C	50,000	—	—	(50,000)	—	18.690	1.1.2006 - 31.12.2010
	1.3.2006	C	1,884,000	—	—	(1,884,000)	—	13.970	1.3.2006 - 28.2.2011
	15.6.2006	C	200,000	—	—	(200,000)	—	10.270	15.6.2006 - 14.6.2011
	17.6.2006	C	350,000	—	—	(350,000)	—	10.550	17.6.2006 - 16.6.2011
	4.10.2006	C	75,000	—	—	(75,000)	—	11.628	4.10.2006 - 3.10.2011
	8.11.2006	C	30,000	—	—	(30,000)	—	12.200	8.11.2006 - 7.11.2011
	4.12.2006	C	150,000	—	—	(150,000)	—	10.952	4.12.2006 - 3.12.2011
	13.12.2006	C	20,000	—	—	(20,000)	—	10.560	13.12.2006 - 12.12.2011
	1.1.2007	C	150,000	—	—	—	150,000	10.080	1.1.2007 - 31.12.2011
	6.3.2007	C	4,325,000	—	—	—	4,325,000	10.572	6.3.2007 - 5.3.2012
	20.7.2007	D	200,000	—	—	—	200,000	10.060	20.7.2007 - 19.7.2017
	24.8.2007	D	2,060,000	—	—	—	2,060,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	23.11.2007	D	500,000	—	—	—	500,000	7.578	23.11.2007 - 22.11.2017
	14.1.2008	D	1,020,000	—	(50,000)	—	970,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	1,825,000	—	—	(250,000)	1,575,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	D	240,000	—	(200,000)	—	40,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	D	640,000	—	—	(150,000)	490,000	7.546	30.5.2008 - 29.5.2018
	1.9.2008	D	150,000	—	—	—	150,000	7.450	1.9.2008 - 31.8.2018
	11.9.2008	D	50,000	—	—	—	50,000	7.430	11.9.2008 - 10.9.2018
	2.10.2008	D	75,000	—	—	—	75,000	7.068	2.10.2008 - 1.10.2018
	1.12.2008	D	100,000	—	—	—	100,000	2.340	1.12.2008 - 30.11.2018
	16.11.2009	D	7,335,000	—	(205,000)	(50,000)	7,080,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 - 6.12.2019
	21.12.2009	D	225,000	—	—	—	225,000	6.350	21.12.2009 - 20.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 - 27.12.2019
	13.9.2010	D	1,050,000	—	—	—	1,050,000	7.390	13.9.2010 - 12.9.2020
	17.1.2011	D	—	20,000	—	—	20,000	10.436	17.1.2011 - 16.1.2021
	16.12.2011	D	—	100,000	—	—	100,000	7.530	16.12.2011 - 15.12.2021
Total for employees			**22,949,000**	**120,000**	**(455,000)**	**(3,209,000)**	**19,405,000**		
Total for all categories			**33,249,000**	**1,120,000**	**(455,000)**	**(4,709,000)**	**29,205,000**		

Share Options *(continued)*

The weighted average closing prices of shares on the options grant date during 2011 and 2010 were HK$9.70 and HK$7.49 respectively.

The closing price of the Company's shares immediately before various dates of grant ranged from HK$7.30 to HK$10.04.

The weighted average closing prices of the Company's shares immediately before various dates during 2011 and 2010 on which the share options were exercised were HK$10.10 and HK$8.15 respectively.

The fair values of the share options granted in 2011 and 2010 measured at various dates of grant ranged from HK$1.92 to HK$2.58 and HK$1.89 to HK$2.14 per option respectively.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Director's Interests in Contracts of Significance

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial Shareholder's Interests

As at December 31, 2011, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares (L/S/LP)*	Approximate aggregate percentage of interests
Capital Research and Management Company (1)	95,470,000 (L)	5.96%
Deutsche Bank Aktiengesellschaft (2)	97,311,752 (L)	6.08%
	66,938,951 (S)	4.18%
	1,868,000 (LP)	0.12%
FMR LLC (3)	128,013,000 (L)	7.99%
Hang Seng Bank Trustee International Limited (4)	96,079,000 (L)	6.00%
JP Morgan Chase & Co. (5)	187,207,433 (L)	11.69%
	4,650,000 (S)	0.29%
	179,520,433 (LP)	11.21%

* (L/S/LP) represents (Long position/Short position/Lending Pool)

Substantial Shareholder's Interests *(continued)*

Notes:

(1) The following is a breakdown of the interests in shares in the Company held by Capital Research and Management Company:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S)**	**Deemed interests**	**(L/S)**	**Approximate percentage of interests**
Capital Research and Management Company	(1a)	—	—	95,470,000	(L)	5.96%

Remarks:

(1a) The capacity of Capital Research and Management Company in holding the 95,470,000 shares of long position was as an investment manager. Its 100% controlling shareholder is The Capital Group Companies, Inc.

(2) The following is a breakdown of the interests in shares in the Company held by Deutsche Bank Aktiengesellschaft:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)**	**Deemed interests**	**(L/S)**	**Approximate percentage of interests**
Deutsche Bank Aktiengesellschaft	(2a)	97,311,752	(L)	—	—	6.08%
		66,938,951	(S)	—	—	4.18%
		1,868,000	(LP)	—	—	0.12%

Remarks:

(2a) The capacity of Deutsche Bank Aktiengesellschaft in holding the 1,868,000 shares of lending pool was as custodian corporation or approved lending agent.

(3) The following is a breakdown of the interests in shares in the Company held by FMR LLC:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S)**	**Deemed interests**	**(L/S)**	**Approximate percentage of interests**
FMR LLC	(3a)	—	—	128,013,000	(L)	7.99%
Fidelity Management & Research Company	(3b)	—	—	105,119,500	(L)	6.56%
Fidelity Management Trust Company, Pyramis Global Advisors LLC	(3b)	—	—	22,893,500	(L)	1.43%

Remarks:

(3a) The capacity of FMR LLC in holding the 128,013,000 shares of long position was as an investment manager.

(3b) Fidelity Management & Research Company and Fidelity Management Trust Company, Pyramis Global Advisors LLC were all indirect owned by FMR LLC and by virtue of the SFO, FMR LLC was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholder's Interests *(continued)*

Notes: *(continued)*

(4) The following is a breakdown of the interests in shares in the Company held by Hang Seng Bank Trustee International Limited:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S)**	**Deemed interests**	**(L/S)**	**Approximate percentage of interests**
Hang Seng Bank Trustee International Limited	(4a)	—	—	96,079,000	(L)	6.00%
Cheah Company Limited	(4b)	—	—	96,079,000	(L)	6.00%
Cheah Capital Management Limited	(4b)	—	—	96,079,000	(L)	6.00%
Value Partners Group Limited	(4b)	—	—	96,079,000	(L)	6.00%
Value Partners Limited	(4b)	96,079,000	(L)	—	—	6.00%

Remarks:

(4a) The capacity of Hang Seng Bank Trustee International Limited in holding the 96,079,000 shares of long position was as Trustee (other than bare trustee).

(4b) Cheah Company Limited, Cheah Capital Management Limited, Value Partners Group Limited and Value Partners Limited were all direct or indirect owned by Hang Seng Bank Trustee International Limited and by virtue of the SFO, Hang Seng Bank Trustee International Limited was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholder's Interests *(continued)*

Notes: *(continued)*

(5) The following is a breakdown of the interests in shares in the Company held by JPMorgan Chase & Co:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S)**	**Deemed interests**	**(L/S/LP)**	**Approximate percentage of interests**
JPMorgan Chase & Co.	(5a)	—	—	187,207,433	(L)	11.69%
		—	—	4,650,000	(S)	0.29%
		—	—	179,520,433	(LP)	11.21%
JPMorgan Chase Bank, N.A.	(5b)	179,520,433	(L)	4,165,000	(L)	11.47%
		—	—	4,150,000	(S)	0.26%
J.P. Morgan Securities Ltd.	(5b)	3,650,000	(L)	—	—	0.23%
		3,650,000	(S)	—	—	0.23%
J.P. Morgan Chase International Holdings	(5b)	—	—	3,650,000	(L)	0.23%
		—	—	3,650,000	(S)	0.23%
J.P. Morgan Chase (UK) Holdings Limited	(5b)	—	—	3,650,000	(L)	0.23%
		—	—	3,650,000	(S)	0.23%
J.P. Morgan Capital Holdings Limited	(5b)	—	—	3,650,000	(L)	0.23%
		—	—	3,650,000	(S)	0.23%
J.P. Morgan International Finance Limited	(5b)	—	—	3,665,000	(L)	0.23%
		—	—	3,650,000	(S)	0.23%
Bank One International Holdings Corporation	(5b)	—	—	3,665,000	(L)	0.23%
		—	—	3,650,000	(S)	0.23%
J.P. Morgan International Inc.	(5b)	—	—	3,665,000	(L)	0.23%
		—	—	3,650,000	(S)	0.23%
JF Asset Management Limited	(5b)	3,022,000	(L)	—	—	0.19%
JPMorgan Asset Management (Asia) Inc.	(5b)	—	—	3,022,000	(L)	0.19%
JPMorgan Asset Management Holdings Inc.	(5b)	—	—	3,022,000	(L)	0.19%
J.P. Morgan Whitefriars Inc.	(5b)	15,000	(L)	—	—	0.00%
J.P. Morgan Overseas Capital Corporation	(5b)	—	—	15,000	(L)	0.00%
J.P. Morgan Markets Limited	(5b)	500,000	(L)	—	—	0.03%
		500,000	(S)	—	—	0.03%
Bear Stearns Holdings Limited	(5b)	—	—	500,000	(L)	0.03%
		—	—	500,000	(S)	0.03%
Bear Stearns UK Holdings Limited	(5b)	—	—	500,000	(L)	0.03%
		—	—	500,000	(S)	0.03%
The Bear Stearns Companies LLC	(5b)	—	—	500,000	(L)	0.03%
		—	—	500,000	(S)	0.03%
JP Morgan Chase Bank, N.A. – London Branch	(5b)	500,000	(L)	—	—	0.03%
		500,000	(S)	—	—	0.03%

Substantial Shareholder's Interests *(continued)*

Notes: *(continued)*

Remarks:

(5a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 187,207,433 shares of long position, 4,650,000 shares of short position and 179,520,433 shares of lending pool respectively was as controlled corporation.

(5b) JPMorgan Chase Bank, N.A., J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan Markets Limited, Bear Stearns Holdings Limited, Bear Stearns UK Holdings Limited, The Bear Stearns Companies LLC and JPMorgan Chase Bank, N.A. – London Branch were all direct or indirect owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at December 31, 2011.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2011.

Donations

During the year, the Group made charitable and other donations totalling US$305,000.

Auditor

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Horst Julius Pudwill
Chairman
Hong Kong

March 22, 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF TECHTRONIC INDUSTRIES COMPANY LIMITED
創科實業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 146, which comprise the consolidated and Company's statement of financial position as at December 31, 2011 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 22, 2012

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2011

	Notes	2011 US$'000	2010 US$'000
Turnover	6	**3,667,058**	3,382,838
Cost of sales		**(2,473,407)**	(2,293,853)
Gross profit		**1,193,651**	1,088,985
Other income	7	**9,419**	17,078
Interest income	8	**5,055**	2,148
Selling, distribution, advertising and warranty expenses		**(510,357)**	(480,733)
Administrative expenses		**(404,995)**	(366,070)
Research and development costs		**(69,159)**	(64,608)
Finance costs	9	**(63,093)**	(74,301)
Profit before restructuring costs, share of results of associates and taxation		**160,521**	122,499
Restructuring costs	10	**—**	(26,653)
Share of results of associates	23	**(347)**	(155)
Profit before taxation		**160,174**	95,691
Taxation (charge) credit	11	**(9,242)**	70
Profit for the year	12	**150,932**	95,761
Other comprehensive income			
Exchange differences on translation of foreign operations		**5,643**	1,879
Other comprehensive income for the year		**5,643**	1,879
Total comprehensive income for the year		**156,575**	97,640
Profit for the year attributable to:			
Owners of the Company		**150,826**	94,890
Non-controlling interests		**106**	871
		150,932	95,761
Total comprehensive income attributable to:			
Owners of the Company		**156,414**	96,770
Non-controlling interests		**161**	870
		156,575	97,640
Earnings per share (US cents)	16		
Basic		**9.39**	5.93
Diluted		**9.21**	5.92

Consolidated Statement of Financial Position

As at December 31, 2011

	Notes	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**360,082**	339,437
Lease prepayments	18	**36,432**	35,475
Goodwill	19	**530,856**	529,884
Intangible assets	20	**371,275**	353,431
Interests in associates	23	**20,165**	24,062
Available-for-sale investments	24	**1,269**	1,267
Deferred tax assets	47	**73,633**	68,527
		1,393,712	1,352,083
Current assets			
Inventories	25	**704,419**	644,510
Trade and other receivables	26	**673,457**	617,988
Deposits and prepayments		**72,897**	66,915
Bills receivable	27	**35,760**	38,875
Tax recoverable		**12,361**	10,995
Trade receivables from associates	29	**205**	38
Derivative financial instruments	30	**8,867**	10,883
Held-for-trading investments	31	**8,288**	10,732
Bank balances, deposits and cash	32	**459,650**	512,893
		1,975,904	1,913,829
Current liabilities			
Trade and other payables	33	**618,863**	483,265
Bills payable	34	**42,991**	55,207
Warranty provision	35	**44,748**	47,702
Trade payable to an associate	36	**4,037**	4,127
Tax payable		**10,937**	7,578
Derivative financial instruments	30	**9,002**	4,949
Restructuring provision	37	**3,743**	22,981
Obligations under finance leases – due within one year	38	**1,730**	2,963
Discounted bills with recourse	39	**518,897**	411,095
Unsecured borrowings - due within one year	42	**194,025**	361,055
Convertible bonds	43	**134,001**	—
Bank overdrafts	32	**19,972**	22,350
		1,602,946	1,423,272
Net current assets		**372,958**	490,557
Total assets less current liabilities		**1,766,670**	1,842,640

Consolidated Statement of Financial Position

As at December 31, 2011

	Notes	2011 US$'000	2010 US$'000
Capital and Reserves			
Share capital	44	**20,533**	20,598
Reserves		**1,225,043**	1,094,161
Equity attributable to Owners of the Company		**1,245,576**	1,114,759
Non-controlling interests		**8,552**	14,948
Total equity		**1,254,128**	1,129,707
Non-current Liabilities			
Obligations under finance leases - due after one year	38	**4,755**	5,714
Unsecured borrowings - due after one year	42	**396,877**	466,358
Convertible bonds	43	**—**	127,225
Retirement benefit obligations	46	**82,937**	90,694
Deferred tax liabilities	47	**27,973**	22,942
		512,542	712,933
Total equity and non-current liabilities		**1,766,670**	1,842,640

The financial statements on pages 52 to 146 were approved and authorised for issue by the Board of Directors on March 22, 2012 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

Statement of Financial Position

As at December 31, 2011

	Notes	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**3,774**	7,402
Intangible assets	20	**14,710**	26,188
Investments in subsidiaries	22	**389,074**	367,708
Loans to subsidiaries	22	**536,347**	317,943
Interests in associates	23	**21,323**	24,704
Available-for-sale investments	24	**218**	217
		965,446	744,162
Current assets			
Inventories	25	**1,582**	4,674
Trade and other receivables	26	**3**	8,963
Deposits and prepayments		**17,762**	13,540
Bills receivable	27	**—**	10,620
Tax recoverable		**3,323**	—
Amounts due from subsidiaries	28	**813,857**	1,088,098
Derivative financial instruments	30	**2,998**	5,989
Held-for-trading investments	31	**8,288**	10,696
Bank balances, deposits and cash	32	**27,032**	171,925
		874,845	1,314,505
Current liabilities			
Trade and other payables	33	**14,901**	47,017
Bills payable	34	**—**	42,994
Warranty provision	35	**245**	2,444
Derivative financial instruments	30	**7,605**	4,559
Amounts due to subsidiaries	28	**338,475**	152,147
Trade payable to an associate	36	**—**	4,127
Tax payable		**—**	523
Obligations under finance leases - due within one year	38	**—**	39
Discounted bills with recourse	39	**—**	323,959
Unsecured borrowings - due within one year	42	**80,793**	214,816
Convertible bonds	43	**134,001**	—
		576,020	792,625
Net current assets		**298,825**	521,880
Total assets less current liabilities		**1,264,271**	1,266,042

Statement of Financial Position

As at December 31, 2011

	Notes	2011 US$'000	2010 US$'000
Capital and Reserves			
Share capital	44	**20,533**	20,598
Reserves	45	**980,020**	817,950
		1,000,553	838,548
Non-current Liabilities			
Unsecured borrowings - due after one year	42	**263,094**	297,475
Convertible bonds	43	**—**	127,225
Deferred tax liabilities	47	**624**	2,794
		263,718	427,494
Total equity and non-current liabilities		**1,264,271**	1,266,042

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2011

	Attributable to Owners of the Company									Attributable to non-controlling Interests	
	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Convertible bonds equity reserve US$'000	Warrant reserve US$'000	Translation reserve US$'000	Employee share-based compensation reserve US$'000	Retained profits US$'000	Total US$'000	Share of net assets of subsidiaries US$'000	Total US$'000
At January 1, 2010	20,401	446,078	56	8,833	13,942	(10,581)	6,174	551,246	1,036,149	14,078	1,050,227
Profit for the year	—	—	—	—	—	—	—	94,890	94,890	871	95,761
Exchange differences on translation of foreign operations	—	—	—	—	—	1,880	—	—	1,880	(1)	1,879
Other comprehensive income for the year	—	—	—	—	—	1,880	—	—	1,880	(1)	1,879
Total comprehensive income for the year	—	—	—	—	—	1,880	—	94,890	96,770	870	97,640
Share issued at premium on exercise of options	6	516	—	—	—	—	(92)	—	430	—	430
Share issued at premium on exercise of warrants	191	13,272	—	—	(3,717)	—	—	—	9,746	—	9,746
Repurchase of warrants	—	—	—	—	(10,225)	—	—	(2,832)	(13,057)	—	(13,057)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	2,205	—	2,205	—	2,205
Lapse of share options	—	—	—	—	—	—	(836)	836	—	—	—
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(496)	(496)	—	(496)
Final dividend - 2009	—	—	—	—	—	—	—	(9,266)	(9,266)	—	(9,266)
Interim dividend - 2010	—	—	—	—	—	—	—	(7,722)	(7,722)	—	(7,722)
At December 31, 2010	20,598	459,866	56	8,833	—	(8,701)	7,451	626,656	1,114,759	14,948	1,129,707
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**150,826**	**150,826**	**106**	**150,932**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**5,588**	**—**	**—**	**5,588**	**55**	**5,643**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**5,588**	**—**	**—**	**5,588**	**55**	**5,643**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**5,588**	**—**	**150,826**	**156,414**	**161**	**156,575**
Share issued at premium on exercise of options	**6**	**506**	**—**	**—**	**—**	**—**	**(91)**	**—**	**421**	**—**	**421**
Repurchase of shares	**(71)**	**—**	**71**	**—**	**—**	**—**	**—**	**(3,817)**	**(3,817)**	**—**	**(3,817)**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**—**	**—**	**—**	**1,053**	**—**	**1,053**	**—**	**1,053**
Lapse of share options	**—**	**—**	**—**	**—**	**—**	**—**	**(1,805)**	**1,805**	**—**	**—**	**—**
Final dividend - 2010	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(12,907)**	**(12,907)**	**—**	**(12,907)**
Interim dividend - 2011	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,347)**	**(10,347)**	**(6,557)**	**(16,904)**
At December 31, 2011	**20,533**	**460,372**	**127**	**8,833**	**—**	**(3,113)**	**6,608**	**752,216**	**1,245,576**	**8,552**	**1,254,128**

Consolidated Statement of Cash Flow

For the year ended December 31, 2011

	2011 US$'000	2010 US$'000
Operating Activities		
Profit before taxation	**160,174**	95,691
Adjustments for:		
Amortisation/write-off of intangible assets	**49,095**	42,391
Amortisation of lease prepayments	**765**	733
Depreciation on property, plant and equipment	**69,897**	70,370
Employee share-based expense	**1,053**	2,205
Finance costs	**63,093**	74,301
Impairment loss on available-for-sale investments recognised	—	1,713
Impairment loss on trade receivables	**2,992**	5,724
Write down of inventories	**8,259**	11,072
Interest income	**(5,055)**	(2,148)
(Gain) loss on disposal of property, plant and equipment	**(4,990)**	678
Share of the results of associates	**347**	155
Discount on acquisition taken to income	—	(611)
Fair value loss on interest rate swap	**2,425**	2,781
Fair value loss (gain) on warrant	**330**	(552)
Fair value loss (gain) on foreign currency forward contracts	**3,314**	(5,674)
Fair value loss (gain) on held-for-trading investments	**2,444**	(397)
Operating cash flows before movements in working capital	**354,143**	298,432
Increase in inventories	**(67,715)**	(44,298)
Increase in trade and other receivables, deposits and prepayments	**(64,011)**	(53,858)
Decrease (increase) in bills receivable	**2,827**	(5,295)
Increase in trade receivables from associates	**(166)**	(36)
Decrease in interest rate swap	—	1
Increase in foreign currency forward contracts	—	(599)
Increase (decrease) in trade and other payables	**132,220**	(16,175)
Decrease in bills payable	**(12,426)**	(37,171)
(Decrease) increase in restructuring provision	**(18,927)**	22,684
Decrease in warranty provision	**(2,802)**	(1,540)
Increase in held-for-trading investments	—	(632)
(Decrease) increase in trade payable to an associate	**(106)**	3,446
(Decrease) increase in retirement benefit obligations	**(5,670)**	2,506
Cash generated from operations	**317,367**	167,465
Interest paid	**(56,316)**	(68,897)
Hong Kong Profits Tax paid	**(4,449)**	(7,097)
Overseas tax paid	**(10,368)**	(13,114)
Hong Kong Profits Tax refunded	**139**	62
Overseas tax refunded	**8,916**	5,746
Net Cash from Operating Activities	**255,289**	84,165

	2011 US$'000	2010 US$'000
Investing Activities		
Acquisition of subsidiaries / business	**—**	(13,848)
Purchase of property, plant and equipment	**(94,570)**	(92,678)
Additions to intangible assets	**(66,128)**	(53,266)
Purchase of available-for-sale investments	**—**	(67)
Repayment from associates	**3,643**	867
Interest received	**5,055**	2,148
Proceeds from disposal of property, plant and equipment	**13,053**	1,808
Net Cash Used in Investing Activities	**(138,947)**	(155,036)
Financing Activities		
New bank loans obtained	**351,754**	589,740
Proceeds from issue of shares	**421**	10,175
Repayment of bank loans	**(566,201)**	(277,569)
Repayment of fixed interest rate notes	**(5,625)**	(173,580)
Repurchase of shares	**(3,817)**	—
Repurchase of warrants	**—**	(13,057)
Dividends paid	**(23,254)**	(16,988)
Dividends paid to non-controlling shareholders of subsidiaries	**(6,557)**	—
Acquisition of additional interest in a subsidiary	**—**	(497)
Repayment of obligations under finance leases	**(3,004)**	(2,978)
Increase in discounted bills with recourse	**106,099**	82,100
Decrease in trust receipt loans	**(20,590)**	(34,587)
Net Cash (Used in) from Financing Activities	**(170,774)**	162,759
Net (Decrease) Increase in Cash and Cash Equivalents	**(54,432)**	91,888
Cash and Cash Equivalents at Beginning of the Year	**490,543**	398,461
Effect of Foreign Exchange Rate Changes	**3,567**	194
Cash and Cash Equivalents at End of the Year	**439,678**	490,543
Analysis of the Balances of Cash and Cash Equivalents		
Represented by:		
Bank balances, deposits and cash	**459,650**	512,893
Bank overdrafts	**(19,972)**	(22,350)
	439,678	490,543

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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 functional currency of the Company is United States dollars. The presentation currency has been changed from Hong Kong Dollars to United States Dollars in 2011 so as to be consistent with the functional currency of the Company. In prior years, the Group's consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows were presented in Hong Kong Dollars and in United States Dollars. The change in the Group's presentation currency in 2011 has had no impact on the amounts on the Group's financial performance and position for the prior periods and hence, no additional consolidated statement of financial position as at January 1, 2010 has been presented in the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

New and revised HKFRSs issued but not yet effective

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at January 1, 2011:

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after July 1, 2011
2 Effective for annual periods beginning on or after January 1, 2013
3 Effective for annual periods beginning on or after January 1, 2015
4 Effective for annual periods beginning on or after January 1, 2012
5 Effective for annual periods beginning on or after July 1, 2012
6 Effective for annual periods beginning on or after January 1, 2014

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

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

The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosure regarding transfer of financial assets in the future.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- With regards to financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. The adoption of HKFRS 9 will require the Group's and the Company's available-for-sale investments that are currently measured at cost less impairment to be measured at fair value instead of being measured at cost.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the amendments to HKAS 19 may have an impact on amounts reported in respect of the Groups' defined benefit plans. However, the Group currently recognises all changes in defined benefit obligations and in the fair value of plan assets in profit or loss when they occur. The directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial performance and financial position of the Group and the Company.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). 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.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from January 1, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. Where certain assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Significant Accounting Policies *(continued)*

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Business Combinations *(continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill 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 statement of financial position 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.

3. Significant Accounting Policies *(continued)*

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of profit or loss 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 recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over 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.

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

3. Significant Accounting Policies *(continued)*

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are measured at their fair value at the acquisition date. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and Development Expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3. Significant Accounting Policies *(continued)*

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.

The Group and the Company as lessee

Assets held under finance leases are recognised as assets of the Group and the Company 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 consolidation statement of financial position 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group and the Company assess the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group or the Company, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. Significant Accounting Policies *(continued)*

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress on tangible and intangible assets other than goodwill, are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided 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. The estimated useful lives, residual values and defined depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised 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 profit or loss in the period in which the item is derecognised.

Impairment Losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant Accounting Policies *(continued)*

Impairment Losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 recognised immediately in profit or loss.

Financial Assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, bills receivable, trade receivables from associates, loans to subsidiaries, amounts due from subsidiaries and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and trade receivables from associates, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 120 days, or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and trade receivables from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial liabilities and equity *(continued)*

Convertible bonds

Convertible bonds issued by the Group and the Company that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as an equity instrument. Embedded derivatives, including early redemption options, which are closely related to the liability components are not separately accounted for.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion 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 amortised cost using the effective interest method. The equity component, representing 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 (in which case the balance stated in the convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in the convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised 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 gross 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 amortised over the period of the convertible bonds using the effective interest method.

Upon early redemption of the convertible bonds, the early redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued. Differences between the fair value and the carrying amount of the liability component will be recognised in profit or loss. The difference between the early redemption consideration and the fair value of the liability component will be included in equity (convertible bonds equity reserve) and released to retained profits.

Other financial liabilities

Other financial liabilities (including unsecured borrowings, trade and other payables, bills payable, trade payable to an associate, discounted bills with recourse, bank overdrafts and amounts due to subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives that are not accounted for as eligible hedging instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that the Group and the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

A provision for restructuring is recognised in the consolidated statement of financial position on condition that the Group has a detailed formal plan and has raised a valid expectation to those affected that the plan will be carried out, either by starting to implement that plan or by announcing its main features to those affected.

For a provision in relation to employee termination benefits, the liability and expenses are recognised when the Group committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

3. Significant Accounting Policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold by the Group and the Company to outside customers in the normal course of business, less returns and allowances, and commission income and royalty income received.

Turnover from sales of goods is recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 on initial recognition.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

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 statement of comprehensive income 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 and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

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 Group (i.e. United States dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. Significant Accounting Policies *(continued)*

Foreign Currencies *(continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Equity-Settled Share-Based Payment Transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of each reporting period, the Group and the Company revise its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, such that the cumulative expenses reflecting the revised estimate, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised 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 recognised in the employee share-based compensation reserve will be transferred to retained profits.

3. Significant Accounting Policies *(continued)*

Retirement Benefit Schemes

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in profit or loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

A gain or loss arising on curtailment or settlement of a defined benefit scheme is recognised immediately when the curtailment or settlement occurs.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

4. Key Sources of Accounting Estimates

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Key Sources of Accounting Estimates *(continued)*

Estimated Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash generating units to which goodwill and intangible assets with indefinite useful lives have 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 December 31, 2011, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately US$530,856,000 (2010: US$529,884,000) and approximately US$177,555,000 (2010: US$177,197,000) respectively. Details of the recoverable amount calculation are disclosed in Note 21.

Useful Lives and Estimated Impairment of Deferred Development Costs

As at December 31, 2011, the carrying amount of deferred development costs of the Group and the Company is US$162,332,000 (2010: US$143,877,000) and US$14,708,000 (2010: US$26,184,000) respectively. The estimation of their useful lives impacts the level of annual amortisation recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are 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 assets 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.

Useful Lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2011, the Group's and the Company's carrying amount of property, plant and equipment are US$360,082,000 (2010: US$339,437,000) and US$3,774,000 (2010: US$7,402,000) respectively. The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life that the Group and the Company place the equipment into production reflects the directors' estimate of the periods that the Group and the Company intend to derive future economic benefits from the use of the Group's and the Company's property, plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

Income Taxes

As at December 31, 2011, a deferred tax asset of US$57,095,000 (2010: US$64,012,000) in relation to unused tax losses and US$11,257,000 (2010: US$12,733,000) in relation to employee related provisions has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. During the year, deferred tax assets of approximately US$15,850,000 (2010: US$1,860,000) in relation to unused tax losses were utilised.

4. Key Sources of Accounting Estimates *(continued)*

Estimated Impairment of Trade and Other Receivables, Bills Receivables and Trade Receivables from Associates

When there is objective evidence of an impairment loss, the Group and the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2011, the Group's and the Company's carrying amount of trade and other receivables, bills receivable and trade receivables/amounts due from associates is US$728,781,000 (net of allowance for doubtful debts of US$14,680,000) (2010: US$679,815,000 net of allowance for doubtful debts of US$15,528,000) and US$18,264,000 (net of allowance for doubtful debts of nil) (2010: US$41,237,000 net of allowance for doubtful debts of nil).

5. Segment Information

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

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

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

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

Information regarding the above segments is reported below.

5. Segment Information *(continued)*

Segment turnover and results

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

For the year ended December 31, 2011

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment turnover				
External sales	**2,662,739**	**1,004,319**	**—**	**3,667,058**
Inter-segment sales	**18,314**	**4,389**	**(22,703)**	**—**
Total segment turnover	**2,681,053**	**1,008,708**	**(22,703)**	**3,667,058**
Inter-segment sales are charged at prevailing market rates.				
Result				
Segment results before restructuring costs	**188,780**	**34,834**	**—**	**223,614**
Restructuring costs	**—**	**—**	**—**	**—**
Segment results	**188,780**	**34,834**	**—**	**223,614**
Finance costs				**(63,093)**
Share of results of associates				**(347)**
Profit before taxation				**160,174**
Taxation charge				**(9,242)**
Profit for the year				**150,932**

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of the share of results of associates and finance costs. This is the measure reported to the Group's Chief Executive Officer, for the purposes of resource allocation and performance assessment.

The Group allocates fair value changes in warrants, interest rate swaps and foreign currency forward contracts and interest earned on bank deposits to segment results, whereas the related warrants, interest rate swaps, foreign currency forward contracts and bank balances, deposits and cash are not allocated to the segment assets.

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2011

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Assets			
Segment assets	**2,175,535**	**619,405**	**2,794,940**
Unallocated assets			
Interests in associates			**20,165**
Deferred tax assets			**73,633**
Foreign currency forward contracts			**8,645**
Warrants			**222**
Tax recoverable			**12,361**
Bank balances, deposits and cash			**459,650**
Consolidated total assets			**3,369,616**
Liabilities			
Segment liabilities	**(995,537)**	**(324,557)**	**(1,320,094)**
Unallocated liabilities			
Tax payable			**(10,937)**
Bank overdrafts			**(19,972)**
Obligations under finance leases			**(6,485)**
Interest rate swap			**(4,768)**
Foreign currency forward contracts			**(4,234)**
Unsecured borrowings			**(587,024)**
Deferred tax liabilities			**(27,973)**
Convertible bonds			**(134,001)**
Consolidated total liabilities			**(2,115,488)**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, foreign currency forward contracts, warrants, tax recoverable and bank balances, deposits and cash; and
- all liabilities are allocated to operating segments other than tax payable, bank overdrafts, obligations under finance leases, interest rate swap, foreign currency forward contracts, unsecured borrowings (other than trust receipt loans), deferred tax liabilities and convertible bonds.

5. Segment Information *(continued)*

Other segment information

For the year ended December 31, 2011

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Additions to non-current assets (Note)	**115,532**	**46,037**	**161,569**
Gain (loss) on disposal of property, plant and equipment	**4,991**	**(1)**	**4,990**
Write down of inventories	**4,346**	**3,913**	**8,259**
Impairment loss on trade receivables	**1,776**	**1,216**	**2,992**
Depreciation and amortisation	**79,694**	**40,052**	**119,746**

Note: Non-current assets exclude financial instruments and deferred tax assets.

Segment turnover and results

For the year ended December 31, 2010

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment turnover				
External sales	2,385,590	997,248	—	3,382,838
Inter-segment sales	15,382	3,593	(18,975)	—
Total segment turnover	2,400,972	1,000,841	(18,975)	3,382,838
Inter-segment sales are charged at prevailing market rates.				
Result				
Segment results before restructuring costs	146,797	50,003	—	196,800
Restructuring costs	(26,653)	—	—	(26,653)
Segment results	120,144	50,003	—	170,147
Finance costs				(74,301)
Share of results of associates				(155)
Profit before taxation				95,691
Taxation credit				70
Profit for the year				95,761

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2010

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Assets			
Segment assets	2,064,615	573,937	2,638,552
Unallocated assets			
Interests in associates			24,062
Deferred tax assets			68,527
Foreign currency forward contracts			10,331
Warrants			552
Tax recoverable			10,995
Bank balances, deposits and cash			512,893
Consolidated total assets			3,265,912
Liabilities			
Segment liabilities	(859,472)	(279,985)	(1,139,457)
Unallocated liabilities			
Tax payable			(7,578)
Bank overdrafts			(22,350)
Obligations under finance leases			(8,677)
Interest rate swap			(2,343)
Foreign currency forward contracts			(2,606)
Unsecured borrowings			(803,027)
Deferred tax liabilities			(22,942)
Convertible bonds			(127,225)
Consolidated total liabilities			(2,136,205)

Other segment information

For the year ended December 31, 2010

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Additions to non-current assets (Note)	110,666	35,568	146,234
Gain (loss) on disposal of property, plant and equipment	651	(1,329)	(678)
Write-down of inventories	8,340	2,732	11,072
Impairment loss on trade receivables	5,322	402	5,724
Depreciation and amortisation	78,250	35,244	113,494

Note: Non-current assets exclude financial instruments and deferred tax assets.

5. Segment Information *(continued)*

Turnover from major products

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

	2011 US$'000	2010 US$'000
Power Equipment	**2,662,739**	2,385,590
Floor Care and Appliances	**1,004,319**	997,248
Total	**3,667,058**	3,382,838

Geographical information

The Group's turnover from external customers by geographical location, determined based on the location of the customer and information about its non-current assets by geographical location, determined based on the location of the group entity owning the assets are detailed below:

	Turnover from external customers		Non-Current Assets*	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
North America	**2,648,233**	2,461,122	**756,744**	768,707
Europe	**763,501**	712,998	**88,267**	86,564
Other countries	**255,324**	208,718	**453,634**	402,956
Total	**3,667,058**	3,382,838	**1,298,645**	1,258,227

* Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

Information about major customer

During the years ended December 31, 2011 and 2010, the Group's largest customer contributed total turnover of US$1,384,093,000 (2010: US$1,232,974,000), of which US$1,345,788,000 (2010: US$1,196,367,000) was under the Power Equipment segment and US$38,305,000 (2010: US$36,607,000) was under the Floor Care and Appliances segment. There is no other customer contributing more than 5% of total turnover.

6. Turnover

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 and royalty income received during the year and is analysed as follows:

	2011 US$'000	2010 US$'000
Sale of goods	**3,648,244**	3,374,167
Commission and royalty income	**18,814**	8,671
	3,667,058	3,382,838

7. Other Income

Other income in 2011 mainly comprises of the gain on disposal of property, plant and equipment, sales of scrap materials and claims and reimbursements from customers and vendors.

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

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2011 US$'000	2010 US$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**27,535**	33,588
Obligations under finance leases	**585**	444
Fixed interest rate notes	**16,257**	22,242
Effective interest expense on convertible bonds	**19,059**	18,155
Total borrowing costs	**63,436**	74,429
Less: amounts capitalised	**(343)**	(128)
	63,093	74,301

10. Restructuring Costs

Restructuring costs in 2010 mainly represent the Group's labor and staff cost provisions related to the relocation of production from Germany to lower cost locations.

11. Taxation (Charge) Credit

	2011 US$'000	2010 US$'000
Current tax:		
Hong Kong profits tax	**(1,275)**	(608)
Underprovision in prior years	**(1,440)**	(1,411)
	(2,715)	(2,019)
Overseas taxation	**(14,876)**	(18,840)
Overprovision in prior years	**8,753**	795
	(6,123)	(18,045)
Deferred tax (Note 47):		
Current year	**(404)**	20,134
	(9,242)	70

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

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

The tax (charges) credits for the year are reconciled as follows:

	2011 US$'000	2011 %	2010 US$'000	2010 %
Profit before taxation	**160,174**		95,691	
Tax at Hong Kong Profits Tax rate	**(26,429)**	**16.5%**	(15,789)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**36,301**	**(22.7%)**	23,096	(24.1%)
Tax effect of expenses not deductible for tax purposes	**(9,529)**	**6.0%**	(4,499)	4.7%
Tax effect of income not taxable for tax purposes	**9,876**	**(6.2%)**	5,930	(6.2%)
Tax effect of deductible temporary differences not recognised	**(27,685)**	**17.3%**	(13,895)	14.5%
Recognition of temporary differences previously not recognised	**983**	**(0.6%)**	6,182	(6.5%)
Over (underprovision) in respect of prior years	**7,313**	**(4.6%)**	(616)	0.6%
Others	**(72)**	**0.1%**	(339)	0.4%
Tax (charge) credit for the year	**(9,242)**	**5.8%**	70	(0.1%)

Details of deferred tax are set out in Note 47.

12. Profit for the Year

	2011 US$'000	2010 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**49,084**	42,391
Auditors' remuneration	**3,369**	3,126
Amortisation of lease prepayments	**765**	733
Fair value loss (gain) on held-for-trading investments	**2,444**	(397)
Fair value loss (gain) on foreign currency forward contracts	**3,314**	(5,674)
Fair value loss on interest rate swap	**2,425**	2,781
Fair value loss (gain) on a warrant	**330**	(552)
Depreciation and amortisation on property, plant and equipment		
Owned assets	**66,977**	67,269
Assets held under finance leases	**2,920**	3,101
Impairment loss on trade receivables	**2,992**	5,724
Impairment loss on available-for-sale investments	**—**	1,713
(Gain) loss on disposal of property, plant and equipment	**(4,990)**	678
Net exchange loss	**672**	2,956
Operating lease expenses recognised in respect of:		
Premises	**24,959**	23,943
Motor vehicles	**12,343**	11,704
Plant and machinery	**4,191**	4,774
Other assets	**3,931**	4,137
Unconditional government grants	**252**	863
Write down of intangible assets	**11**	—
Write down of inventories	**8,259**	11,072
Staff costs		
Directors' remuneration		
Fees	**176**	160
Other emoluments	**18,786**	10,993
	18,962	11,153
Other staff costs	**398,330**	385,763
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**3,282**	(1,221)
Defined benefit plans (Note 46)	**6,958**	8,335
	427,532	404,030

Staff costs disclosed above do not include an amount of US$67,434,000 (2010: US$57,162,000) relating to research and development activities.

13. Director's Emoluments

The emoluments paid or payable to each of the 11 (2010: 11) directors were as follows:

For the year ended December 31, 2011

		Other emoluments				
	Fees US$'000	**Basic salaries and allowances US$'000**	**Contributions to retirement benefits schemes US$'000**	**Bonus paid US$'000**	**Share-based payments US$'000**	**Total US$'000**
Mr Horst Julius Pudwill	**—**	**1,557**	**2**	**2,051**	**141**	**3,751**
Mr Joseph Galli Jr	**—**	**1,200**	**2**	**7,900**	**42**	**9,144**
Mr Kin Wah Chan	**—**	**634**	**2**	**226**	**42**	**904**
Mr Chi Chung Chan	**—**	**633**	**2**	**235**	**42**	**912**
Mr Stephan Horst Pudwill	**—**	**296**	**2**	**88**	**42**	**428**
Prof Roy Chi Ping Chung BBS JP	**16**	**661**	**1**	**2,558** (Note)	**25**	**3,261**
Mr Vincent Ting Kau Cheung	**32**	**22**	**—**	**—**	**46**	**100**
Mr Joel Arthur Schleicher	**32**	**38**	**—**	**—**	**46**	**116**
Mr Christopher Patrick Langley OBE	**32**	**25**	**—**	**—**	**46**	**103**
Mr Manfred Kuhlmann	**32**	**42**	**—**	**—**	**46**	**120**
Mr Peter David Sullivan	**32**	**45**	**—**	**—**	**46**	**123**
Total	**176**	**5,153**	**11**	**13,058**	**564**	**18,962**

Note: Amount shown above included a retirement gratuity

For the year ended December 31, 2010

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus paid US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill	—	1,557	2	1,718	92	3,369
Mr Joseph Galli Jr	—	1,200	2	2,400	134	3,736
Mr Kin Wah Chan	—	617	2	173	134	926
Mr Chi Chung Chan	—	617	2	176	134	929
Mr Stephan Horst Pudwill	—	234	2	37	134	407
Prof Roy Chi Ping Chung BBS JP	—	844	2	231	80	1,157
Mr Vincent Ting Kau Cheung	32	24	—	—	54	110
Mr Joel Arthur Schleicher	32	48	—	—	54	134
Mr Christopher Patrick Langley OBE	32	45	—	—	54	131
Mr Manfred Kuhlmann	32	45	—	—	54	131
Mr Peter David Sullivan	32	37	—	—	54	123
Total	160	5,268	12	4,735	978	11,153

The bonuses paid were based on performance of the Group.

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2010: five) were directors of the Company whose emoluments are included in Note 13 above. The emoluments of the remaining two (2010: zero) individuals for the year ended December 31, 2011 were as follows:

	2011 US$'000	2010 US$'000
Basic salaries and allowances	982	—
Contributions to retirement benefits schemes	64	—
Bonus paid	909	—
Other benefit	842	—
Share-based payments	57	—
	2,854	—

The emoluments of these two (2010: zero) highest paid individuals for the year ended December 31, 2011 were within the following band:

	No. of persons	
US$	2011	2010
1,000,001 to 1,500,000	1	—
1,500,001 to 2,000,000	1	—

During each of the two years ended December 31, 2011 and 2010, 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.

15. Dividends

	2011 US$'000	2010 US$'000
Dividends recognised as distributions during the year:		
Final dividend paid:		
2010: HK6.25 cents (approximately US0.80 cent)		
(2009: HK4.50 cents (approximately US0.58 cent)) per share	12,907	9,266
Interim dividend paid:		
2011: HK5.00 cents (approximately US0.64 cent)		
(2010: HK3.75 cents (approximately US0.48 cent)) per share	10,347	7,722
	23,254	16,988

The final dividend of HK7.75 cents (approximately US1.00 cent) per share in respect of the year ended December 31, 2011 (2010: final dividend of HK6.25 cents (approximately US0.80 cent) per share in respect of the year ended December 31, 2010) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

16. Earnings per Share

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

	2011 US$'000	2010 US$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**150,826**	94,890
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	**18,040**	—
Earnings for the purpose of diluted earnings per share	**168,866**	94,890
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,605,594,626**	1,601,053,496
Effect of dilutive potential ordinary shares:		
Share options	**3,391,650**	963,952
Convertible bonds	**223,557,000**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,832,543,276**	1,602,017,448

The computation of diluted earnings per share for the year ended December 31, 2010 does not assume the conversion of the Company's convertible bonds since their exercise would result in an increase in earnings per share and does not assume the exercise of certain of the Company's outstanding share options when the exercise price of those options was higher than the average market price for shares for both 2011 and 2010.

17. Property, Plant and Equipment

	Freehold land and buildings outside Hong Kong (note) US$'000	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Vessels US$'000	Construction in progress US$'000	Total US$'000
The Grouop									
Cost									
At January 1, 2010	152,617	46,686	137,674	246,455	4,476	254,546	1,078	10,355	853,887
Currency realignment	(2,267)	659	(715)	(2,820)	1	(4,752)	—	173	(9,721)
Additions	19,439	1,082	5,350	12,887	643	13,110	2,289	38,168	92,968
Acquisition of subsidiaries / business	—	—	—	167	5	—	—	—	172
Disposals	(16)	(4,421)	(5,758)	(24,251)	(417)	(12,234)	(1,078)	(2)	(48,177)
Reclassification	1,247	2,455	2,663	583	26	3,297	—	(10,271)	—
At December 31, 2010	171,020	46,461	139,214	233,021	4,734	253,967	2,289	38,423	889,129
Currency realignment	(511)	907	16	1,325	(61)	396	9	362	2,443
Additions	—	1,630	12,279	15,709	709	16,879	—	48,235	95,441
Disposals	(28,320)	(1,394)	(10,335)	(58,088)	(797)	(70,078)	—	(508)	(169,520)
Reclassification	473	4,362	3,259	4,483	89	12,272	—	(24,938)	—
At December 31, 2011	**142,662**	**51,966**	**144,433**	**196,450**	**4,674**	**213,436**	**2,298**	**61,574**	**817,493**
Depreciation									
At January 1, 2010	52,559	13,887	104,924	173,377	3,149	186,895	1,073	—	535,864
Currency realignment	(1,513)	64	(907)	(3,466)	(22)	(4,611)	—	—	(10,455)
Provided for the year	5,845	3,918	12,191	16,824	648	30,677	267	—	70,370
Eliminated on disposals	(16)	(3,316)	(5,662)	(23,552)	(334)	(12,133)	(1,074)	—	(46,087)
At December 31, 2010	56,875	14,553	110,546	163,183	3,441	200,828	266	—	549,692
Currency realignment	(351)	132	(86)	(90)	(12)	(315)	1	—	(721)
Provided for the year	5,426	5,827	12,287	15,033	654	30,211	459	—	69,897
Eliminated on disposals	(22,174)	(1,351)	(9,157)	(57,999)	(708)	(70,068)	—	—	(161,457)
At December 31, 2011	**39,776**	**19,161**	**113,590**	**120,127**	**3,375**	**160,656**	**726**	**—**	**457,411**
Carrying amounts									
At December 31, 2011	**102,886**	**32,805**	**30,843**	**76,323**	**1,299**	**52,780**	**1,572**	**61,574**	**360,082**
At December 31, 2010	114,145	31,908	28,668	69,838	1,293	53,139	2,023	38,423	339,437

Note: Buildings with carrying amount of US$22,460,000 are erected on leasehold land that is presented as lease prepayments on the consolidated statement of financial position.

17. Property, Plant and Equipment *(continued)*

	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Total US$'000
The Company							
Cost							
At January 1, 2010	3,998	3,136	11,247	6,047	690	10,095	35,213
Additions	—	24	1,194	20	13	613	1,864
Disposals	—	(7)	(12)	(40)	(56)	(64)	(179)
At December 31, 2010	3,998	3,153	12,429	6,027	647	10,644	36,898
Additions	—	—	533	—	—	—	533
Disposals	—	(245)	(342)	(1,512)	(83)	(1,050)	(3,232)
Transfer (to) from subsidiaries	—	—	(79)	(1,161)	83	(4,343)	(5,500)
At December 31, 2011	**3,998**	**2,908**	**12,541**	**3,354**	**647**	**5,251**	**28,699**
Depreciation							
At January 1, 2010	1,799	2,841	9,543	4,004	476	7,115	25,778
Provided for the year	160	239	946	885	138	1,528	3,896
Eliminated on disposals	—	(6)	(12)	(40)	(56)	(64)	(178)
At December 31, 2010	1,959	3,074	10,477	4,849	558	8,579	29,496
Provided for the year	152	33	946	490	89	—	1,710
Eliminated on disposals	—	(239)	(342)	(1,512)	(83)	(1,050)	(3,226)
Transfer (to) from subsidiaries	—	—	(37)	(823)	83	(2,278)	(3,055)
At December 31, 2011	**2,111**	**2,868**	**11,044**	**3,004**	**647**	**5,251**	**24,925**
Carrying amounts							
At December 31, 2011	**1,887**	**40**	**1,497**	**350**	**—**	**—**	**3,774**
At December 31, 2010	2,039	79	1,952	1,178	89	2,065	7,402

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Buildings	$2^1/_5$% - $6^2/_3$%
Leasehold improvements	$6^2/_3$% - 25%
Office equipment, furniture and fixtures	10% - $33^1/_3$%
Plant and machinery	9% - 33%
Motor vehicles	10% - 33%
Moulds and tooling	18% - $33^1/_3$%
Vessels	20%

17. Property, Plant and Equipment *(continued)*

The net book values of properties shown above comprise:

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Land and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	**80,426**	90,361	**—**	—
Medium-term lease	**22,460**	23,784	**1,887**	2,039
	102,886	114,145	**1,887**	2,039

The net book values of the Group's and the Company's property, plant and equipment include amounts of approximately US$5,922,000 and nil respectively (2010: US$8,061,000 and US$37,000 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 US$233,721,000 and US$19,997,000 (2010: US$307,911,000 and US$19,096,000) respectively in respect of fully depreciated property, plant and equipment that is still in use.

18. Lease Prepayments

	The Group US$'000
Cost	
At January 1, 2010	36,394
Currency realignment	1,323
Disposals	(396)
At December 31, 2010	37,321
Currency realignment	1,827
At December 31, 2011	**39,148**
Amortisation	
At January 1, 2010	1,063
Currency realignment	50
Provided for the year	733
At December 31, 2010	1,846
Currency realignment	105
Provided for the year	765
At December 31, 2011	**2,716**
Carrying amounts	
At December 31, 2011	**36,432**
At December 31, 2010	35,475

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

19. Goodwill

	The Group US$'000
At January 1, 2010	521,088
Currency realignment	(402)
Arising on acquisition of subsidiaries/business	9,198
At December 31, 2010	529,884
Currency realignment	972
At December 31, 2011	**530,856**

Particulars regarding impairment testing of goodwill are disclosed in Note 21.

20. Intangible Assets

	Deferred development costs US$'000	Patents US$'000	Trademarks US$'000	Manufacturing know-how US$'000	Retailer and service relationships US$'000	Total US$'000
The Group						
Cost						
At January 1, 2010	198,848	32,450	191,069	450	6,467	429,284
Currency realignment	296	82	633	2	17	1,030
Additions	51,575	1,661	30	—	—	53,266
Written off in the year	—	(43)	(4)	—	—	(47)
Acquisition of subsidiaries/business	2,194	4,777	269	—	—	7,240
At December 31, 2010	252,913	38,927	191,997	452	6,484	490,773
Currency realignment	1,502	111	373	1	16	2,003
Additions	61,784	4,344	—	—	—	66,128
Written off in the year	(463)	(107)	—	—	—	(570)
At December 31, 2011	**315,736**	**43,275**	**192,370**	**453**	**6,500**	**558,334**
Amortisation						
At January 1, 2010	71,960	16,242	5,750	450	647	95,049
Currency realignment	(88)	31	3	2	1	(51)
Provided for the year	37,164	3,805	1,097	—	325	42,391
Eliminated on write off	—	(43)	(4)	—	—	(47)
At December 31, 2010	109,036	20,035	6,846	452	973	137,342
Currency realignment	1,098	64	27	1	2	1,192
Provided for the year	43,722	3,913	1,124	—	325	49,084
Eliminated on write off	(452)	(107)	—	—	—	(559)
At December 31, 2011	**153,404**	**23,905**	**7,997**	**453**	**1,300**	**187,059**
Carrying Amounts						
At December 31, 2011	**162,332**	**19,370**	**184,373**	**—**	**5,200**	**371,275**
At December 31, 2010	143,877	18,892	185,151	—	5,511	353,431

20. Intangible Assets *(continued)*

	Deferred development costs US$'000	Patents US$'000	Total US$'000
The Company			
Cost			
At January 1, 2010	70,808	6,700	77,508
Additions	83	—	83
Transfer to subsidiaries	(83)	—	(83)
At December 31, 2010 and December 31, 2011	**70,808**	**6,700**	**77,508**
Amortisation			
At January 1, 2010	30,313	6,693	37,006
Provided for the year	14,311	3	14,314
At December 31, 2010	44,624	6,696	51,320
Provided for the year	11,476	2	11,478
At December 31, 2011	**56,100**	**6,698**	**62,798**
Carrying Amounts			
At December 31, 2011	**14,708**	**2**	**14,710**
At December 31, 2010	26,184	4	26,188

The retailer and service relationships were acquired through business combinations which related to the relationships with retailers and service centres.

Deferred development costs are internally generated.

Included in trademarks of the Group, US$177,555,000 (2010: US$177,197,000) are trademarks with an indefinite useful life, considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful life is determined to be finite. Instead they will be tested for impairment annually or whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 21.

The above intangible assets, other than trademarks with indefinite useful lives, are amortised on a straight-line basis, at the following rates per annum:

Deferred development costs	20% - $33^1/_3$%
Patents	10% - 25%
Trademarks with finite useful lives	$6^2/_3$% - 25%
Retailer and service relationships	5%

21. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

As explained in Note 5, the Group uses the types of good sold for operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 19 and 20 have been allocated to five major individual cash generating units (CGUs), including four units in the Power Equipment segment and one unit in the Floor Care and Appliances segment. The carrying amounts of goodwill and trademarks as at December 31, 2011 allocated to these units are as follows:

	Goodwill		Trademarks	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Power Equipment – MET	**402,424**	402,424	**115,907**	115,610
Power Equipment – HCP	**7,492**	7,492	**30,648**	30,585
Power Equipment – Drebo	**24,267**	24,728	**—**	—
Power Equipment – Baja	**9,017**	9,017	**3,200**	3,192
Floor Care and Appliances – RAM/Hoover	**75,040**	74,752	**27,800**	27,810
Others	**12,616**	11,471	**—**	—
	530,856	529,884	**177,555**	177,197

No goodwill impairment has been recognised for the year ended December 31, 2011 and December 31, 2010.

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

Power Equipment - MET ("MET")

The recoverable amount of MET has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 10.7% (2010: 10.9%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on MET's past performance, management's expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2010: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of MET to exceed the aggregate recoverable amount of MET.

Power Equipment – HCP ("HCP")

The recoverable amount of HCP has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11.0% (2010: 11.0%) per annum.

Cash flow projections during the budget period for HCP are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on HCP's past performance, management's expectation for the market development, the success in new products launched and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of HCP to exceed the aggregate recoverable amount of HCP.

21. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Power Equipment – Drebo ("Drebo")

The recoverable amount of Drebo has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11.0% (2010: 12.0%) per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Drebo's past performance, management's expectation for the market development, the success in new products launched and the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Drebo to exceed the aggregate recoverable amount of Drebo.

Power Equipment – Baja ("Baja")

The recoverable amount of Baja has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 16.0% (2010: 16.0%) per annum.

Cash flow projections during the budget period for Baja are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Baja's past performance, management's expectation for the market development and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2010: 3.0%) growth rate.

The recoverable amount of Baja is close to its carrying amount.

Floor Care and Appliances – RAM/Hoover ("RAM/Hoover")

The recoverable amount of RAM/Hoover has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13.8% (2010: 15.0%) per annum.

Cash flow projections during the budget period for RAM/Hoover are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimation are based on RAM/Hoover's past performance, management's expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate.

The recoverable amount of the RAM/Hoover cash generating unit exceeds its carrying amount.

22. Investments in Subsidiaries/Loans to Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2011 and December 31, 2010 are set out in Note 55.

Loans to subsidiaries are unsecured, bear interest at 5.275% to 10.15% per annum (2010: 5.275% to 10.15%) and are fully repayable by 2021.

23. Interests in Associates

	The Group		The Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Unlisted shares, at cost less impairment loss recognised	**—**	—	**3,062**	3,050
Share of net assets	**806**	1,148	**—**	—
Amounts due from associates	**19,359**	22,914	**18,261**	21,654
	20,165	24,062	**21,323**	24,704

Particulars of the associates as at December 31, 2011 and December 31, 2010 are set out in Note 56.

The amounts due from associates are unsecured, non-interest bearing 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 summarised financial information in respect of the Group's associates is set out below:

	2011	2010
	US$'000	US$'000
Total assets	**20,351**	20,563
Total liabilities	**(17,133)**	(15,969)
Net assets	**3,218**	4,594
Group's share of net assets of associates	**806**	1,148
Turnover	**31,882**	33,534
Loss for the year	**(1,388)**	(619)
Group's share of results of associates for the year	**(347)**	(155)

At the end of the reporting period, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of (loss) profit for the year and cumulatively, extracted from the relevant management accounts of the associates, are (US$737,000) (2010: US$28,000) and (US$5,574,000) (2010: (US$4,837,000)) respectively.

24. Available-for-sale Investments

	The Group		The Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**1,269**	1,267	**218**	217

As at December 31, 2011, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at each reporting 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.

25. Inventories

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Raw materials	**96,605**	102,587	**—**	—
Work in progress	**11,614**	17,326	**—**	—
Finished goods	**596,200**	524,597	**1,582**	4,674
	704,419	644,510	**1,582**	4,674

26. Trade and other Receivables

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Trade receivables	**621,326**	595,490	**3**	8,963
Less: Allowances for doubtful debts	**(14,680)**	(15,528)	**—**	—
	606,646	579,962	**3**	8,963
Other receivables	**66,811**	38,026	**—**	—
	673,457	617,988	**3**	8,963

The aged analysis of trade receivables, net of allowances for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
0 to 60 days	**569,695**	547,718	**—**	8,554
61 to 120 days	**17,145**	16,212	**—**	—
121 days or above	**19,806**	16,032	**3**	409
Total trade receivables	**606,646**	579,962	**3**	8,963

26. Trade and other Receivables *(continued)*

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of US$19,806,000 (2010: US$16,032,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 247 days (2010: 266 days).

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Ageing of trade receivables which are past due but not impaired

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
121 - 365 days	**19,536**	15,229	**3**	14
1 - 2 years	**270**	147	**—**	8
Over 2 years	**—**	656	**—**	387
Total	**19,806**	16,032	**3**	409

Movement in the allowance for doubtful debts

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Balance at beginning of the year	**15,528**	15,111	**—**	437
Currency realignment	**(138)**	(417)	**—**	—
Impairment losses recognised on receivables	**2,992**	5,724	**—**	—
Amounts written off as uncollectible	**(1,697)**	(3,077)	**—**	—
Amounts recovered during the year	**(2,005)**	(1,813)	**—**	(437)
Balance at end of the year	**14,680**	15,528	**—**	—

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to US$14,680,000 (2010: US$15,528,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

26. Trade and other Receivables *(continued)*

Ageing of impaired trade receivables (by invoice date)

	2011 US$'000	2010 US$'000
0 - 120 days	**7,877**	4,087
121 - 365 days	**2,359**	7,749
1 - 2 years	**3,925**	2,956
Over 2 years	**519**	736
Total	**14,680**	15,528

Under certain receivables purchase agreements, a percentage in various pools of trade receivables were factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group continued to recognise the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of approximately US$71,800,000 (2010: US$71,616,000) were recognised as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

27. Bills Receivable

All the Group's and Company's bills receivable at December 31, 2011 and 2010 are due within 120 days.

28. Amounts Due from/(to) Subsidiaries

The amounts are unsecured, interest-free and payable on demand.

29. Trade Receivables from Associates

The trade receivables from associates are aged less than 30 days and are due within 120 days.

30. Derivative Financial Instruments

	The Group		**The Company**	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Assets				
Foreign currency forward contracts	**8,645**	10,331	**2,776**	5,437
Warrants	**222**	552	**222**	552
	8,867	10,883	**2,998**	5,989
Liabilities				
Foreign currency forward contracts	**4,234**	2,606	**2,837**	2,216
Interest rate swap	**4,768**	2,343	**4,768**	2,343
	9,002	4,949	**7,605**	4,559

Foreign Currency Forward Contracts (not under hedge accounting)

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

30. Derivative Financial Instruments *(continued)*

Foreign Currency Forward Contracts (not under hedge accounting) *(continued)*

Major terms of the foreign currency forward contracts are as follows:

The Group

2011

Notional amount	**Maturity**	**Exchange rates**
Sell US$ 455M, Buy RMB	**January 10, 2012 to July 10, 2013**	**RMB 6.3128 to 6.5000 : US$ 1**
Sell US$ 8M, Buy AU$	**February 12, 2012 to March 20, 2012**	**US$ 1.0650 to 1.0725 : AU$ 1**
Sell US$ 0.95M, Buy NZ$	**January 24, 2012 to February 23, 2012**	**US$ 0.8200 to 0.8225 : NZ$ 1**
Sell EUR 15M, Buy US$	**January 31, 2012 to December 31, 2012**	**US$ 1.2943 : EUR 1**
Buy US$ 213M, Sell RMB	**January 10, 2012 to December 31, 2012**	**RMB 6.3128 : US$ 1**
Buy US$ 56.6M, Sell GBP	**January 3, 2012 to July 5, 2012**	**US$ 1.5499 to 1.6476 : GBP 1**
Buy US$ 13M, Sell AU$	**January 23, 2012 to March 20, 2012**	**US$ 1.0519 to 1.0725 : AU$ 1**
Buy US$ 0.7M, Sell NZ$	**January 25, 2012 to February 23, 2012**	**US$ 0.8200 to 0.8225 : NZ$ 1**

2010

Notional amount	Maturity	Exchange rates
Sell US$ 250M, Buy RMB	January 3, 2011 to December 26, 2011	RMB 6.5227 to 6.7968 : US$ 1
Sell EUR 108M, Buy US$	January 3, 2011 to October 31, 2011	EUR 1.3510 to 1.4000 : US$ 1
Buy US$ 65M, Sell RMB	August 29, 2011 to December 27, 2011	RMB 6.4860 to 6.5805 : US$ 1
Buy US$ 11.5M, Sell GBP	January 13, 2011 to June 17, 2011	US$ 1.5855 to 1.5876 : GBP 1
Buy US$ 30M, Sell GBP	January 12, 2011 to May 18, 2011	US$ 1.5542 to 1.6219 : GBP 1
Sell US$ 45M, Buy RMB	October 12, 2011 to December 26, 2011	RMB 6.5227 to 6.5625 : US$ 1
Buy US$ 185M, Sell RMB	January 4, 2011 to September 9, 2011	RMB 6.6050 to 6.7260 : US$ 1
Buy US$ 85M, Sell HK$	May 10, 2012	HK$ 7.7200 : US$ 1
Buy US$ 0.79M, Sell NZ$	January 31, 2011	NZ$ 1.4085 : US$ 1

The Company

2011

Notional amount	**Maturity**	**Exchange rates**
Sell EUR 15M, Buy US$	**January 31, 2012 to December 31, 2012**	**US$ 1.2943 : EUR 1**
Buy US$ 60M, Sell RMB	**January 10, 2012 to May 18, 2012**	**RMB 6.3128 : US$ 1**
Sell US$ 242M, Buy RMB	**January 11, 2012 to July 10, 2013**	**RMB 6.5000 : US$ 1**

2010

Notional amount	Maturity	Exchange rates
Buy US$ 185M, Sell RMB	January 4, 2011 to September 9, 2011	RMB 6.6050 to 6.7260 : US$ 1
Buy US$ 85M, Sell HK$	May 10, 2012	HK$ 7.7200 : US$ 1
Sell EUR 108M, Buy US$	January 3, 2011 to October 31, 2011	EUR 1.3510 to 1.4000 : US$ 1
Buy US$ 65M, Sell RMB	August 29, 2011 to December 27, 2011	RMB 6.4860 to 6.5805 : US$ 1

30. Derivative Financial Instruments *(continued)*

Interest Rate Swap (not under hedge accounting)

The fair value of the interest rate swap of the Group and the Company is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Major terms of the interest rate swap are as follow:

Notional amount	Maturity	Receive floating	Pay fixed
US$ 70,000,000	May 4, 2016	LIBOR	1.2% - 3.1%

Warrants

At December 31, 2011, the Group and the Company owns 2,222,222 warrants to acquire the ordinary shares of a listed company in US. The fair value of the warrants is determined by option pricing model.

31. Held-for-Trading Investments

The Group's and the Company's held-for-trading investments at December 31, 2011 and 2010 are carried at fair value using the market bid prices on the closing date method.

Held for trading investments include:

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Equity securities:				
– Unlisted fund with quoted market price	**—**	36	**—**	—
– Listed in US	**8,288**	10,696	**8,288**	10,696
	8,288	10,732	**8,288**	10,696

The Group and the Company hold more than 20 per cent of the voting power in the equity securities of a company listed in the US but it has no significant influence over the investee. In making their assessment, the directors considered the definition of significant influence in HKAS 28 Investment in Associates and, in particular, whether the Group has the power to participate in the financial and operating policy decisions of the investee. Considering that the Group has no representative on the investee's board of directors and no right to appoint or remove a director to the board of directors, no exchange of management personnel with the investee nor any participation in the investee's policy-making process, the directors of the Company concluded that the Group and the Company have no significant influence over the investee.

32. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.07% to 0.18% (2010: 0.11% to 0.23%). Bank overdrafts carry interest at market rates which range from 3.25% to 5.00% (2010: 3.25% to 5.00%).

33. Trade and other Payables

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

	The Group		The Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
0 to 60 days	**259,435**	216,963	**—**	20,580
61 to 120 days	**93,376**	52,300	**—**	13,764
121 days or above	**7,048**	7,655	**1,027**	3,237
Total trade payables	**359,859**	276,918	**1,027**	37,581
Other payables	**259,004**	206,347	**13,874**	9,436
	618,863	483,265	**14,901**	47,017

The credit period on the purchase of goods ranges from 30 days to 120 days (2010: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

34. Bills Payable

All the Group's and Company's bills payable at December 31, 2011 and 2010 are due within 120 days.

35. Warranty Provision

	The Group	The Company
	2011	**2011**
	US$'000	**US$'000**
At January 1, 2011	**47,702**	**2,444**
Currency realignment	**(152)**	**—**
Additional provision in the year	**77,266**	**(310)**
Utilisation of provision	**(80,068)**	**(1,889)**
At December 31, 2011	**44,748**	**245**

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold, based on prior experience and industry averages for defective products. It is expected that the majority of this expenditure will be incurred in the next financial year.

36. Trade Payable to an Associate

The trade payable to an associate is aged of less than 120 days and is payable within one year.

37. Restructuring Provision

	2011 US$'000
At January 1, 2011	**22,981**
Currency realignment	**(311)**
Utilisation of provision	**(18,927)**
At December 31, 2011	**3,743**

The provision relates to the restructuring of the Group's manufacturing facilities in Germany. The balance of the provision is expected to be utilised in 2012 and there are no significant uncertainties regarding the amounts or timing of these cash flows.

The management of the Group expects that after the completion of the restructuring plan, there will be substantial savings in the future.

38. Obligations under Finance Leases

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment and motor vehicles 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:

	The Group				The Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000
Amounts payable under finance leases:								
Within one year	**2,169**	3,518	**1,730**	2,963	**—**	40	**—**	39
In more than one year but not more than two years	**1,360**	1,941	**1,032**	1,565	**—**	—	**—**	—
In more than two years but not more than three years	**1,143**	1,121	**890**	825	**—**	—	**—**	—
In more than three years but not more than four years	**1,072**	933	**890**	699	**—**	—	**—**	—
In more than four years but not more than five years	**689**	933	**570**	758	**—**	—	**—**	—
More than five years	**1,695**	2,307	**1,373**	1,867	**—**	—	**—**	—
	8,128	10,753	**6,485**	8,677	**—**	40	**—**	39
Less: future finance charges	**(1,643)**	(2,076)	**—**	—	**—**	(1)	**—**	—
Present value of lease obligations	**6,485**	8,677	**6,485**	8,677	**—**	39	**—**	39
Less: Amount due within one year shown under current liabilities			**(1,730)**	(2,963)			**—**	(39)
Amount due after one year			**4,755**	5,714			**—**	—

The Group's obligations under finance leases are secured by charges over the leased assets.

39. Discounted Bills with Recourse

Bills discounted with a bank at an effective interest rate of 1.72% per annum (2010: 1.78% per annum) have a maturity profile of less than 120 days.

40. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (which includes borrowings, discounted bills with recourse, convertible bonds and obligations under finance leases), net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 35% determined as the proportion of net debt to equity. Based on the management's recommendations, the Group expects to decrease its gearing ratio comparable to that of the 2011 level within the next 18 months through the continued generation of cash inflows by growth of the business.

The gearing ratio at the year end was as follows:

	2011 **US$'000**	2010 US$'000
Debt (i)	**1,198,457**	1,325,144
Bank balances, deposits and cash	**(459,650)**	(512,893)
Net debt	**738,807**	812,251
Equity (ii)	**1,245,576**	1,114,759
Net debt to equity ratio	**59.31%**	72.86%

(i) Debt comprises bank overdrafts, obligations under finance leases, discounted bills with recourse, unsecured borrowings and convertible bonds but excludes bank advance from factored trade receivables as detailed in Notes 26, 32, 38, 39, 42 and 43 respectively.

(ii) Equity includes all capital and reserves attributable to the owners of the Company.

In addition, based on management recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

41. Financial Instruments

41.1 Categories of financial instruments

	2011 US$'000	2010 US$'000
The Group		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**8,288**	10,732
Derivative financial instruments		
Foreign currency forward contracts	**8,645**	10,331
Warrants	**222**	552
	8,867	10,883
Available-for-sale investments	**1,269**	1,267
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**673,457**	617,988
Bills receivable	**35,760**	38,875
Trade receivables from associates	**205**	38
Bank balances, deposits and cash	**459,650**	512,893
Amounts due from associates	**19,359**	22,914
	1,188,431	1,192,708
Financial liabilities		
Derivative financial instruments		
Foreign currency forward contracts	**4,234**	2,606
Interest rate swap	**4,768**	2,343
	9,002	4,949
Other financial liabilities		
Trade and other payables	**618,863**	483,265
Bills payable	**42,991**	55,207
Trade payable to an associate	**4,037**	4,127
Obligations under finance leases	**6,485**	8,677
Discounted bills with recourse	**518,897**	411,095
Unsecured borrowings	**590,902**	827,413
Bank overdrafts	**19,972**	22,350
Convertible bonds	**134,001**	127,225
	1,936,148	1,939,359

41. Financial Instruments *(continued)*

41.1 Categories of financial instruments *(continued)*

	2011 US$'000	2010 US$'000
The Company		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**8,288**	10,696
Derivative financial instruments		
Foreign currency forward contracts	**2,776**	5,437
Warrants	**222**	552
	2,998	5,989
Available-for-sale investments	**218**	217
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**3**	8,963
Bills receivable	**—**	10,620
Amounts due from associates	**18,261**	21,654
Bank balances, deposits and cash	**27,032**	171,925
Loans to/Amounts due from subsidiaries	**1,350,204**	1,406,041
	1,395,500	1,619,203
Financial liabilities		
Derivative financial instruments		
Foreign currency forward contract	**2,837**	2,216
Interest rate swap	**4,768**	2,343
	7,605	4,559
Other financial liabilities		
Trade and other payables	**14,903**	47,017
Bills payable	**—**	42,994
Trade payable to an associate	**—**	4,127
Amounts due to subsidiaries	**338,475**	152,147
Obligations under finance leases	**—**	39
Discounted bills with recourse	**—**	323,959
Unsecured borrowings	**343,887**	512,291
Convertible bonds	**134,001**	127,225
	831,266	1,209,799

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies

The Group's Corporate Treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

41.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 24.5% (2010: 24.6%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 38.5% (2010: 18.6%) of costs are denominated in the group entity's respective functional currency.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
The Group				
Foreign Currency				
EURO	**58,877**	11,091	**139,085**	41,808

	Liabilities		**Assets**	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
The Company				
Foreign Currency				
EURO	**1,251**	10,635	**323,397**	290,403

Note: For group entities with their functional currency as the United States dollar, monetary assets and monetary liabilities denominated in Hong Kong dollars have no material foreign currency risk exposure as the Hong Kong dollar is pegged with the United States dollar.

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in the EURO.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against the EURO without considering the foreign currency forward contracts entered at end of the reporting period. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of any foreign currency forward contracts held at year end. A positive number below indicates an increase in pre-tax profit for the year where the United States dollars weakens 5% against the EURO.

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Impact of EURO Profit for the year (i)	**4,010**	1,536	**16,017**	13,988

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in EURO at the year end.

41.2.2 Interest Rate Risk Management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate borrowing (see Note 42 for details of these borrowings) and bank balances, deposits and cash. 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 may enter into interest rate swap contracts to hedge against part of its exposure to potential variability of cash flows arising from changes in floating rates (see Note 30 for details). The management continuously monitors interest rate fluctuations and will consider further hedging interest rate risk should the need arise.

The Group's and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's and the Company's Hong Kong dollar denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk is insignificance.

The Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see Note 42 for details of these borrowings) and convertible bonds (see Note 43 for details of these bonds). The Company's fair value interest rate risk related primarily to its loan to subsidiaries (see Note 22).

During the year, the Group obtained new bank borrowings in the amount of US$352 million (2010: US$590 million) which are either LIBOR or Hong Kong best lending rates based. The proceeds were used for refinancing of the Group's borrowings including the repayment of fixed interest rate notes of US$5,625,000 and other borrowings.

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.2 Interest Rate Risk Management *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year without considering the interest rate swaps entered at the end of the reporting period. A 50 basis point increase or decrease in LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2011 would decrease/increase by US$4,831,000 (2010: decrease/increase by US$5,464,000). The Company's profit for the year ended December 31, 2011 would decrease/increase by US$1,719,000 (2010: decrease/increase by US$4,204,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate borrowings.

The Group's and the Company's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable rate debt instruments.

41.2.3 Other Price Risk

The Group and the Company are exposed to price risk through its held-for-trading investments and derivative financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of equity investments held-for-trading measured at fair value at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower the post-tax profit for the year ended December 31, 2011 of the Group and the Company would increase/decrease by US$829,000 (2010: US$1,073,000) and US$829,000 (2010: US$1,070,000) as a result of the changes in fair value of held-for-trading investments.

No sensitivity analysis has been disclosed for exposure to the price risk for the warrants held by the Group and the Company as this would not have a material impact on post-tax profit for the year ended December 31, 2011 of the Group and the Company.

41.2.4 Credit Risk Management

As at December 31, 2011, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in Note 50.

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.4 Credit Risk Management *(continued)*

In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in North America, where 66.7% (2010: 69.0%) of the total trade receivables as at December 31, 2011 are located.

The Group has concentration of credit risk at 25.9% (2010: 26.4%) and 41.3% (2010: 48.6%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

41.2.5 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2011, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately US$73 million (2010: US$47 million) and US$1,161 million (2010: US$666 million) respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as well as non-derivative financial assets which are included in the maturity analysis. For non-derivative financial assets, the tables have been drawn up based on the contractual maturities of the undiscounted cash flow of the financial assets unless specified separately. For non-derivative financial liabilities, the tables reflect the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2011 US$'000
The Group								
2011								
Non-derivative financial assets								
Held-for-trading investments (note)	—	8,288	—	—	—	—	8,288	8,288
Available-for-sale investments (note)	—	1,269	—	—	—	—	1,269	1,269
Trade and other receivables	—	542,351	53,166	77,940	—	—	673,457	673,457
Bills receivable	—	14,892	5,423	15,445	—	—	35,760	35,760
Trade receivables from associates	—	190	—	15	—	—	205	205
Bank balances, deposits and cash	0.07% - 0.18%	453,087	481	6,087	—	—	459,655	459,650
Amounts due from associates (note)	—	—	—	—	—	19,359	19,359	19,359
		1,020,077	59,070	99,487	—	19,359	1,197,993	1,197,988
Non-derivative financial liabilities								
Trade and other payables	—	(438,766)	(155,638)	(24,459)	—	—	(618,863)	(618,863)
Bills payable	—	(4,308)	(26,358)	(12,325)	—	—	(42,991)	(42,991)
Trade payable to an associate	—	(380)	(3,263)	(394)	—	—	(4,037)	(4,037)
Obligations under finance leases	7.56%	(180)	(362)	(1,627)	(1,360)	(4,599)	(8,128)	(6,485)
Discounted bills with recourse	1.72%	(238,939)	(267,007)	(13,871)	—	—	(519,817)	(518,897)
Variable rate borrowings	1.03% - 3.80%	(32,180)	(1,822)	(30,465)	(143,323)	(234,186)	(441,976)	(427,315)
Fixed rate borrowings	6.70% - 7.44%	—	(31,076)	(9,769)	(47,824)	(106,443)	(195,112)	(163,587)
Bank overdrafts	3.25% - 5.00%	(19,972)	—	—	—	—	(19,972)	(19,972)
Financial guarantee contracts	—	(2,029)	(285)	(8,544)	—	—	(10,858)	—
Convertible bonds	15.57%	—	—	(156,375)	—	—	(156,375)	(134,001)
		(736,754)	(485,811)	(257,829)	(192,507)	(345,228)	(2,018,129)	(1,936,148)

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 Months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2011 US$'000
The Group								
2011								
Derivatives - net settlement								
Interest rate swap	—	—	(413)	(1,263)	(1,592)	(2,102)	(5,370)	(4,768)
Foreign currency forward contracts								
– RMB	—	(2,086)	(729)	20	36	—	(2,759)	(2,759)
– AU$	—	—	(293)	—	—	—	(293)	(293)
– NZ$	—	—	3	—	—	—	3	3
		(2,086)	(1,432)	(1,243)	(1,556)	(2,102)	(8,419)	(7,817)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– RMB	—	25,773	46,863	143,030	—	—	215,666	215,666
– GBP	—	17,000	20,500	19,000	—	—	56,500	56,500
– US$	—	—	4,248	17,134	—	—	21,382	21,382
		42,773	71,611	179,164	—	—	293,548	293,548
– outflow								
– RMB	—	(24,978)	(45,960)	(141,875)	—	—	(212,813)	(212,813)
– GBP	—	(16,062)	(19,414)	(18,408)	—	—	(53,884)	(53,884)
– US$	—	—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		(41,040)	(69,252)	(175,796)	—	—	(286,088)	(286,088)
		1,733	2,359	3,368	—	—	7,460	7,460

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2010 US$'000
The Group								
2010								
Non-derivative financial assets								
Held-for-trading investments (note)	—	10,732	—	—	—	—	10,732	10,732
Available-for-sale investments (note)	—	1,267	—	—	—	—	1,267	1,267
Trade and other receivables	—	434,176	41,310	142,502	—	—	617,988	617,988
Bills receivable	—	7,217	13,591	18,067	—	—	38,875	38,875
Trade receivables from associates	—	23	—	15	—	—	38	38
Bank balances, deposits and cash	0.11% - 0.44%	429,394	83,537	—	—	—	512,931	512,893
Amounts due from associates (note)	—	—	—	—	—	22,914	22,914	22,914
		882,809	138,438	160,584	—	22,914	1,204,745	1,204,707
Non-derivative financial liabilities								
Trade and other payables	—	(210,807)	(111,585)	(160,873)	—	—	(483,265)	(483,265)
Bills payable	—	(34,763)	(18,681)	(1,763)	—	—	(55,207)	(55,207)
Trade payable to an associate	—	(4,127)	—	—	—	—	(4,127)	(4,127)
Obligations under finance leases	7.59%	(293)	(586)	(2,639)	(1,941)	(5,294)	(10,753)	(8,677)
Discounted bills with recourse	1.78%	(169,026)	(190,278)	(52,975)	—	—	(412,279)	(411,095)
Variable rate borrowings	0.87% - 4.56%	(106,649)	(190,241)	(35,734)	(117,617)	(225,303)	(675,544)	(659,339)
Fixed rate borrowings	6.70% - 7.44%	—	(4,620)	(7,623)	(41,094)	(159,632)	(212,969)	(168,074)
Bank overdrafts	3.25% - 5.00%	(22,350)	—	—	—	—	(22,350)	(22,350)
Financial guarantee contracts	—	(1,700)	(2,244)	(166)	(5,269)	—	(9,379)	—
Convertible bonds	15.57%	—	—	(12,750)	(156,375)	—	(169,125)	(127,225)
		(549,715)	(518,235)	(274,523)	(322,296)	(390,229)	(2,054,998)	(1,939,359)

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2010 US$'000
Derivatives - net settlement								
Interest rate swap	—	—	(349)	(985)	(987)	294	(2,027)	(2,343)
Foreign currency forward contracts								
– RMB	—	(155)	(83)	(1,026)	—	—	(1,264)	(1,264)
– NZ$	—	—	(5)	—	—	—	(5)	(5)
		(155)	(437)	(2,011)	(987)	294	(3,296)	(3,612)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– RMB	—	25,541	51,144	176,711	—	—	253,396	253,396
– GBP	—	9,969	17,944	13,458	—	—	41,371	41,371
– US$	—	4,055	37,259	78,323	—	—	119,637	119,637
– HK$	—	—	—	—	84,030	—	84,030	84,030
		39,565	106,347	268,492	84,030	—	498,434	498,434
– outflow								
– RMB	—	(25,003)	(50,005)	(175,020)	—	—	(250,028)	(250,028)
– GBP	—	(9,736)	(17,438)	(13,055)	—	—	(40,229)	(40,229)
– US$	—	(3,967)	(35,707)	(75,381)	—	—	(115,055)	(115,055)
– HK$	—	—	—	—	(84,128)	—	(84,128)	(84,128)
		(38,706)	(103,150)	(263,456)	(84,128)	—	(489,440)	(489,440)
		859	3,197	5,036	(98)	—	8,994	8,994

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2011 US$'000
The Company								
2011								
Non-derivative financial assets								
Held-for-trading investments (note)	—	8,288	—	—	—	—	8,288	8,288
Available-for-sale investments (note)	—	218	—	—	—	—	218	218
Trade and other receivables	—	3	—	—	—	—	3	3
Bills receivable	—	—	—	—	—	—	—	—
Bank balances, deposits and cash	0.07% - 0.18%	27,032	—	—	—	—	27,032	27,032
Amounts due from associates (note)	—	—	—	—	—	18,261	18,261	18,261
Loan to/Amounts due from subsidiaries (note)	5.275% - 10.15%	814,093	12	33,714	47,835	911,302	1,806,956	1,350,204
		849,634	12	33,714	47,835	929,563	1,860,758	1,404,006
Non-derivative financial liabilities								
Trade and other payables	—	(6,146)	(8,757)	—	—	—	(14,903)	(14,903)
Bills payable	—	—	—	—	—	—	—	—
Amounts due to subsidiaries	—	—	—	(338,475)	—	—	(338,475)	(338,475)
Amounts due to associates	—	—	—	—	—	—	—	—
Obligations under finance leases	—	—	—	—	—	—	—	—
Discounted bills with recourse	—	—	—	—	—	—	—	—
Unsecured borrowings	1.79% - 2.50%	—	—	(56,400)	(99,607)	(198,951)	(354,958)	(343,887)
Financial guarantee contracts	—	(274,741)	(294,723)	(34,714)	(71,354)	(164,201)	(839,733)	—
Convertible bonds	15.57%	—	—	(156,375)	—	—	(156,375)	(134,001)
		(280,887)	(303,480)	(585,964)	(170,961)	(363,152)	(1,704,444)	(831,266)
Derivatives - net settlement								
Interest rate swap	—	—	(413)	(1,263)	(1,592)	(2,102)	(5,370)	(4,768)
Foreign currency forward contracts								
– RMB	—	(2,087)	(477)	475	36	—	(2,053)	(2,053)
		(2,087)	(890)	(788)	(1,556)	(2,102)	(7,423)	(6,821)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– US$	—	—	4,249	17,134	—	—	21,383	21,383
		—	4,249	17,134	—	—	21,383	21,383
– outflow								
– US$	—	—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		—	371	1,621	—	—	1,992	1,992

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 Months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2010 US$'000
The Company								
2010								
Non-derivative financial assets								
Held-for-trading investments (note)	—	10,696	—	—	—	—	10,696	10,696
Available-for-sale investments (note)	—	217	—	—	—	—	217	217
Trade and other receivables	—	5,253	917	2,793	—	—	8,963	8,963
Bills receivable	—	41	105	10,474	—	—	10,620	10,620
Bank balances, deposits and cash	0.11% - 0.44%	171,925	—	—	—	—	171,925	171,925
Amounts due from associates (note)	—	—	—	—	—	21,654	21,654	21,654
Loan to/Amounts due from subsidiaries (note)	5.275% - 10.15%	1,076,648	—	—	—	389,544	1,466,192	1,406,041
		1,264,780	1,022	13,267	—	411,198	1,690,267	1,630,116
Non-derivative financial liabilities								
Trade and other payables	—	(17,000)	(19,941)	(10,076)	—	—	(47,017)	(47,017)
Bills payable	—	(30,827)	(12,167)	—	—	—	(42,994)	(42,994)
Amounts due to subsidiaries	—	(52,636)	(16,392)	(83,119)	—	—	(152,147)	(152,147)
Amounts due to associates	—	(4,127)	—	—	—	—	(4,127)	(4,127)
Obligations under finance leases	1.89%	(3)	(7)	(30)	—	—	(40)	(39)
Discounted bills with recourse	1.78%	(138,245)	(143,306)	(43,340)	—	—	(324,891)	(323,959)
Unsecured borrowings	0.87% - 4.50%	(130,011)	(85,184)	—	(88,287)	(222,854)	(526,336)	(512,291)
Financial guarantee contracts	—	(136,522)	(123,264)	(11,452)	(36,438)	(138,523)	(446,199)	—
Convertible bonds	15.57%	—	—	(12,750)	(156,375)	—	(169,125)	(127,225)
		(509,371)	(400,261)	(160,767)	(281,100)	(361,377)	(1,712,876)	(1,209,799)

41. Financial Instruments *(continued)*

41.2 Financial Risk Management Objectives and Policies *(continued)*

41.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 Months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2010 US$'000
Derivatives - net settlement								
Interest rate swap	—	—	(349)	(985)	(987)	294	(2,027)	(2,343)
Foreign currency forward contracts								
– RMB	—	(155)	(83)	(1,026)	—	—	(1,264)	(1,264)
		(155)	(432)	(2,011)	(987)	294	(3,291)	(3,607)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– US$	—	4,055	37,259	78,323	—	—	119,637	119,637
– HK$	—	—	—	—	84,030	—	84,030	84,030
		4,055	37,259	78,323	84,030	—	203,667	203,667
– outflow								
– US$	—	(3,967)	(35,707)	(75,381)	—	—	(115,055)	(115,055)
– HK$	—	—	—	—	(84,128)	—	(84,128)	(84,128)
		(3,967)	(35,707)	(75,381)	(84,128)	—	(199,183)	(199,183)
		88	1,552	2,942	(98)	—	4,484	4,484

Note: Maturities are based on the management's estimation of the expected realisation of these financial assets.

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

41. Financial Instruments *(continued)*

41.3 Fair Value

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

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of the interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from noted interest rate;
- the fair value of the warrants is measured using the Black-Scholes option pricing model where the main assumptions include the volatility of the share price and the life of the warrants;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- 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.

Other than the convertible bonds, the fair value of financial assets and financial liabilities carried at amortised costs approximate to their carrying amounts.

Fair value measurements recognised in the statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments that are measured subsequent to initial recognition at fair value:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or, liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

41. Financial Instruments *(continued)*

41.3 Fair Value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	Level 1 US$'000	Level 2 US$'000	Total US$'000
The Group			
2011			
Financial assets			
Foreign currency forward contracts	**—**	**8,645**	**8,645**
Warrants	**—**	**222**	**222**
Held-for-trading investments	**8,288**	**—**	**8,288**
Total	**8,288**	**8,867**	**17,155**
Financial liabilities			
Foreign currency forward contracts	**—**	**(4,234)**	**(4,234)**
Interest rate swap	**—**	**(4,768)**	**(4,768)**
Total	**—**	**(9,002)**	**(9,002)**
2010			
Financial assets			
Foreign currency forward contracts	—	10,331	10,331
Warrants	—	552	552
Held-for-trading investments	10,732	—	10,732
Total	10,732	10,883	21,615
Financial liabilities			
Foreign currency forward contracts	—	(2,606)	(2,606)
Interest rate swap	—	(2,343)	(2,343)
Total	—	(4,949)	(4,949)

41. Financial Instruments *(continued)*

41.3 Fair Value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	Level 1 US$'000	Level 2 US$'000	Total US$'000
The Company			
2011			
Financial assets			
Foreign currency forward contracts	**—**	**2,776**	**2,776**
Warrants	**—**	**222**	**222**
Held-for-trading investments	**8,288**	**—**	**8,288**
Total	**8,288**	**2,998**	**11,286**
Financial liabilities			
Foreign currency forward contracts	**—**	**(2,837)**	**(2,837)**
Interest rate swap	**—**	**(4,768)**	**(4,768)**
Total	**—**	**(7,605)**	**(7,605)**
2010			
Financial assets			
Foreign currency forward contracts	—	5,437	5,437
Warrants	—	552	552
Held-for-trading investments	10,696	—	10,696
Total	10,696	5,989	16,685
Financial liabilities			
Foreign currency forward contracts	—	(2,216)	(2,216)
Interest rate swap	—	(2,343)	(2,343)
Total	—	(4,559)	(4,559)

42. Unsecured Borrowings

	The Group		The Company	
	2011 **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000
Trust receipt loans	**3,878**	24,386	**—**	16,003
Bank advance from factored trade receivables	**71,800**	71,616	**—**	—
Bank loans	**351,637**	563,337	**343,887**	496,288
Bank borrowings	**427,315**	659,339	**343,887**	512,291
Fixed interest rate notes (Note)	**163,587**	168,074	**—**	—
Total borrowings	**590,902**	827,413	**343,887**	512,291

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

	The Group		The Company	
	2011 **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000
Fixed rate				
Within one year	**29,972**	—	**—**	—
In more than one year but not more than two years	**39,022**	29,551	**—**	—
In more than two years but not more than five years	**94,593**	138,523	**—**	—
Floating rate				
On demand or within one year	**164,053**	361,055	**80,793**	214,816
In more than one year but not more than two years	**109,131**	84,586	**108,963**	83,776
In more than two years but not more than five years	**154,131**	213,698	**154,131**	213,699
	590,902	827,413	**343,887**	512,291
Less: Amount due within one year shown under current liabilities	**(194,025)**	(361,055)	**(80,793)**	(214,816)
Amount due after one year	**396,877**	466,358	**263,094**	297,475

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

	2011	2010
Effective interest rate:		
Fixed-rate borrowings	**6.70% to 7.44%**	6.70% to 7.44%
Variable-rate borrowings	**1.03% to 3.80%**	0.87% to 4.56%

42. Unsecured Borrowings *(continued)*

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

	US$'000
As at December 31, 2011	**3,861**
As at December 31, 2010	155,739

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned subsidiary in the US, 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 6.70% (2009: 6.70%) per annum and US$25,000,000 for 7 years at 6.09% (2009: 6.09%) per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes. During the year, the Group early repaid US$5,625,000 (2010: US$75,000,000) of first tranche and US$25,000,000 of the second tranche was fully repaid in 2010.

In 2005, the Group issued additional fixed interest rate notes, through its wholly-owned subsidiary in the US, 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 7.44% (2009: 7.44%) per annum and US$50,000,000 for 7 years at 7.17% (2009: 7.17%) per annum. The proceeds were used to finance the acquisition of subsidiaries. In 2010, the Group early repaid US$54,250,000 of the first tranche and US$20,000,000 of the second tranche.

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

43. Convertible Bonds

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

	The Group and The Company	
	2011 **US$'000**	2010 US$'000
Liability component at the beginning of the year	**127,225**	121,821
Effective interest expense	**19,059**	18,155
Interest payment	**(12,283)**	(12,751)
Liability component at the end of the year	**134,001**	127,225

The fair value of the liability component of the convertible bonds at December 31, 2011, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate at the end of the reporting period date, was approximately US$156,401,000 (2010: US$153,185,000).

43. Convertible Bonds *(continued)*

In 2009, the Company issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of US$150,000,000 (“Convertible Bonds 2014”) and 55,888,500 detachable warrants (“Warrants 2012”). Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds 2014 will be redeemed at their principal amount on the maturity date at April 30, 2014. The Warrants 2012 are detachable from the Convertible Bonds 2014 (see Note 44 for details of the warrants).

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HK$5.20 (to be converted to United States dollars at the fixed exchange rate of HK$7.75 = US$1.0) per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014 (“Conversion Rights”). The conversion will result in the Company issuing a fixed number of shares of the Company in settlement of a fixed amount of cash.

At the option of the Convertible Bond 2014’s holders, on April 30, 2012, the holders may require the Group to redeem Convertible Bond 2014 at the principal amount plus accrued interest to the date of redemption. Accordingly, the Convertible Bond 2014 is classified as current liabilities as of December 31, 2011. The embedded options are closely related to the liability component of Convertible Bond 2014 and hence not separately accounted for.

The fair value of the liability component on initial recognition was estimated at the issue date using an equivalent market interest rate for a similar bond without the Conversion Rights and Warrants 2012. The residual amount was assigned as the equity component, representing the estimated fair value of the Warrants 2012 with the remaining balance is allocated to the Conversion Rights and included in shareholders’ equity.

The weighted average effective interest rate of the Convertible Bonds 2014 is 15.57%.

44. Share Capital

	2011 Number of shares	2010 Number of shares	**2011 US$'000**	2010 US$'000
Ordinary shares				
Authorised:				
Shares of HK$0.10 each	**2,400,000,000**	2,400,000,000	**30,769**	30,769
Issued and fully paid:				
At the beginning of the year	**1,606,625,752**	1,591,252,152	**20,598**	20,401
Issue of shares upon exercise of warrants	**—**	14,903,600	**—**	191
Issue of shares upon exercise of share options	**455,000**	470,000	**6**	6
Repurchase of shares	**(5,516,500)**	—	**(71)**	—
At the end of the year	**1,601,564,252**	1,606,625,752	**20,533**	20,598

Details of the share options are set out in Note 51.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares at HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid US$'000
September 2011	3,425,500	5.50	5.22	2,362
October 2011	2,091,000	6.33	4.62	1,455
	5,516,500			3,817

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of US$71,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately US$3,817,000 was charged to retained profits.

45. Reserves

	Share premium US$'000	Capital redemption reserve US$'000	Convertible bonds equity reserve US$'000	Warrant reserve US$'000	Employee share-based compensation reserve US$'000	Retained profits US$'000	Total US$'000
The Company							
At January 1, 2010	446,078	56	8,833	13,942	6,174	372,850	847,933
Loss for the year and other comprehensive loss	—	—	—	—	—	(12,122)	(12,122)
Share issued at premium on exercised of options	516	—	—	—	(92)	—	424
Share issued at a premium on warrants exercised	13,272	—	—	(3,717)	—	—	9,555
Repurchase of warrants	—	—	—	(10,225)	—	(2,832)	(13,057)
Recognition of equity settled share-based payments	—	—	—	—	2,205	—	2,205
Lapse of share options	—	—	—	—	(836)	836	—
Final dividend - 2009	—	—	—	—	—	(9,266)	(9,266)
Interim dividend - 2010	—	—	—	—	—	(7,722)	(7,722)
At December 31, 2010	459,866	56	8,833	—	7,451	341,744	817,950
Profit for the year and other comprehensive income	**—**	**—**	**—**	**—**	**—**	**187,602**	**187,602**
Share issued at premium on exercised of options	**506**	**—**	**—**	**—**	**(91)**	**—**	**415**
Repurchase of shares	**—**	**71**	**—**	**—**	**—**	**(3,817)**	**(3,746)**
Recognition of equity settled share-based payments	**—**	**—**	**—**	**—**	**1,053**	**—**	**1,053**
Lapse of share options	**—**	**—**	**—**	**—**	**(1,805)**	**1,805**	**—**
Final dividend - 2010	**—**	**—**	**—**	**—**	**—**	**(12,907)**	**(12,907)**
Interim dividend - 2011	**—**	**—**	**—**	**—**	**—**	**(10,347)**	**(10,347)**
At December 31, 2011	**460,372**	**127**	**8,833**	**—**	**6,608**	**504,080**	**980,020**

As at December 31, 2011, the Company's reserves available for distribution to shareholders comprised the retained profits of US$504,080,000 (2010: US$341,744,000).

46. Retirement Benefit Obligations

Defined Contribution Plans:

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 employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group's overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

Defined benefits Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The major defined benefit plans are as follows:

	2011 **US$'000**	2010 US$'000
Pension plan obligations (Note i)	**72,989**	75,353
Post-retirement, medical and dental plan obligations (Note ii)	**840**	1,686
Life and medical insurance plan (Note ii)	**1,940**	2,150
Post-employment benefit plan obligations (Note iii)	**6,648**	10,898
Others	**519**	607
	82,936	90,694

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. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the employees are entitled to retirement benefits varying between 10 and 20 per cent of final salary (based on the average of the last three years) 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 October 24, 2011, by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

Note ii: Post-retirement, medical and dental plan obligations/ Life and medical insurance plan
Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, 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 December 15, 2011 by Willis North America, Inc.

Note iii: Post-employment plan obligations
The pension plan obligations are provided by Hoover Inc. for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on December 31, 2011 by CBIZ Benefits & Insurance Services.

46. Retirement Benefit Obligations *(continued)*

The main actuarial assumptions used were as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Discount rate	**4.90%**	5.00%	**1.75%**	3.75%	**3.75%**	2.50%	**4.04%**	5.06%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**0.00%**	4.00%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Medical cost inflation (ultimate)	**N/A**	N/A	**5.00%**	5.00%	**5.00%**	5.00%	**N/A**	N/A

The effect of an increase of one percentage point in the assumed medical cost inflation on current service cost and interest cost accumulated post-employment benefit obligations are as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000
Current service cost and interest cost	**N/A**	N/A	**—**	1	**5**	4	**N/A**	N/A
Accumulated post-employment benefit obligation for medical costs	**N/A**	N/A	**15**	33	**132**	165	**N/A**	N/A

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

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000
Current service cost	**380**	569	**—**	—	**—**	—	**—**	—
Actuarial loss (gain)	**783**	1,631	**(480)**	(534)	**(100)**	253	**1,616**	1,238
Expected return on plan assets	**—**	—	**—**	—	**—**	—	**4**	3
Interest cost	**4,009**	4,265	**58**	113	**52**	101	**636**	696
	5,172	6,465	**(422)**	(421)	**(48)**	354	**2,256**	1,937

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

46. Retirement Benefit Obligations *(continued)*

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the plans is as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000
Present value of funded obligations	**—**	—	**—**	—	**—**	—	**14,049**	13,214
Present value of plan assets	**—**	—	**—**	—	**—**	—	**(7,401)**	(2,316)
	—	—	**—**	—	**—**	—	**6,648**	10,898
Present value of unfunded obligations	**72,989**	75,353	**840**	1,686	**1,940**	2,150	**—**	—
	72,989	75,353	**840**	1,686	**1,940**	2,150	**6,648**	10,898

Movements in the present value of the defined benefit obligations in the current year were as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000
At January 1	**75,353**	79,276	**1,686**	3,078	**2,150**	2,024	**13,214**	13,196
Exchange differences	**(2,903)**	(5,607)	**—**	—	**—**	—	**—**	—
Current service cost	**380**	569	**—**	—	**—**	—	**—**	—
Actuarial loss (gain)	**783**	1,631	**(480)**	(534)	**(100)**	253	**1,616**	1,238
Interest cost	**4,009**	4,265	**58**	113	**52**	101	**636**	696
Benefit paid	**(4,633)**	(4,781)	**(424)**	(971)	**(162)**	(228)	**(1,417)**	(1,916)
At December 31	**72,989**	75,353	**840**	1,686	**1,940**	2,150	**14,049**	13,214

46. Retirement Benefit Obligations *(continued)*

Movements in the fair value of the plan assets in the current year were as follows:

	Pension plan		Post-retirement medical, and dental plan		Life & Medical Insurance plan		Post-employment benefit plan	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000
At January 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**2,316**	3,748
Exchange differences	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	—
Returns from plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(4)**	(3)
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**6,506**	487
Benefit paid	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(1,417)**	(1,916)
At December 31	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**7,401**	2,316

The plan assets of the post-employment benefit plan are cash in a Federated Money Market Fund with an expected return of 0% (2010: 4%).

The Group expects to make a contribution of nil (2010: US$2,988,000) to the defined benefit plans during the next financial year.

47. Deferred Tax Assets (Liabilities)

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

	Accelerated tax depreciation US$'000	Warranty provision US$'000	Convertible bonds equity reserve US$'000	Employee related provision US$'000	Tax losses US$'000	Inventory provision and LIFO US$'000	Others US$'000	Total US$'000
The Group								
At January 1, 2010	(14,525)	4,551	(4,828)	17,260	63,454	(5,548)	(34,297)	26,067
Currency realignment	(67)	51	—	70	(610)	17	305	(234)
Credit (charge) to profit or loss	4,752	(1,278)	892	(4,597)	1,168	4,167	15,030	20,134
Acquisition of subsidiaries / business	—	—	—	—	—	—	(382)	(382)
At December 31, 2010	**(9,840)**	**3,324**	**(3,936)**	**12,733**	**64,012**	**(1,364)**	**(19,344)**	**45,585**
Currency realignment	**(23)**	**(2)**	**—**	**29**	**(134)**	**3**	**606**	**479**
Credit (charge) to profit or loss	**3,053**	**(282)**	**1,019**	**(1,505)**	**(6,783)**	**(35)**	**4,129**	**(404)**
At December 31, 2011	**(6,810)**	**3,040**	**(2,917)**	**11,257**	**57,095**	**(1,396)**	**(14,609)**	**45,660**

47. Deferred Tax Assets (Liabilities) *(continued)*

	Tax loss US$'000	Accelerated tax depreciation US$'000	Convertible bonds equity reserve US$'000	Total US$'000
The Company				
At January 1, 2010	—	(204)	(4,828)	(5,032)
Credit (charge) to profit or loss	2,013	(667)	892	2,238
At December 31, 2010	**2,013**	**(871)**	**(3,936)**	**(2,794)**
Credit to profit or loss	**754**	**397**	**1,019**	**2,170**
At December 31, 2011	**2,767**	**(474)**	**(2,917)**	**(624)**

Note: Included in Others are the deferred tax impact of the restructuring provision, intellectual properties and other temporary differences.

For the purpose of presentation in the consolidated statement of financial position, 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	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Deferred tax assets	**73,633**	68,527	**—**	—
Deferred tax liabilities	**(27,973)**	(22,942)	**(624)**	(2,794)
	45,660	45,585	**(624)**	(2,794)

At the end of the reporting period, the Group has unused tax losses of US$460 million (2010: US$412 million) available for the offset against future taxable profits that carry forward for at least fifteen years. No deferred tax asset has been recognised in respect of tax losses of US$251 million (2010: US$192 million) due to the lack of probable future taxable profits against which those losses can be specifically used.

48. Major Non-Cash Transactions

During the year ended December 31, 2011, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of US$870,000 (2010: US$291,000).

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49. Lease Commitments

At the end of the reporting period, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Within one year	**29,734**	22,108	**704**	1,022
In the second to fifth year inclusive	**61,922**	60,266	**—**	603
After five years	**25,582**	25,729	**—**	—
	117,238	108,103	**704**	1,625

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.

50. Contingent Liabilities

	The Group		The Company	
	2011 **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**10,858**	9,379	**10,858**	9,379

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 utilised by the subsidiaries as at December 31, 2011 amounted to US$828,876,000 (2010: US$436,820,000).

51. Share Options

Scheme adopted on March 28, 2002 ("Scheme C") and terminated on March 27, 2007

Scheme C was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. 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, subject to vesting conditions 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.

51. Share Options *(continued)*

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, 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 officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) 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, subject to vesting conditions from the date of grant to the tenth 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 quotation 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 D 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 D. 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.

51. Share Options *(continued)*

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

2011 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	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 - 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 - 25.11.2020
Mr Joseph Galli Jr	1.11.2006	C	1,500,000	—	—	(1,500,000)	—	11.252	1.11.2006 - 31.10.2011
	6.3.2007	C	1,000,000	—	—	—	1,000,000	10.572	6.3.2007 - 5.3.2012
	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Chi Chung Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Stephan Horst Pudwill	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 - 15.11.2019
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Christopher Patrick Langley OBE	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Manfred Kuhlmann	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Mr Peter David Sullivan	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	—	200,000	—	—	200,000	9.872	23.5.2011 - 22.5.2021
Total for directors			**10,300,000**	**1,000,000**	**—**	**(1,500,000)**	**9,800,000**		

51. Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

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	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	1.1.2006	C	50,000	—	—	(50,000)	—	18.690	1.1.2006 - 31.12.2010
	1.3.2006	C	1,884,000	—	—	(1,884,000)	—	13.970	1.3.2006 - 28.2.2011
	15.6.2006	C	200,000	—	—	(200,000)	—	10.270	15.6.2006 - 14.6.2011
	17.6.2006	C	350,000	—	—	(350,000)	—	10.550	17.6.2006 - 16.6.2011
	4.10.2006	C	75,000	—	—	(75,000)	—	11.628	4.10.2006 - 3.10.2011
	8.11.2006	C	30,000	—	—	(30,000)	—	12.200	8.11.2006 - 7.11.2011
	4.12.2006	C	150,000	—	—	(150,000)	—	10.952	4.12.2006 - 3.12.2011
	13.12.2006	C	20,000	—	—	(20,000)	—	10.560	13.12.2006 - 12.12.2011
	1.1.2007	C	150,000	—	—	—	150,000	10.080	1.1.2007 - 31.12.2011
	6.3.2007	C	4,325,000	—	—	—	4,325,000	10.572	6.3.2007 - 5.3.2012
	20.7.2007	D	200,000	—	—	—	200,000	10.060	20.7.2007 - 19.7.2017
	24.8.2007	D	2,060,000	—	—	—	2,060,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	23.11.2007	D	500,000	—	—	—	500,000	7.578	23.11.2007 - 22.11.2017
	14.1.2008	D	1,020,000	—	(50,000)	—	970,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	1,825,000	—	—	(250,000)	1,575,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	D	240,000	—	(200,000)	—	40,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	D	640,000	—	—	(150,000)	490,000	7.546	30.5.2008 - 29.5.2018
	1.9.2008	D	150,000	—	—	—	150,000	7.450	1.9.2008 - 31.8.2018
	11.9.2008	D	50,000	—	—	—	50,000	7.430	11.9.2008 - 10.9.2018
	2.10.2008	D	75,000	—	—	—	75,000	7.068	2.10.2008 - 1.10.2018
	1.12.2008	D	100,000	—	—	—	100,000	2.340	1.12.2008 - 30.11.2018
	16.11.2009	D	7,335,000	—	(205,000)	(50,000)	7,080,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 - 6.12.2019
	21.12.2009	D	225,000	—	—	—	225,000	6.350	21.12.2009 - 20.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 - 27.12.2019
	13.9.2010	D	1,050,000	—	—	—	1,050,000	7.390	13.9.2010 - 12.9.2020
	17.1.2011	D	—	20,000	—	—	20,000	10.436	17.1.2011 - 16.1.2021
	16.12.2011	D	—	100,000	—	—	100,000	7.530	16.12.2011 - 15.12.2021
Total for employees			**22,949,000**	**120,000**	**(455,000)**	**(3,209,000)**	**19,405,000**		
Total for all categories			**33,249,000**	**1,120,000**	**(455,000)**	**(4,709,000)**	**29,205,000**		

51. Share Options *(continued)*

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

Option type	**Outstanding at January 1, 2011**	**Granted during the year**	**Exercised during the year**	**Lapsed or cancelled during the year**	**Outstanding at December 31, 2011**
Scheme C	**9,734,000**	**—**	**—**	**(4,259,000)**	**5,475,000**
Scheme D	**23,515,000**	**1,120,000**	**(455,000)**	**(450,000)**	**23,730,000**
	33,249,000	**1,120,000**	**(455,000)**	**(4,709,000)**	**29,205,000**
Exercisable at the end of the year					**27,060,000**

Option type	Outstanding at January 1, 2010	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2010
Scheme C	11,225,000	—	—	(1,491,000)	9,734,000
Scheme D	23,125,000	1,650,000	(470,000)	(790,000)	23,515,000
	34,350,000	1,650,000	(470,000)	(2,281,000)	33,249,000
Exercisable at the end of the year					23,784,000

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

	Outstanding at January 1	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at December 31**
2011	**10,300,000**	**1,000,000**	**—**	**(1,500,000)**	**9,800,000**

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2010	9,800,000	600,000	—	(100,000)	10,300,000

51. Share Options *(continued)*

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

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the year ended December 31, 2011					
17.1.2011	**10.436**	**3 years**	**41%**	**0.926%**	**1.5%**
23.5.2011	**9.872**	**3 years**	**41%**	**0.829%**	**1.5%**
16.12.2011	**7.530**	**3 years**	**41%**	**0.523%**	**1.5%**
For the year ended December 31, 2010					
13.9.2010	7.390	3 years	41%	0.578%	1.5%
26.11.2010	8.310	3 years	41%	0.755%	1.5%

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of the 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$9.70 (2010: HK$7.49) 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 estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised a total expense of US$1,053,000 for the year ended December 31, 2011 (2010: US$2,205,000) 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$1.92 to HK$2.58 (2010: ranged from HK$1.89 to HK$2.14) per option. The weighted average fair value of the share options granted in the current year was HK$2.40 (2010: HK$1.98) per option.

The share options are vested in whole or in parts over 3 years from the date of grant.

52. Capital Commitments

	The Group		The Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Capital expenditure in respect of the purchase of property, plant and equipment and a licence:				
Contracted for but not provided	**15,484**	12,984	**273**	1,510
Authorised but not contracted for	**287**	842	**—**	—

53. Event After The Reporting Period

In January 2012, some of the holders of the Company's convertible bonds converted convertible bonds of US$40,000,000 into shares of the Company at HK$5.20 per share for 59,615,384 shares.

54. Related Party Transactions

During the year, the Group entered into the following transactions with its associate companies:

	2011 US$'000	2010 US$'000
Sales income	**14**	20
Equipment charge income	**138**	133
Purchases	**24,814**	21,804

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

	2011 US$'000	2010 US$'000
Short-term benefits	**29,648**	20,284
Post-employment benefits	**170**	120
Share-based payments	**823**	1,512
	30,641	21,916

Details of the balances with related parties are set out in the consolidated statement of financial position Note 22, 23, 28, 29 and 36.

55. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2011 and December 31, 2010 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 Directly %	Indirectly %	Principal activities
A&M Industries S.à.r.l.	Luxembourg	EUR 412,600	—	100	Investment holding
AC (Macao Commercial Offshore) Limited	Macau	MOP 780,000	—	100	Trading of power equipment and floor care products
AEG Electric Tools GmbH	Germany	EUR 20,452,500	—	100	Trading and manufacture of power equipment products
Baja, Inc.	US	US$ 17.36	—	100	Trading of outdoor power equipment products
DreBo Werkzeugfabrik GmbH *	Germany	EUR 1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Asia Limited	British Virgin Islands ("BVI")	US$ 1	—	100	Trading of outdoor power equipment products
Homelite Consumer Products, Inc.	US	US$ 10	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	US$ 1	—	100	Trading and manufacture of floor care products
MacEwen Property Co., Inc.	US	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	US	US$ 50,000,000	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	US	US$ 10	—	100	Investment holding
OWT France S.A.S.	France	EUR 1,750,000	—	100	Investment holding
OWT Industries, Inc.	US	US$ 10	—	100	Manufacture of electric components and power equipment products
Royal Appliance International GmbH	Germany	EUR 2,050,000	100	—	Trading of household electronic and electrical products
Royal Appliance Mfg. Co.	US	US$ 1	—	100	Trading and manufacture of floor care 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

55. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Floor Care Technology Limited	BVI	US$ 1	100	—	Investment and intellectual properties holding
Techtronic Industries (Dongguan) Co. Ltd.	PRC	US$ 47,000,000	—	100	Manufacture of power equipment, floor care and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NT$ 5,000,000	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd (formerly known as Ryobi Technologies (UK) Ltd)	United Kingdom	GBP 4,000,000	—	100	Trading of electric power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AU$ 19,400,000	—	100	Trading of electric power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR 25,600	—	100	Trading of electric power equipment product
Techtronic Industries ELC GmbH*	Germany	EUR 25,000	—	100	Trading of electric power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR 14,919,832	—	100	Trading of electric power equipment products
Techtronic Industries Germany Holding GmbH	Germany	EUR 25,000	—	100	Investment holding
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN 50,000 (Serie I) MXN 722,095 (Serie II)	—	100	Trading of power equipment floor care and outdoor power equipment products
Techtronic Industries N.Z. Limited	New Zealand	NZ$ 1,165,500	100	—	Trading of electric power equipment products
Techtronic Industries North America, Inc.	US	US$ 10	98.4	1.6	Investment holding
Techtronic Outdoor Products Technology Limited	Bermuda	US$ 12,000	100	—	Investment and intellectual properties holding
Techtronic Power Tools Technology Limited	BVI	US$ 1	100	—	Investment and intellectual properties holding
Techtronic Product Development Limited	Hong Kong	HK$ 2	100	—	Engage in research & development activities

55. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Trading Limited (formerly known as Homelite Far East Company Limited)	Hong Kong	HK$ 2	100	—	Trading of outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$ 2	100	—	Investment holding
Vax Appliances (Australia) Pty. Ltd.	Australia	AU$ 3,200,008 (ordinary shares) AU$ 13,900,000 (Class A Redeemable Preference Shares)	100	—	Investment holding
Vax Limited	United Kingdom	GBP 30,000 (Ordinary A shares) GBP 2,500 (Ordinary B shares)	100	—	Assembly, procurement and distribution of floor care products

* Exempt from the obligation to publish local financial statements.

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.

56. Particulars of Associates

Particulars of the associates as at December 31, 2011 and December 31, 2010 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Principal activities
Gimelli International (Holdings) Limited	The Cayman Islands	US$ 6,250	40.8	Investment holding
Precision Technology Industries Limited	Bermuda	US$ 12,000,000	25.0	Manufacture of power equipment products

Financial Summary

Results

	Year ended December 31,				
	2007 US$'000	2008 US$'000	2009 US$'000	2010 US$'000	**2011** **US$'000**
Turnover	3,176,280	3,412,220	3,074,955	3,382,838	**3,667,058**
Profit before restructuring, share of results of associates, goodwill impairment and taxation	116,982	121,886	55,188	122,499	**160,521**
Restructuring costs	(95,259)	(92,048)	—	(26,653)	**—**
Goodwill impairment	—	(10,000)	—	—	**—**
Share of results of associates	(35)	(394)	(127)	(155)	**(347)**
Profit before taxation	21,688	19,444	55,061	95,691	**160,174**
Taxation (charge) credit	(5,000)	5,150	8,036	70	**(9,242)**
Profit for the year	16,688	24,594	63,097	95,761	**150,932**
Attributable to:					
Owners of the Company	16,058	22,411	62,905	94,890	**150,826**
Non-controlling interests	630	2,183	192	871	**106**
Profit for the year	16,688	24,594	63,097	95,761	**150,932**
Basic earnings per share (US cents)	1.08	1.49	4.09	5.93	**9.39**

Assets and Liabilities

	Year ended December 31,				
	2007 US$'000	2008 US$'000	2009 US$'000	2010 US$'000	**2011** **US$'000**
Total assets	3,201,209	2,793,468	3,049,276	3,265,912	**3,369,616**
Total liabilities	2,302,309	1,902,768	1,999,049	2,136,205	**2,115,488**
	898,900	890,700	1,050,227	1,129,707	**1,254,128**
Equity attributable to Owners of the Company	887,194	876,815	1,036,149	1,114,759	**1,245,576**
Non-controlling interests	11,706	13,885	14,078	14,948	**8,552**
	898,900	890,700	1,050,227	1,129,707	**1,254,128**

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Directors

Prof Roy Chi Ping Chung BBS JP
Mr Vincent Ting Kau Cheung

Independent Non-executive Directors

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan

Financial Calendar 2012

March 22	:	Announcement of 2011 annual results
May 16	:	Last day to register for the entitlement to attend and vote at Annual General Meeting
May 17-18	:	Book closure period for the entitlement to attend and vote at Annual General Meeting
May 18	:	Annual General Meeting
May 23	:	Last day to register for 2011 final dividend
May 24-25	:	Book closure period for 2011 final dividend
June 30	:	Six months interim period end
July 6	:	Final dividend payment
December 31	:	Financial year end

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Website

www.ttigroup.com
Earnings results, annual/interim reports are available online.

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (stock code: 669)
ADR Level 1 Programme (symbol: TTNDY)

Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

The Bank of New York

Principal Bankers

Bank of America, N.A.
Bank of China
Citic Bank International Limited
Hang Seng Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank

Solicitors

Vincent T K Cheung Yap & Co

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Ms Veronica Ka Po Ng

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