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, 2015

HIGHLIGHTS

	2015 US$' million	2014 US$' million	**Changes %**
Revenue	**2,474**	2,250	**+10.0**
Gross profit margin	**35.6%**	35.0%	**+60 bpt**
EBIT	**181**	162	**+12.1**
Profit attributable to Owners of the Company	**159**	136	**+16.5**
EPS (US cents)	**8.67**	7.45	**+16.4**
Interim dividend per share (approx. US cents)	**2.06**	1.61	**+28.0**

- **Revenue increased 10.0% to a record US$2.5 billion**
- **Gross margin improved for the seventh consecutive reporting period by 60 basis points to 35.6%**
- **Net profit increased by 16.5%, delivering double-digit growth for a sixth consecutive reporting period**
- **Our Milwaukee Tool business continues to take substantial market share with a sales increase of 24.4%**

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, 2015 together with the comparative figures in 2014.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK16.00 cents (approximately US2.06 cents) (2014: HK12.50 cents (approximately US1.61 cents)) per share for the six months period ended June 30, 2015. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 7, 2015. It is expected that the interim dividend will be paid on or about September 25, 2015.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Record performance

In the first half of 2015, TTI delivered record results with double-digit growth in revenue, gross profit and net income. Profit margins continued to improve with revenues increasing by 10.0% or 14.4% when excluding the effect of foreign currency exchange. All regions delivered impressive organic growth, demonstrating the company’s ability to capture market share through innovation. The Power Equipment segment, comprising 79.1% of the Group’s revenue, generated double-digit sales growth of 16.7%, outpacing the power tool industry with our Milwaukee Tool business recording a 24.4% increase in global sales. The Consumer Power Tools and Outdoor Products businesses showed strong momentum also delivering double-digit increases in sales. Accounting for one-fifth of the Group’s revenue, the Floor Care and Appliance division continued to grow in the cordless product category although the overall division was down by 9.7%, primarily due to a mandated European Union (EU) Energy Labeling Directive and the strategic exit of our low margin OEM businesses. We view this as episodic and the business will resume its normal course in the years to come.

The Group’s strong first half results reflect the continued success of our strategy to bring to market exciting new products with cutting-edge technology such as our industry-leading lithium cordless platforms, powerful brands built on in-depth understanding of customer needs, loyalty from end-users, and consistent commitment to continued improvements in operational efficiency.

Our focus on driving the gross margin to new levels, has yielded the seventh consecutive reporting period of gross margin improvement. The relentless efforts on manufacturing productivity, global purchasing programs, and ongoing initiatives to boost supply chain efficiency, combined with the impact from our high margin new product stream and volume leverage resulted in a 60 basis point improvement in gross margin to 35.6%. Investments in R&D, geographic expansion and marketing programs have driven the flow of new and innovative products, increasing our distribution reach. Our EBIT increased by 12.1% and net profit attributable to shareholders reached US$159 million, which is a 16.5% expansion. Basic earnings per share increased 16.4% to 8.67 US cents.

BUSINESS REVIEW

Power Equipment

The Power Equipment business had a strong first half delivering US$1,958 million in revenue, a 16.7% increase compared with the same period in 2014, accounting for 79.1% of the Group's revenue.

Industrial

Our Milwaukee Tool business delivered another exceptional first half growing 24.4% globally with double-digit sales across all regions. We continue to take market share with a consistent flow of innovative new products, implementation of targeted end-user initiatives and a focus on operational excellence.

The MILWAUKEE M12 and M18 lithium cordless power tool platforms continued to penetrate global markets and were supported by a number of innovative new product additions. The brand's disruptive FUEL technology franchise was fortified with the introduction of breakthrough products such as the industry's first sub-compact 12 volt brushless circular saw. FUEL technology continues to receive an extremely positive response from end users and distribution channels throughout our global markets. Powered by industry-leading technology, the MILWAUKEE brand continues to accelerate professional and industrial users' transition from traditional corded tools to lithium cordless power tools. The introduction of the M18 compact brushless drill driver, hammer drill driver and impact drivers strengthened the MILWAUKEE brand's position among the cordless drilling and driving solutions segment. In the second half of the year, an extensive flow of additional M18 cordless products will be released to bolster our industrial product and productivity solutions offerings.

Our MILWAUKEE brand continues to grow in the power tool accessory business by bringing to market new products that offer productivity enhancing solutions to end-users. We introduced HOLE DOZER bi-metal hole saws, providing end users with high-performance hole-cutting solutions engineered to withstand the extreme conditions of jobsites. In addition, the new MILWAUKEE adjustable hole saw reinforces the brand's position as a leading solutions provider for challenging electrical and plumbing installations.

We strengthened our hand tool business with the introduction of an innovative line of lightweight and compact pliers, storage products that deliver game-changing user-focused solutions, and tape measures with longer-lasting blade life. Continued development of the tape measure business has resulted in double-digit market share gains in targeted markets. We invested in the expansion of our layout and measurement business through EMPIRE levels, which is receiving strong commercial support throughout the U.S. and Canada, and continued expansion across global markets. In addition, operational enhancements within our hand tool business have resulted in significant productivity gains while setting the stage for rapid and sustained growth.

Consumer Power Tools

We recorded substantial gains in our Consumer Power Tools business delivering double-digit organic growth across North America, Europe ("EMEA"), and Australia and New Zealand ("ANZ"). RYOBI is the number one do-it-yourself ("DIY") power tools brand in the world and is based on our flagship 18V ONE+ SYSTEM platform. To build on the leadership position of the ONE+ brand, we continue to expand the system through innovative products with industry-leading technological improvements such as the new 5.0ah lithium battery pack. The ONE+ brand is generating customer loyalty with backward compatible new batteries and tools that work with all previous RYOBI 18V ONE+ tools and batteries.

The AEG tradesman brand delivered exceptional growth in EMEA and ANZ. The brand gained traction with a further expansion of the 18V lithium cordless range that has best-in-class features and industry leading lithium technology including the recently launched brushless motor technology.

Outdoor Products

The Outdoor Products business achieved outstanding double-digit growth across the North American, EMEA and ANZ markets. This growth was the result of favorable weather conditions and an exciting range of new products. We are leading the industry's transition to lithium cordless outdoor tools with new products additions to the RYOBI lithium cordless platforms. By driving the benefits of lithium cordless-powered outdoor products, the highly successful RYOBI 18V ONE+ SYSTEM platform and 40V programs generated robust sales and delivered share gains in key markets. In the traditional corded and gas product categories, a number of new additions such as the RYOBI electric pressure washers, RYOBI full crank gas trimmers, and RYOBI gas powered 2800PSI pressure washer contributed to overall business growth. Positive momentum was generated by product marketing events, product training for our retail partners and promotional marketing campaigns.

Floor Care and Appliances

Floor Care and Appliances, accounting for 20.9% of the Group's revenue, declined 9.7% to US$516 million in the first half of 2015.

As part of our continued focus on building strong brands, we are by design strategically exiting our low margin OEM appliance businesses, which had a significant impact to the revenue decline in this segment. In addition, we underestimated the EMEA sales impact of complying with the EU Energy Labeling Directive. This resulted in higher than expected engineering costs and an oversupply of legacy products in the channel. Fortunately, the episodic impact on our business is behind us and we will be on track for growth in the years to come. On a positive note, our European cordless program is flourishing and holds great promise for the floor care business.

Our North American business exceeded overall industry growth driven by the HOOVER brand at key mass retailers and with our commercial cleaning partners using the HOOVER and ORECK commercial brands. Category share gains were achieved with the expansion of our HOOVER cordless cleaning line of products that are powered by leveraging TTI's lithium cordless technology. We are driving demand for cordless cleaning with the introduction of two revolutionary products including the industry's first cordless upright cleaner with a detachable "lift off" canister and the first cordless hard floor cleaner designed on our market-leading FLOORMATE platform. The ORECK brand generated solid double-digit growth with continued partner store expansion and new product introductions. In addition, our commercial HOOVER brand launched a new innovative platform of products that features industry-leading performance and new HUSHTONE technology, which enables high performance, quiet cleaning for noise-sensitive commercial environments such as offices, hotels and hospitals.

OUTLOOK

TTI is firmly positioned to build on the positive momentum generated by our businesses and we are confident that we will sustain solid organic growth in the second half of the year. At the core of our successful business is a sophisticated product development process that aims to solve end-user needs. Our innovative products, powerful brands, and relentless efforts to pursue operational excellence have set a solid foundation for delivering exceptional organic sales growth and ongoing positive financial performance. We remain focused on propelling our business forward through investments in product development, marketing, and geographic expansion. Our ongoing commitment in these areas will continue to deliver value to support robust business growth and meet financial objectives.

FINANCIAL REVIEW

Financial Results

Reported revenue for the period grew by 10.0% as compared to the same period last year, amounted to US$2,474 million, with negative currency headwind. Excluding the negative currency effect, revenue increased by 14.4% as compared to the same period last year. Profit attributable to Owners of the Company amounted to US$159 million as compared to US$136 million reported last year, an increase of 16.5%. Basic earnings per share was at US8.67 cents (2014: US7.45 cents).

EBITDA amounted to US$262 million, an increase of 14.1% as compared to the US$229 million reported in the same period last year.

EBIT amounted to US$181 million, an increase of 12.1% as compared to the US$162 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 35.6% as compared to 35.0% in the same period last year. The margin improvement was the result of new product introduction, category expansion, product mix, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the period amounted to US$703 million as compared to US$627 million reported for the same period last year, representing 28.4% of revenue (2014: 27.9%). The increase was mainly due to the strategic spent on advertising and promotion on new products, particularly for the Floor Care division.

Investment in product design and development amounted to US$66 million (2014: US$57 million), representing 2.6% of revenue (2014: 2.5%), reflecting our continuous strive for innovation. We will continue to invest to create breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the period amounted to US$7.6 million as compared to US$12.6 million reported for the same period last year, a reduction of US$5.0 million or 39.9%. Interest cover, expressed as a multiple of EBITDA to total interest was at 20.3 times (2014: 11.5 times).

Effective tax rate for the period was maintained at 8.5% as compared to the same period last year. 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 US$2.0 billion, an increase of 4.2% as compared to December 31, 2014. Book value per share was US$1.12 as compared to US$1.07 at December 31, 2014, an increase of 4.7%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2015, the Group's cash and cash equivalents amounted to US$725 million (US$690 million at December 31, 2014) after the payment of US$44.8 million dividend during the period (US$32.4 million in first half 2014), of which 44.7%, 34.8%, 8.7%, and 11.8% were denominated in RMB, US$, 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 17.7% as compared to 22.8% as at June 30, 2014. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing will remains low going forward.

Bank Borrowings

Long term borrowing accounted for 36.5 % of total debts (36.3% at December 31, 2014).

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 US$96 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 US$1,131 million as compared to US$1,025 million as at June 30, 2014. The number of days inventory was maintained at 83 days as compared to the same period last year. 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 and to maintain the high service quality level to customers having taken into consideration of our sales momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 63 days as compared to 69 days as at June 30, 2014. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 58 days as compared to 62 days as at June 30, 2014. 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 maintained at 84 days as compared to the same period last year.

Working capital as a percentage of sales was at 17.1% as compared to 18.4% for the same period of last year.

Capital Expenditure
Total capital expenditures for the period amounted to US$137 million (2014: US$64 million), including US$70 million of office premises located in Hong Kong.

Capital Commitment and Contingent Liability
As at June 30, 2015, total capital commitments amounted to US$14 million (2014: US$19 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 20,964 employees (20,355 employees as at June 30, 2014) in Hong Kong and overseas. Total staff cost for the period under review amounted to US$367 million as compared to US$336 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.

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, 2015, 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 Horst Julius Pudwill (the Chairman of the Board) and Mr Joel Arthur Schleicher (an Independent Non-executive Director who has retired after the conclusion of the annual general meeting of the Company held on May 22, 2015 (the "2015 AGM")) were unable to attend the 2015 AGM due to business reason and prior engagement respectively.

The Company also voluntarily complied with a number of recommended best practices set out in the Corporate Governance Code, which is aimed 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, 2015.

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") has also been adopted. 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, 2015, 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

Other than for satisfying the awarded shares granted under the Company's share award scheme (details of which will be set out in the "Corporate Governance and Other Information" section to be included in the Company's 2015 Interim Report), neither the Company nor any of its subsidiaries has, during the period, purchased, sold or redeemed any listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on September 7, 2015 when no transfers of shares will be effected. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 4, 2015.

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 2015 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 19, 2015

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 four Independent Non-executive Directors, namely, 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).

"MILWAUKEE, HOLE DOZER, EMPIRE, FUEL, M12, M18, 18V ONE+ SYSTEM, ONE+, HOOVER, FLOORMATE, HUSHTONE, ORECK" are trademarks of the TTI Group.

"AEG" is a registered trademark of AB Electrolux (publ) and is used by the TTI Group pursuant to a license granted by AB Electrolux (publ).

"RYOBI" is a registered trademark of Ryobi Limited and is used by the TTI Group pursuant to a license granted by Ryobi Limited.

RESULTS SUMMARY

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

For the six months period ended June 30, 2015

	Notes	**2015** **US$'000** **(Unaudited)**	2014 US$'000 (Unaudited)
Revenue	3	**2,474,009**	2,249,941
Cost of sales		**(1,592,644)**	(1,463,108)
Gross profit		**881,365**	786,833
Other income		**2,145**	1,213
Interest income		**5,580**	7,953
Selling, distribution, advertising and warranty expenses		**(358,914)**	(319,020)
Administrative expenses		**(278,105)**	(251,473)
Research and development costs		**(65,529)**	(56,703)
Finance costs		**(13,169)**	(20,582)
Profit before taxation		**173,373**	148,221
Taxation charge	4	**(14,737)**	(12,599)
Profit for the period	5	**158,636**	135,622
Other comprehensive loss:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(5,434)**	(5,059)
Items that may be subsequently reclassified to profit or loss:			
Fair value loss on foreign currency forward contracts in hedge accounting		**(13,914)**	(15,892)
Exchange differences on translation of foreign operations		**(14,328)**	(7,376)
Other comprehensive loss for the period		**(33,676)**	(28,327)
Total comprehensive income for the period		**124,960**	107,295
Profit for the period attributable to:			
Owners of the Company		**158,693**	136,274
Non-controlling interests		**(57)**	(652)
		158,636	135,622
Total comprehensive income attributable to:			
Owners of the Company		**125,017**	107,947
Non-controlling interests		**(57)**	(652)
		124,960	107,295
Earnings per share (US cents)	7		
Basic		**8.67**	7.45
Diluted		**8.64**	7.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at June 30, 2015

	Notes	**June 30 2015 US$'000 (Unaudited)**	December 31 2014 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8 & 16	**507,113**	425,366
Lease prepayments		**34,498**	34,706
Goodwill		**552,723**	554,137
Intangible assets	8	**507,838**	496,082
Interests in associates		**6,553**	6,515
Available-for-sale investments		**505**	509
Derivative financial instruments		**11,635**	11,635
Deferred tax assets		**90,027**	86,911
		1,710,892	1,615,861
Current assets			
Inventories		**1,130,883**	1,056,329
Trade and other receivables	9	**892,389**	819,951
Deposits and prepayments		**120,560**	85,967
Bills receivable	9	**30,852**	31,600
Tax recoverable		**12,797**	6,448
Trade receivables from an associate	10	**2,260**	4,011
Derivative financial instruments		**25,697**	39,666
Held-for-trading investments		**1,207**	1,155
Bank balances, deposits and cash		**725,153**	690,395
		2,941,798	2,735,522
Current liabilities			
Trade and other payables	11	**1,145,357**	1,135,530
Bills payable	11	**35,256**	46,845
Warranty provision		**69,215**	65,819
Tax payable		**78,432**	57,945
Derivative financial instruments		**8,148**	11,499
Obligations under finance leases - due within one year		**2,348**	2,277
Discounted bills with recourse		**94,976**	72,652
Unsecured borrowings - due within one year	12	**652,760**	552,048
Bank overdrafts		**5,674**	2,619
		2,092,166	1,947,234
Net current assets		**849,632**	788,288
Total assets less current liabilities		**2,560,524**	2,404,149

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) - continued

As at June 30, 2015

	Notes	**June 30 2015 US$'000 (Unaudited)**	December 31 2014 US$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	13	**644,895**	643,914
Reserves		**1,404,538**	1,323,239
Equity attributable to owners of the Company		**2,049,433**	1,967,153
Non-controlling interests		**(184)**	(127)
Total equity		**2,049,249**	1,967,026
NON-CURRENT LIABILITIES			
Obligations under finance leases - due after one year		**9,941**	11,135
Unsecured borrowings - due after one year	12	**397,695**	322,216
Retirement benefit obligations		**100,207**	99,407
Deferred tax liabilities		**3,432**	4,365
		511,275	437,123
Total equity and non-current liabilities		**2,560,524**	2,404,149

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 34 ("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 ("the 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, 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above 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, 2015

	Power Equipment US$'000	**Floor Care and Appliances US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Revenue				
External sales	**1,957,879**	**516,130**	**-**	**2,474,009**
Inter-segment sales	**-**	**542**	**(542)**	**-**
Total segment revenue	**1,957,879**	**516,672**	**(542)**	**2,474,009**

For the period ended June 30, 2014

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Revenue				
External sales	1,678,055	571,886	-	2,249,941
Inter-segment sales	-	529	(529)	-
Total segment revenue	1,678,055	572,415	(529)	2,249,941

Inter-segment sales are charged at prevailing market rates.

	Six months period ended June 30					
	2015			2014		
	Power Equipment US$'000	**Floor Care and Appliances US$'000**	**Consolidated US$'000**	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Segments results	**160,148**	**20,814**	**180,962**	135,635	25,215	160,850
Interest income			**5,580**			7,953
Finance costs			**(13,169)**			(20,582)
Profit before taxation			**173,373**			148,221
Taxation charge			**(14,737)**			(12,599)
Profit for the period			**158,636**			135,622

Segment profit represents the profit earned by each segment without allocation of interest income and finance costs. This is the measure reported to the Group's chief operating decision makers for the purpose of resources 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 makers for review.

4. Taxation charge

	Six months period ended June 30	
	2015	2014
	US$'000	US$'000
Current tax:		
Hong Kong	**2,917**	3,219
Overseas Tax	**15,410**	15,536
Deferred Tax	**(3,590)**	(6,156)
	14,737	12,599

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

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	
	2015	2014
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**43,751**	37,341
Amortisation of lease prepayments	**185**	186
Amortisation of intangible assets	**36,546**	30,149
Total depreciation and amortisation	**80,482**	67,676
Net exchange gain	**(5,835)**	(7,665)
Staff costs	**367,451**	336,010
Fair value gain on held-for-trading investments	**(52)**	(93)

6. Dividends

A dividend of HK19.00 cents (approximately US2.45 cents) per share with a total of approximately US$44,799,000 (2014: HK13.75 cents (approximately US1.77 cents) per share with a total of approximately US$32,400,000) was paid to shareholders as the final dividend for 2014 on June 26, 2015.

The Directors have determined that an interim dividend of HK16.00 cents (approximately US2.06 cents) per share with a total of approximately US$37,726,000 (2014: HK12.50 cents (approximately US1.61 cents) per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 7, 2015.

7. Earnings per share

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

	Six months period ended June 30	
	2015	2014
	US$'000	US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**158,693**	136,274
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,912,665**	1,830,205,875
Effect of dilutive potential ordinary shares:		
Share options	**7,426,563**	8,003,462
Share award	**406,156**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,837,745,384**	1,838,209,337

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

During the period, the Group spent approximately US$67 million (for the six months ended June 30, 2014: US$64 million) and US$49 million (for the six months ended June 30, 2014: US$46 million) on the acquisition of property, plant and equipment and intangible assets respectively.

In June 2015, the Group also acquired two companies which hold leasehold land and building located in Hong Kong for a consideration of US$70 million.

9. Trade and other receivables/Bills receivable

The Group has a policy of allowing credit periods ranging mainly from 30 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:

Age	**June 30 2015 US$'000**	December 31 2014 US$'000
0 to 60 days	**704,565**	651,192
61 to 120 days	**101,411**	84,514
121 days or above	**57,373**	37,264
Total trade receivables	**863,349**	772,970
Other receivables	**29,040**	46,981
	892,389	819,951

All the Group's bills receivable at June 30, 2015 are due within 120 days.

10. Trade receivables from an associate

The trade receivables from an associate were aged and are due within 120 days.

11. Trade and other payables/Bills payable

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

Age	**June 30 2015 US$'000**	December 31 2014 US$'000
0 to 60 days	**537,440**	541,681
61 to 120 days	**163,105**	149,729
121 days or above	**5,714**	5,076
Total trade payables	**706,259**	696,486
Other payables	**439,098**	439,044
	1,145,357	1,135,530

All the Group's bills payable at June 30, 2015 are due within 120 days.

12. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US$1,253 million (2014: US$1,524 million) which carry interest at the London Interbank Offered Rate, Euro Interbank Offered Rate or Hong Kong best lending rates. The Group also repaid the existing bank borrowings of US$1,078 million (2014: US$1,318 million).

13. Share capital

	Number of shares		**Share capital**	
	June 30 2015	December 31 2014	**June 30 2015 US$'000**	December 31 2014 US$'000
Ordinary shares				
Authorised shares	**2,400,000,000**	2,400,000,000	**N/A**	N/A
Issued and fully paid:				
At the beginning of the period	**1,831,346,941**	1,829,883,941	**643,914**	23,471
Issue of shares upon exercise of share options	**710,000**	2,328,000	**981**	1,408
Buy-back of shares	**-**	(865,000)	**-**	-
Transfer of share premium and capital redemption reserve upon abolition of par value under the new Hong Kong Companies Ordinance	**-**	-	**-**	619,035
At the end of the period	**1,832,056,941**	1,831,346,941	**644,895**	643,914

14. Contingent liabilities

	June 30 2015 US$'000	December 31 2014 US$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**8,877**	8,877

15. 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, 2015	December 31, 2014				
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the condensed consolidated statement of financial position	Acquisition right of certain property, plant and equipment: US$11,635,000	Acquisition right of certain property, plant and equipment: US$11,635,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3rd party independent valuer at the end of the financial year.	N/A	N/A
2) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – US$25,697,000; and Liabilities – US$6,792,000	Assets – US$39,666,000 and Liabilities – US$9,552,000	Level 2	Quoted forward exchange rates matching maturities of the contracts.	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	Unlisted investment fund: US$1,207,000	Unlisted investment fund: US$1,155,000	Level 2	Quoted prices provided by the fund administrator based on the prices of stocks invested by the investment fund.	N/A	N/A
4) Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities (not designated for hedging) – US$1,356,000	Liabilities (not designated for hedging) – US$1,947,000	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

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.

16. Capital commitments

	June 30 2015 US$'000	December 31 2014 US$'000
Capital expenditure in respect of the purchase of property, plant and equipment:		
Contracted for but not provided	**10,027**	9,077
Authorised but not contracted for	**3,705**	2,851