TECHTRONIC INDUSTRIES CO. LTD.
創 科 實 業 有 限 公 司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 669)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2013

HIGHLIGHTS

	2013 USD million	2012 USD million	**Changes %**
Turnover	**2,042**	1,855	**+10.1**
Gross profit margin	**34.0%**	33.5%	**+50 bpt**
EBIT	**142**	127	**+12.2**
Profit attributable to Owners of the Company	**118**	96	**+22.0**
EPS (US cents)	**6.43**	5.69	**+13.0**
Interim dividend per share (approx. US cents)	**1.29**	0.87	**+48.1**

- **Record sales and profit**
- **Gross margin improvement**
- **Strong balance sheet**

The board of directors (the "Directors" or the "Board") of Techtronic Industries Company Limited ("TTI" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months period ended June 30, 2013 together with the comparative figures in 2012.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK10.00 cents (approximately US1.29 cents) (2012: HK6.75 cents (approximately US0.87 cent)) per share for the six months period ended June 30, 2013. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 13, 2013. It is expected that the interim dividend will be paid on or about September 27, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TTI delivered record sales, profit and gross margin for the period. This exceptional performance was driven by a continuous flow of innovative new product introductions, category expansion, product mix and a relentless focus on operational efficiency.

Record Sales and Profit

In the first half of 2013, the Group's net profit attributable to shareholders reached USD118 million, a 22.0% increase over the first half of 2012. Basic earnings per share was US6.43 cents, 13.0% higher than the same period last year. Group sales rose by 10.1% over the six months to USD2.0 billion. Strong sales growth in the Group's core businesses was achieved across all key regions including North America, Europe, Australia/New Zealand. We are particularly pleased with the Group's performance in Europe where we achieved high single-digit growth in a soft market.

Our balance sheet remains strong with solid improvements in gearing and working capital as a percentage of sales when compared to the same period in 2012.

Margin Improvements

Gross margin increased for the sixth consecutive period, to 34.0%. The improvement in gross margin was driven by innovative new products, further investment in developing our lithium strategy, category expansion, product mix, and manufacturing and supply chain efficiencies.

We have continued to invest strategically in SG&A in new product development with expansion into leading-edge lithium technology and new categories. Additionally, we have invested aggressively in sales and marketing worldwide to drive growth in our key businesses. Investing in these strategic areas provides a platform to increase our market share and further improve the overall profitability of the Group.

Strong Balance Sheet

Gearing continued to improve to 26.2% from 37.4% when compared with the same period last year. We again demonstrated disciplined working capital management with the first half working capital as a percent of sales improving from 18.9% to 18.4% for the period.

BUSINESS REVIEW

Power Equipment Business Review

The Power Equipment business, comprised of power tools, hand tools, outdoor products and accessories, delivered USD1.5 billion in sales, 7.9% higher than the same period last year. The business accounted for 74.4% of overall Group sales.

Industrial

MILWAUKEE® had a strong six months, once again achieving double-digit sales growth globally, driven by the introduction of innovative new products, execution of targeted field initiatives, and geographic expansion. The rapid global adoption of MILWAUKEE® FUEL® lithium technology was a key driver of growth in cordless power tools. We rolled out a series of M12® and M18® FUEL® cordless products that have sold beyond our expectations. We also achieved exceptional growth in MILWAUKEE® hand tools and accessories throughout the world. MILWAUKEE® continues to be the fastest growing brand of industrial power tools globally.

Consumer, Trade and Professional

Our consumer RYOBI® brand had an excellent first half driven by new innovative lithium products. One of the highlights in the first-half was the successful launch of the RYOBI® 18-volt One+ System® AirStrike™ nailer and a new generation of LITHIUM+® batteries. The RYOBI® One+ System® TV campaign in the US proved to be highly successful in driving demand. RYOBI® continues to be the leading Do-It-Yourself brand of tools in the world today.

We saw excellent progress with our AEG® brand in the first half driven by a series of successful new lithium product introductions. We were particularly pleased with the outstanding growth AEG® delivered in the Australia/New Zealand market in the first half.

Outdoor Products and Accessories

Despite challenging weather conditions in North America, we achieved outstanding growth in our outdoor products business, thanks to our highly successful roll out of new RYOBI® 18-volt One+ System® and 40-volt lithium powered products. We were particularly pleased with the tremendous sales of the RYOBI® One+ System® Hybrid string trimmer which launched in the first half of the year.

Floor Care and Appliances

Floor Care and Appliances achieved a 17.0% increase in sales during the first half of 2013 to USD0.5 billion. Our new generation of HOOVER® and VAX® floor care products are generating strong sales throughout the world. We have increased our investments in marketing to build the VAX® and HOOVER® brands. Additionally, we have made strategic investments in R&D to deliver an exciting new generation of high-performance floor care products that will be a key growth driver for the business. The business accounted for 25.6% of Group turnover against 24.1% for the same period last year.

FINANCIAL REVIEW

Financial Results

Turnover for the period under review amounted to USD2,042 million, 10.1% higher than the USD1,855 million reported for the same period last year. Profit attributable to Owners of the Company amounted to USD118 million as compared to USD96 million reported last year, an increase of 22.0%. Basic earnings per share was at US6.43 cents (2012: US5.69 cents).

EBITDA amounted to USD208 million, an increase of 10.7% as compared to the USD188 million reported in the same period last year.

EBIT amounted to USD142 million, an increase of 12.2% as compared to the USD127 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 34.0% as compared to 33.5% in the same period last year. The margin improvement was the result of new product introduction, category expansion, efficient production in the new PRC facilities, effective supply chain management and volume leverage on our economies of scale.

Operating Expenses

Total operating expenses for the period amounted to USD554 million as compared to USD498 million reported for the same period last year, representing 27.1% of turnover (2012: 26.8%).

Investment in product design and development amounted to USD48 million (2012: USD37 million), representing 2.4% of turnover (2012: 2.0%), reflecting our continuous strive for innovation. With our new innovation centre already in full operation, efficiency and cost effectiveness will be further improved and enhanced.

Net interest expenses for the period amounted to USD14 million as compared to USD22 million reported for the same period last year. Interest cover, expressed as a multiple of EBITDA to total interest was at 10.8 times (2012: 7.2 times).

Effective tax rate for the period was at 8.0% (2012: 7.6%). The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to USD1.6 billion, as compared to USD1.5 billion at December 31, 2012, an increase of 5.6%. Book value per share was USD0.89 as compared to USD0.85 at December 31, 2012, an increase of 4.7%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2013, the Group’s cash and cash equivalents amounted to USD573 million (USD618 million at December 31, 2012) after the payment of USD25.3 million dividend during the period (nil in first half 2012), of which 45.7%, 33.5%, 8.2%, 5.4%, 5.1% and 2.1% were denominated in RMB, USD, HKD, AUD, EUR and other currencies respectively.

The Group’s net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 26.2% as compared to 37.4% as at June 30, 2012. The gearing improvement is the result of very disciplined and focused management over working capital and free cash flow from operations applied to debt repayment. The Group remains confident that gearing can further improve going forward and will be below the Group’s internal comfort level of 30% - 35%.

Bank Borrowings

Long term borrowing accounted for 31.8% of total debts (34.3% at December 31, 2012).

The Group’s major borrowings continued to be in US Dollars and HK Dollars. 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 exposure, and cash management functions are all being closely monitored and managed by the Group’s treasury team.

During the period, the Group repaid USD39 million of fixed interest rate notes, refinanced by other bank facilities with lower interest rates. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory was at USD818 million as compared to USD752 million for the same period last year. The number of days inventory was at 74 days as compared to 73 days as at June 30, 2012. When compared to the year end level, inventory at the end of the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year.

Trade receivables turnover days were at 71 days as compared to 64 days as at June 30, 2012. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 64 days as compared to 57 days as at June 30, 2012. The increase in turnover days was mainly due to the increase in trade receivables as a result of the strong sales in May and June 2013. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days were 78 days (67 days at December 31, 2012). The increase in turnover days was mainly due to the increase in procurement in the second quarter of 2013 in preparation for peak production in second half year.

Working capital as a percentage of sales was at 18.4% as compared to 18.9% for the same period last year.

Capital Expenditure

Total capital expenditures for the period amounted to USD47 million (2012: USD37 million).

Capital Commitment and Contingent Liability

As at June 30, 2013, total capital commitments amounted to USD18 million (2012: USD19 million), and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

HUMAN RESOURCES

The Group employed a total of 19,248 employees (2012: 18,521 employees) in Hong Kong and overseas. Total staff cost for the period under review amounted to USD290 million as compared to USD263 million in the same period last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve 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, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

OUTLOOK

We have strong momentum throughout all businesses and all geographic regions heading into the second half. Our powerful new product development machine has put us in a position to continue growing and driving profitability to new levels. We look forward to delivering exceptional sales and profit growth in the second half and beyond.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Corporate Governance Code") throughout the six months period ended June 30, 2013, save that:-

1. 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.

2. Mr Christopher Patrick Langley OBE (an Independent Non-executive Director) was unable to attend the annual general meeting of the Company held on May 24, 2013 (the "2013 Annual General Meeting") as he had to attend another annual general meeting of which he is the chairman of the audit committee. Mr Joel Arthur Schleicher (an Independent Non-executive Director) was unable to attend the 2013 Annual General Meeting due to prior engagements.

3. the Board is provided with quarterly updates instead of monthly updates. The Board agreed that quarterly updates give a balanced and understandable assessment of the performance, position and prospects of the Company in supporting the Directors to discharge their responsibilities.

Apart from compliance of the code provisions set out in the Corporate Governance Code, the Company also voluntarily complied with a number of recommended best practices set out in the Corporate Governance Code for further enhancement of the Company's corporate governance standard and promote the best interests of the Company and shareholders as a whole.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

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 confimed that they have fully complied with the required standards as set out in the Model Code during the six months period ended June 30, 2013.

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 period.

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the Company's external auditors, Deloitte Touche Tohmatsu, and the senior management of the Group the unaudited financial statements of the Company for the six months period ended June 30, 2013, the accounting principles and practices adopted by the Group and the internal controls and financial reporting matters. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

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

A total of 1,300,000 ordinary shares of HKD0.10 each in the Company (those repurchased in December 2012 at prices ranging from HKD14.34 to HKD14.68 per share) were cancelled by the Company during the period. The aggregate amount paid by the Company for such repurchases amounting to USD2,429,000 was charged to the retained earnings. The issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value thereof.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from September 12, 2013 to September 13, 2013, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on September 11, 2013.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.ttigroup.com) and the HKExnews website (www.hkexnews.hk) of Hong Kong Exchanges and Clearing Limited. The 2013 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, August 21, 2013

As at the date of this announcement, the Board of the Company comprises five Group Executive Directors, namely, Mr Horst Julius Pudwill (Chairman), Mr Joseph Galli Jr (Chief Executive Officer), Mr Patrick Kin Wah Chan, Mr Frank Chi Chung Chan and Mr Stephan Horst Pudwill, one Non-executive Director, namely, Prof Roy Chi Ping Chung BBS JP and five Independent Non-executive Directors, namely, Mr Joel Arthur Schleicher, Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Peter David Sullivan and Mr Vincent Ting Kau Cheung.

This results announcement is published on the website of the Company (www.ttigroup.com) and the HKExnews website (www.hkexnews.hk).

RESULTS SUMMARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months period ended June 30, 2013

	Notes	**2013 USD'000 (Unaudited)**	2012 USD'000 (Unaudited)
Turnover	3	**2,042,387**	1,854,793
Cost of sales		**(1,348,373)**	(1,232,684)
Gross profit		**694,014**	622,109
Other income		**1,896**	2,187
Interest income		**5,334**	4,075
Selling, distribution, advertising and warranty expenses		**(278,624)**	(255,615)
Administrative expenses		**(227,272)**	(204,611)
Research and development costs		**(48,185)**	(37,362)
Finance costs		**(19,698)**	(26,483)
Profit before taxation		**127,465**	104,300
Taxation charge	4	**(10,197)**	(7,916)
Profit for the period	5	**117,268**	96,384
Other comprehensive (loss) income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(5,113)**	-
Items that may be subsequently reclassified to profit or loss:			
Fair value gain on foreign currency forward contracts in hedge accounting		**3,920**	-
Exchange differences on translation of foreign operations		**(4,902)**	(1,458)
Other comprehensive loss for the period		**(6,095)**	(1,458)
Total comprehensive income for the period		**111,173**	94,926
Profit for the period attributable to:			
Owners of the Company		**117,564**	96,362
Non-controlling interests		**(296)**	22
		117,268	96,384
Total comprehensive income attributable to:			
Owners of the Company		**111,469**	94,906
Non-controlling interests		**(296)**	20
		111,173	94,926
Earnings per share (US cents)	7		
Basic		**6.43**	5.69
Diluted		**6.40**	5.51

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at June 30, 2013

	Notes	June 30 2013 USD'000 (Unaudited)	December 31 2012 USD'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8 & 15	**387,969**	384,154
Lease prepayments		**36,474**	36,133
Goodwill		**530,953**	531,160
Intangible assets	8	**415,664**	399,067
Interests in associates		**16,658**	17,724
Available-for-sale investments		**1,251**	1,270
Deferred tax assets		**74,683**	73,892
		1,463,652	1,443,400
Current assets			
Inventories		**818,237**	688,576
Trade and other receivables	9	**826,197**	688,923
Deposits and prepayments		**76,070**	73,621
Bills receivable	9	**24,846**	48,644
Tax recoverable		**15,272**	8,534
Trade receivables from an associate		**97**	46
Derivative financial instruments		**17,896**	5,706
Held-for-trading investments		**3,987**	5,980
Bank balances, deposits and cash		**573,312**	617,648
		2,355,914	2,137,678
Current liabilities			
Trade and other payables	10	**861,137**	710,491
Bills payable	10	**39,765**	39,222
Warranty provision		**42,874**	42,395
Tax payable		**34,695**	18,698
Derivative financial instruments		**6,332**	11,697
Restructuring provision		**423**	527
Obligations under finance leases - due within one year		**1,041**	1,154
Discounted bills with recourse		**483,122**	432,633
Unsecured borrowings - due within one year	11	**266,828**	298,890
Bank overdrafts		**4,609**	7,087
		1,740,826	1,562,794
Net current assets		**615,088**	574,884
Total assets less current liabilities		**2,078,740**	2,018,284

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) - continued

As at June 30, 2013

	Notes	**June 30 2013 USD'000 (Unaudited)**	December 31 2012 USD'000 (Audited)
CAPITAL AND RESERVES			
Share capital	12	**23,493**	23,461
Reserves		**1,612,787**	1,525,416
Equity attributable to owners of the Company		**1,636,280**	1,548,877
Non-controlling interests		**7,349**	7,645
Total equity		**1,643,629**	1,556,522
NON-CURRENT LIABILITIES			
Obligations under finance leases - due after one year		**3,556**	4,071
Unsecured borrowings - due after one year	11	**318,424**	348,692
Retirement benefit obligations		**97,507**	93,322
Deferred tax liabilities		**15,624**	15,677
		435,111	461,762
Total equity and non-current liabilities		**2,078,740**	2,018,284

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation and accounting policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Except as described below, the accounting policies and method of computations used in the condensed consolidated financial statements for the six months ended June 30, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2012.

In the current interim period, the Group has applied for the first time, certain new and revised standards and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatory effective for the current interim period.

The impact of the application of these standards is set out below.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 14.

2. Significant accounting policies - continued

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and 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 do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

Except as described above, the application of the other new or revised standards and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Segment information

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

For the period ended June 30, 2013

	Power Equipment USD'000	Floor Care and Appliances USD'000	Eliminations USD'000	Consolidated USD'000
Turnover				
External sales	**1,519,190**	**523,197**	**-**	**2,042,387**
Inter-segment sales	**5,124**	**470**	**(5,594)**	**-**
Total segment turnover	**1,524,314**	**523,667**	**(5,594)**	**2,042,387**

3. Segment information - continued

For the period ended June 30, 2012

	Power Equipment USD'000	Floor Care and Appliances USD'000	Eliminations USD'000	Consolidated USD'000
Turnover				
External sales	1,407,426	447,367	-	1,854,793
Inter-segment sales	6,960	457	(7,417)	-
Total segment turnover	1,414,386	447,824	(7,417)	1,854,793

Inter-segment sales are charged at prevailing market rates.

	Six months period ended June 30					
	2013			2012		
	Power Equipment USD'000	**Floor Care and Appliances USD'000**	**Consolidated USD'000**	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Segments results	**128,272**	**18,891**	**147,163**	114,801	15,982	130,783
Finance costs			**(19,698)**			(26,483)
Profit before taxation			**127,465**			104,300
Taxation charge			**(10,197)**			(7,916)
Profit for the period			**117,268**			96,384

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

No analysis of the Group's assets and liabilities by operating segment is disclosed as they are not regularly provided to the chief operating decision maker for review.

4. Taxation charge

	Six months period ended June 30	
	2013 USD'000	2012 USD'000
Current tax:		
Hong Kong	**1,231**	569
Overseas Tax	**10,281**	6,219
Deferred Tax	**(1,315)**	1,128
	10,197	7,916

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

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

5. Profit for the period

	Six months period ended June 30	
	2013	2012
	USD'000	USD'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	**37,369**	36,172
Amortisation of lease prepayments	**185**	163
Amortisation of intangible assets	**28,274**	24,773
Total depreciation and amortisation	**65,828**	61,108
Exchange (gain) loss	**(15,972)**	4,942
Staff costs	**289,708**	263,391
Fair value loss on held-for-trading investments	**1,993**	1,228

6. Dividends

A dividend of HK10.75 cents (approximately US1.38 cents) per share (2012: HK7.75 cents (approximately US1.00 cent) per share) was paid to shareholders as the final dividend for 2012 on June 28, 2013.

The Directors have determined that an interim dividend of HK10.00 cents (approximately US1.29 cents) per share (2012: HK6.75 cents (approximately US0.87 cent) per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 13, 2013.

7. Earnings per share

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

	Six months period ended June 30	
	2013	2012
	USD'000	USD'000
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	**117,564**	96,362
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds (net of tax)	**-**	4,457
Earnings for the purpose of diluted earnings per share	**117,564**	100,819
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,371,737**	1,694,876,782
Effect of dilutive potential ordinary shares:		
Share options	**7,132,521**	5,430,285
Convertible bonds	**-**	129,688,975
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,836,504,258**	1,829,996,042

The computation of diluted earnings per share for the six months ended June 30, 2013 and June 30, 2012 does not assume the exercise of certain of the Company's outstanding share options if the exercise price of these options is higher than the average market price for the Company's shares.

8. Additions to property, plant and equipment/intangible assets

During the period, the Group spent approximately USD47 million (for the six months ended June 30, 2012: USD37 million) and USD47 million (for the six months ended June 30, 2012: USD45 million) on the acquisition of property, plant and equipment and intangible assets respectively.

9. Trade and other receivables/Bills receivable

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aged analysis of trade receivables, net of allowances for doubtful debts, presented on the basis of the revenue recognition date, which is usually the invoice date at the end of the reporting period is as follows:

	June 30 2013 USD'000	December 31 2012 USD'000
0 to 60 days	**739,948**	604,671
61 to 120 days	**28,236**	24,127
121 days or above	**19,774**	16,144
Total trade receivables	**787,958**	644,942
Other receivables	**38,239**	43,981
	826,197	688,923

All the Group's bills receivable at June 30, 2013 are due within 120 days.

10. Trade and other payables/Bills payable

The aging analysis of trade payables based on the invoice date is as follows:

	June 30 2013 USD'000	December 31 2012 USD'000
0 to 60 days	**452,406**	309,719
61 to 120 days	**106,746**	80,517
121 days or above	**3,462**	1,557
Total trade payables	**562,614**	391,793
Other payables	**298,523**	318,698
	861,137	710,491

All the Group's bills payable at June 30, 2013 are due within 120 days.

11. Unsecured borrowings

During the period, the Group obtained new bank borrowings in the amount of USD552 million (2012: USD353 million) which are London Interbank Offered Rate, Euro Interbank Offered Rate or Hong Kong best lending rates based. The Group repaid the existing bank borrowings in the amount of USD613 million (2012: USD332 million).

12. Share capital

	Number of shares		Share capital	
	June 30 2013	December 31 2012	**June 30 2013 USD'000**	December 31 2012 USD'000
Ordinary shares of HKD0.10 each				
Authorised	**2,400,000,000**	2,400,000,000	**30,769**	30,769
Issued and fully paid:				
At the beginning of the period	**1,829,080,941**	1,601,564,252	**23,461**	20,533
Issue of shares upon exercise of share options	**3,811,000**	8,289,000	**48**	107
Repurchase and cancellation of shares	**(1,300,000)**	(4,330,000)	**(16)**	(56)
Conversion of convertible bonds	**-**	223,557,689	**-**	2,877
At the end of the period	**1,831,591,941**	1,829,080,941	**23,493**	23,461

During the period, the Company cancelled its own shares as follows:

Month of cancellation	No. of ordinary shares at HKD0.10 each	Price per share Highest HKD	Price per share Lowest HKD	Aggregate consideration paid USD'000
January 2013	**1,300,000**	**14.68**	**14.34**	**2,429**

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 USD16,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately USD2,429,000 was charged to retained profits.

13. Contingent liabilities

	June 30 2013 USD'000	December 31 2012 USD'000
Guarantees given to banks in respect of credit facilities utilised by associates	**9,790**	12,691

14. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities are measured on a recurring basis:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market 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).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	June 30, 2013	December 31, 2012				
1) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – USD17,896,000; and Liabilities – USD2,705,000	Assets – USD5,706,000; and Liabilities – USD7,030,000	Level 2	Quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.	N/A	N/A
2) Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities (not designated for hedging) – USD3,627,000;	Liabilities (not designated for hedging) – USD4,667,000	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.	N/A	N/A
3) Held-for-trading non-derivative financial assets classified as held-for-trading investments in the condensed consolidated statement of financial position	Listed equity securities in US: - Technology industry – USD3,987,000	Listed equity securities in US: - Technology industry – USD5,980,000	Level 1	Quoted bid prices in an active market.	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. There were no transfers between Level 1 and 2 in both periods.

15. Capital commitments

	June 30 2013 USD'000	December 31 2012 USD'000
Capital expenditure in respect of the purchase of property, plant and equipment:		
Contracted for but not provided	**14,474**	16,669
Authorised but not contracted for	**3,514**	1,297