TECHTRONIC INDUSTRIES COMPANY LIMITED
創 科 實 業 有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock code: 669)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

Highlights

	2022 US$' million	2021 US$' million	**Changes**
Revenue	**13,254**	13,203	**+0.4%**
Gross profit margin	**39.3%**	38.8%	**+54 bps**
EBIT	**1,201**	1,192	**+0.8%**
Profit attributable to Owners of the Company	**1,077**	1,099	**(2.0%)**
Basic earnings per share (US cents)	**58.86**	60.04	**(2.0%)**
Dividend per share (approx. US cents)	**23.81**	23.81	**—**

- Our flagship MILWAUKEE business grew 21.8% in local currency
- Free cash flow increased in the second half to finish the year at US$329 million
- Gross margin improved for the 14th consecutive year to 39.3%, up 54 basis points

The board of directors (the "Directors" or the "Board") of Techtronic Industries Company Limited ("TTI" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended December 31, 2022 together with the comparative figures in 2021.

BUSINESS REVIEW

TTI demonstrated the resilience of its business model in 2022 in a more challenging operating environment. After nearly doubling the revenue base from 2018 to 2021, we delivered 2.8% local currency sales growth in 2022 due to the extraordinary growth of the MILWAUKEE business. Dramatic share gains driven by our cordless market leadership, superior new product innovation, geographic expansion, and our in-field marketing initiatives propelled our industry leading performance.

Our Power Equipment business, representing 93.0% of total sales, grew 5.5% in local currency. MILWAUKEE grew 21.8% in local currency, offsetting declines in our consumer and floorcare businesses. In our Power Equipment business, we generated low double-digit organic growth in Europe and ROW along with positive growth in our core North American business.

Gross margin improved for the 14th consecutive year, from 38.8% in 2021 to 39.3% in 2022. Mix improvement was primarily driven by the above market growth of MILWAUKEE, the success of our aftermarket battery business, margin accretive new product and manufacturing productivity. This more than compensated for margin pressure in Consumer as TTI reduced production to lower inventory levels.

TTI continued to execute on operational excellence. For the entirety of the 2020 to 2022 time period, we maintained unparalleled customer fill rates despite widespread disruption throughout global supply chains. We have successfully diversified our manufacturing footprint into Vietnam, Mexico and the US, while maintaining our world-class facility in China. Our updated manufacturing footprint improves efficiencies, accelerates speed-to-market and maximizes flexibility.

In 2022, we strengthened our leadership position in clean technology, environmental preservation, corporate accountability, and social responsibility. Significant progress was made in developing cordless products with zero emissions and noise pollution, while reducing the carbon footprint of our manufacturing processes. We also worked diligently towards reducing our absolute Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions by 60% by 2030. This past year, we saw a 4% improvement in our emission intensity which resulted in a total reduction of 6,000 tonnes of CO2e emissions.

Financial Performance

TTI EBIT increased 0.8% to US$1.2 billion with margin up slightly to 9.1%. Net Profit declined 2.0% to US$1.1 billion due to higher interest expense. Earnings per share declined 2.0% to US58.86 cents.

We generated free cash flow of US$329 million, with a tremendous improvement in the second half. Working capital to sales finished the year at 21.2% compared to 20.9% a year ago. Importantly, days of finished goods inventory declined 3 days to 113 days at year end. Capital spending was reduced to US$581 million, coming off high investment levels in 2021.

The Board is recommending a final dividend of HK90.00 cents (approximately US11.58 cents) per share. Together, with the interim dividend of HK95.00 cents (approximately US12.23 cents) per share, this will result in a full-year dividend of HK185.00 cents (approximately US23.81 cents) per share, same as last year.

REVIEW OF OPERATIONS

Power Equipment

Our Power Equipment segment delivered local currency sales growth of 5.5%. Reported sales rose 3.1% to US$12.3 billion. We grew operating profit 6.6% to US$1.2 billion while making investments to extend our leadership position in the Professional and DIY Tool markets. Based on the wide international reach of our brands, MILWAUKEE is the #1 global Professional Tool brand, and RYOBI is the #1 DIY Tool brand worldwide. More importantly, both MILWAUKEE and RYOBI are the clear leaders in the cordless market, with a commanding and growing global position.

MILWAUKEE

In 2022, we grew our flagship MILWAUKEE business 21.8% in local currency with reported sales up 18.7%. Growth for the MILWAUKEE business was well balanced across cordless Power Tools, battery-powered Outdoor Power Equipment, Hand Tools, PACKOUT Storage, Accessories, and Personal Protective equipment (PPE). Growth was equally well balanced by geography with every major region of the world growing over 21.5% in local currency.

Power Tools

Our MILWAUKEE business continued to expand its addressable market with groundbreaking innovation propelled by aggressive R&D spending. This is enabling penetration of additional end market verticals that are still in the beginning stages of cordless conversion. Cordless tool solutions yield dramatic environmental, safety, and productivity benefits for the end user. Many of our fastest growing verticals are concentrated in areas of infrastructure, maintenance and repair, and industrial capital spending. These include power utility, transportation maintenance, semiconductor production, electric vehicles, mining, and oil and gas.

MILWAUKEE continues to convert users from traditional power sources including corded, pneumatic, hydraulic and petrol tools to our lithium cordless battery technology. We continue to differentiate ourselves with the breadth of cordless offerings targeted at a growing number of industry-specific trades. Leading the way is the MILWAUKEE M18 system with 262 tools on the platform, the M12 system with 148 tools and the rapidly expanding MX FUEL equipment system with over 20 products by the end of 2023.

Outdoor Products

MILWAUKEE has identified an enormous opportunity to convert professional landscapers from petrol to battery to promote greater environmental safety, noise reduction, productivity, and convenience. MILWAUKEE Outdoor continued to significantly outpace the market in 2022 with the introduction of a broad array of new products. Led by the successful release of the highly anticipated 21” M18 FUEL self-propelled, dual battery mower in early 2022, MILWAUKEE also launched several new attachments to the M18 FUEL power head, a new line of blowers, M18 FUEL HATCHET pruning saw, and a new compact hedge trimmer.

Hand Tools

Our stream of highly innovative hand tools launched over the past decade has grown the Hand Tool category into a larger proportion of the overall revenue base. We are driving growth in this area with an investment in our manufacturing site in West Bend, Wisconsin, where we are launching our innovative Made-in-USA hand tools designed for professional trades in Q2 2023.

Storage

PACKOUT Modular Storage continues to be a major growth engine at MILWAUKEE business. It has changed the way professionals transport materials from the jobsite to their vehicles and to the shop. More than 20 new Shop Storage solutions were introduced in 2022. These new solutions have brought additional users into the system because of the unique modularity benefits and various accessories that optimize space. A new PACKOUT M18 six-bay rapid charger, PACKOUT tumblers, and coolers, along with PACKOUT nested hand tool and accessory kits were also launched over the past year. The PACKOUT range offers more than 65 products today with dozens more in development.

Personal Protective Equipment

MILWAUKEE is disrupting the realm of personal protective equipment (PPE). Like its cordless and storage businesses, MILWAUKEE is taking a systems approach to bring new users into the product ecosystem with a broad range of solutions that provide best-in-class worker safety. We are dramatically expanding the MILWAUKEE BOLT helmet line with a full range of accessories that facilitate greater face, eye, sun, and hearing protection. Another focus category for MILWAUKEE within PPE has been cut-resistant hand protection. New high dexterity gloves were recently launched and provide users with a thinner design to easily grip materials while providing cut resistant protection.

RYOBI

RYOBI is the #1 global cordless DIY Tool brand featuring 180 tools, 84 outdoor products, and 23 cleaning products in the 18V ONE+ battery system alone. Our relentless focus on cordless battery powered solutions continued in 2022, as we introduced two new cordless platforms in the RYOBI brand. These include the USB lithium line of products, offering portable product solutions with rechargeable power, and the 80V lithium battery platform powering our new zero-turn electric riding mowers. We also continued to expand our core 18V ONE+ and 40V platforms as well, offering users the broadest line of DIY cordless solutions, positioning these cordless systems for future growth.

RYOBI Power Tools

The RYOBI Power Tool business declined mid-single digits in 2022, after several years of explosive growth. RYOBI Power Tools still remains about 49.1% above 2019 pre-pandemic levels as it has continued to gain market share as the number one global DIY power tool brand.

In 2022, RYOBI further expanded its product line with the introduction of an array of new products and categories. All new cordless stick vacs, hand vacs, and cordless scrubbers bring more powerful, more ergonomic, and quieter product designs to the rapidly growing cleaning category. New ONE+ HP cordless miter saws and table saws deliver corded power and cutting performance in these portable cordless solutions. Also in 2022, RYOBI launched a brand-new range of battery-powered hobby tools and accessories.

RYOBI Outdoor

Following several years of solid growth, the RYOBI Outdoor business declined in 2022 due to retail inventory corrections. We are well positioned to lead the transition from petrol to battery powered cordless outdoor power equipment and extend our leadership position in noise reduction with an expanded line of RYOBI Whisper series outdoor products. These products are focused on addressing the growing number of geographic regions and municipalities introducing restrictions on the usage of gas-powered outdoor equipment that emit harmful carbon emissions and generate unacceptable levels of noise. We are highly optimistic about the future of this business.

Floorcare & Cleaning

Floorcare declined 25.6% in 2022 from a post-pandemic consumer demand and retailer inventory reduction, but accounted for only 7.0% of total sales of TTI. We moved quickly and boldly to reduce the excess inventory in 2022. Heading into 2023, inventories are at a much healthier level and we are looking forward to growing this business with the launch of our new innovative cordless products.

DIVIDEND

The Directors have recommended a final dividend of HK90.00 cents (approximately US11.58 cents) per share with a total of approximately US$212,513,000 for the year ended December 31, 2022 (2021: HK 1 dollar (approximately US12.87 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 19, 2023. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 7, 2023. This payment, together with the interim dividend of HK95.00 cents (approximately US12.23 cents) per share (2021: HK85.00 cents (approximately US10.94 cents)) paid on September 16, 2022, makes a total payment of HK185.00 cents (approximately US23.81 cents) per share for 2022 (2021: HK185.00 cents (approximately US23.81 cents)).

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's revenue for the year amounted to US$13.3 billion, an increase of 0.4% as compared to US$13.2 billion in 2021. Profit attributable to Owners of the Company amounted to US$1,077 million as compared to US$1,099 million in 2021, a decrease of 2.0%. Basic earnings per share for the year was at US58.86 cents as compared to US60.04 cents in 2021.

EBIT amounted to US$1,201 million, an increase of 0.8% as compared to US$1,192 million in 2021.

Gross Margin

Gross margin improved to 39.3% as compared to 38.8% last year. The margin improvement was the result of margin accretive new product introduction, mix improvements by Milwaukee's extraordinary growth, robust aftermarket battery business, manufacturing productivity and very stringent cost controls.

Operating Expenses

Total operating expenses for the year amounted to US$4,025 million as compared to US$3,943 million in 2021, representing 30.4% of turnover (2021: 29.9%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum, margin improvements and high service levels.

Investments in product design and development amounted to US$484 million, representing 3.7% of turnover (2021: 3.2%) reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the year amounted to US$44 million as compared to US$10 million in 2021, representing 0.3% of turnover (2021:0.1%). The increase mainly due to the 7 interest rates increased total to 4.25% during the year. Interest coverage, expressed as a multiple of EBITDA to total interest was 24.7 times (2021: 38.6 times).

The effective tax rate, being tax charged for the year to before tax profits was at 6.9% (2021: 7.0%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to US$5.2 billion as compared to US$4.7 billion in 2021. Book value per share was at US$2.84 as compared to US$2.57 last year, an increase of 10.5%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2022, the Group's cash and cash equivalents amounted to US$1,429 million (2021: US$1,874 million), of which 38.8%, 25.1%, 19.2%, and 16.9% were denominated in US$, RMB, EUR and other currencies respectively.

The Group generated free cash flow of US$329 million during the year.

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, was at 32.1% as compared to 28.2% in 2021.

Bank Borrowings

Long term borrowings accounted for 38.7% of total debts (2021: 32.1%).

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

Amongst the bank borrowings, fixed rate debts account for 32.4% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US$5,085 million as compared to US$4,850 million in 2021. Days inventory increased by 6 days from 134 days to 140 days. The increase was due to the strategic decision to increase safety level of raw materials to protect against shortages and provide maximum production flexibility and maintain high service levels. Raw material inventory increased by 7 days to 24 days with Finished Goods inventory reduced by 3 days to 113 days when compared to last year.

Trade receivable turnover days were at 41 days as compared to 53 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 40 days as compared to 50 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were at 104 days as compared to 110 days in 2021 as we effectively managed our payments to generate optimal financing arrangements for both the Group and suppliers. Our trade terms continued to be favorable to TTI.

Working capital as a percentage of sales was at 21.2% as compared to 20.9% in 2021.

Capital Expenditure

Total capital expenditures for the year amounted to US$581 million (2021: US$747 million) representing 4.4% of Sales.

Capital Commitments and Guarantees

As at December 31, 2022, total capital commitments for the acquisition of property, plant and equipment and equity interest in a subsidiary contracted for but not provided amounted to US$328 million (2021: US$235 million), and there were no material guarantees 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, 2022

(i) the Group's largest customer and five largest customers accounted for approximately 47.8% and 58.3% respectively of the Group's total revenue; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 8.9% and 19.8% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

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

HUMAN RESOURCES

The Group employed a total of 44,705 employees as at December 31, 2022 (2021: 51,426) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$2,420 million (2021: US$2,207 million).

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

CORPORATE STRATEGY AND BUSINESS MODEL

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

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

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

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

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

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, 2022. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

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 year ended December 31, 2022, save that 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 107(A) of the Articles of Association of the Company, one-third of the Board must retire by rotation at each annual general meeting of the Company, and if eligible, offer themselves for re-election.

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 confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Other than 800,000 shares of the Company purchased on-market for satisfying the awarded shares granted under the Company's share award schemes (details of which will be set out in the Corporate Governance Report to be included in the Company's 2022 Annual Report), neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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 2023 Annual General Meeting, the register of members of the Company will be closed from May 10, 2023 to May 12, 2023, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2023 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 9, 2023.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 19, 2023 when no transfers of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 18, 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 12, 2023 and the notice of the annual general meeting will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

Outlook

TTI is well positioned to outperform the market in 2023. We have not only right-sized our SG&A cost base, but also streamlined our fixed overhead position and prudently managed our production levels while developing a stream of innovative new products. We remain highly confident in our ability to continue driving gross margin improvement through the introduction of margin accretive new products and manufacturing productivity. With a strong increase in free cash flow and healthy balance sheet, TTI is well positioned to further expand our global cordless leadership position in the years to come.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, March 1, 2023

As at the date of this announcement, the Board comprises five Group Executive Directors, namely Mr. Horst Julius Pudwill (Chairman), Mr. Stephan Horst Pudwill (Vice Chairman), Mr. Joseph Galli Jr. (Chief Executive Officer), Mr. Patrick Kin Wah Chan and Mr. Frank Chi Chung Chan, two Non-executive Directors, namely, Prof. Roy Chi Ping Chung GBS BBS JP and Mr. Camille Jojo and five Independent Non-executive Directors, namely, Mr. Peter David Sullivan, Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz, Ms. Virginia Davis Wilmerding and Ms. Caroline Christina Kracht.

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

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Notes	**2022** **US$'000**	2021 US$'000
Revenue	*2*	**13,253,917**	13,203,161
Cost of sales		**(8,041,340)**	(8,081,548)
Gross profit		**5,212,577**	5,121,613
Other income	*3*	**13,517**	12,992
Interest income		**25,852**	32,028
Selling, distribution and advertising expenses		**(2,191,001)**	(2,165,373)
Administrative expenses		**(1,349,840)**	(1,351,733)
Research and development costs		**(484,343)**	(425,699)
Finance costs	*4*	**(69,868)**	(42,008)
Profit before share of result of an associate and taxation		**1,156,894**	1,181,820
Share of result of an associate		**3**	5
Profit before taxation		**1,156,897**	1,181,825
Taxation charge	*5*	**(79,747)**	(82,724)
Profit for the year	*6*	**1,077,150**	1,099,101
Other comprehensive income (loss):			
Item that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		**19,376**	7,839
Items that may be reclassified subsequently to profit or loss, net of related income tax:			
Fair value (loss) gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting		**(63,367)**	162,205
Exchange differences on translation of foreign operations		**(128,382)**	(15,949)
Other comprehensive (loss) income for the year		**(172,373)**	154,095
Total comprehensive income for the year		**904,777**	1,253,196

	Note	**2022**	2021
		US$'000	US$'000
Profit for the year attributable to:			
Owners of the Company		**1,077,150**	1,099,003
Non-controlling interests		**-**	98
		1,077,150	1,099,101
Total comprehensive income attributable to:			
Owners of the Company		**904,777**	1,253,098
Non-controlling interests		**-**	98
		904,777	1,253,196
Earnings per share (US cents)	*7*		
Basic		**58.86**	60.04
Diluted		**58.67**	59.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Notes	**2022 US$'000**	2021 US$'000
Non-current assets			
Property, plant and equipment	*8 & 13*	**2,085,871**	1,852,886
Right of use assets		**683,289**	553,365
Goodwill		**598,674**	577,237
Intangible assets		**1,124,013**	849,785
Interest in an associate		**2,029**	2,026
Financial assets at fair value through profit or loss		**9,744**	4,959
Deposits		**177,300**	-
Finance lease receivables		**8,487**	-
Derivative financial instruments		**8,002**	8,302
Deferred tax assets		**81,082**	97,436
		4,778,491	3,945,996
Current assets			
Inventories		**5,084,951**	4,849,792
Right to returned goods asset		**10,563**	9,692
Trade and other receivables	*9*	**1,639,563**	2,022,278
Deposits and prepayments		**232,127**	151,443
Bills receivable		**6,887**	7,643
Finance lease receivables		**2,589**	-
Tax recoverable		**36,231**	29,874
Trade receivables from an associate		**5,026**	6,600
Derivative financial instruments		**76,774**	93,554
Financial assets at fair value through profit or loss		**13,466**	16,272
Bank balances, deposits and cash		**1,428,930**	1,874,401
		8,537,107	9,061,549
Current liabilities			
Trade and other payables	*10*	**3,777,427**	3,991,797
Bills payable		**20,267**	47,549
Warranty provision		**205,350**	182,765
Tax payable		**56,750**	56,123
Derivative financial instruments		**50,474**	8,282
Lease liabilities		**139,520**	115,194
Discounted bills with recourse		**2,003**	1,857
Unsecured borrowings - due within one year		**1,952,947**	2,252,636
Refund liabilities from right of return		**17,577**	22,767
		6,222,315	6,678,970
Net current assets		**2,314,792**	2,382,579
Total assets less current liabilities		**7,093,283**	6,328,575

	Notes	**2022** **US$'000**	2021 US$'000
Capital and Reserves			
Share capital	*11*	**684,710**	683,395
Reserves		**4,520,771**	4,039,123
Equity attributable to Owners of the Company and total equity		**5,205,481**	4,722,518
Non-current Liabilities			
Lease liabilities		**565,561**	439,006
Unsecured borrowings - due after one year		**1,198,002**	1,028,351
Retirement benefit obligations		**47,671**	76,139
Other payables	*10*	**60,346**	48,502
Deferred tax liabilities		**16,222**	14,059
		1,887,802	1,606,057
Total equity and non-current liabilities		**7,093,283**	6,328,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as appropriate.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the years ended December 31, 2022 and 2021 included in this preliminary announcement of annual results 2022 do not constitute the Company's statutory annual consolidated financial statements for those years but are derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended December 31, 2022 in due course.

- The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

Application of Amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contract - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1. **Basis of Preparation and Accounting Policies** (continued)

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after January 1, 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after January 1, 2024.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

1. **Basis of Preparation and Accounting Policies** (continued)

Amendments to HKRS 16 *Lease Liability in a Sale and Leaseback*

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognize a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognizing in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation.*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

1. **Basis of Preparation and Accounting Policies** (continued)

Amendments to HKAS 1 ***Non-current Liabilities with Covenants ('the 2022 Amendments')***

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("the 2020 Amendment") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after January 1, 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at December 31, 2022, the Group's right to defer settlement for borrowings of US$1,198,002,000 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at December 31, 2022. Upon the application of the amendments, covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date. Instead, the Group will disclose additional information about the covenants and facts and circumstances that indicate the Group may have difficulty complying with the covenants.

1. Basis of Preparation and Accounting Policies (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

1. **Basis of Preparation and Accounting Policies** (continued)

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right of use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on January 1, 2023. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, 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 "Floorcare & Cleaning". The Group's operating segments 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, EMPIRE, AEG, RYOBI, HOMELITE and HART brands plus original equipment manufacturer ("OEM") customers.

2. Floorcare & Cleaning - sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

Segment revenue and results

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

For the year ended December 31, 2022

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	**12,329,071**	**924,846**	**-**	**13,253,917**
Inter-segment sales	**-**	**61,836**	**(61,836)**	-
Total segment revenue	**12,329,071**	**986,682**	**(61,836)**	**13,253,917**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	**1,238,993**	**(38,080)**	**-**	**1,200,913**
Interest income				**25,852**
Finance costs				**(69,868)**
Profit before tax				**1,156,897**

2. **Segment Information** (continued)

For the year ended December 31, 2021

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	11,960,891	1,242,270	-	13,203,161
Inter-segment sales	-	20,340	(20,340)	-
Total segment revenue	11,960,891	1,262,610	(20,340)	13,203,161

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	1,162,480	29,227	-	1,191,707
Interest income				32,028
Finance costs				(42,008)
Profit before tax				1,181,727

Segment results represent the profit earned or loss incurred by each segment without the allocation of interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

Revenue from major products

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

	2022 US$'000	2021 US$'000
Power Equipment	**12,329,071**	11,960,891
Floorcare & Cleaning	**924,846**	1,242,270
Total	**13,253,917**	13,203,161

Revenue from sales of goods is recognized at a point in time. Commission and royalty income is recognized over time.

2. Segment Information (continued)

Geographical information

The Group's revenue from external customers by geographical location, determined based on the location of the customer by geographical location are detailed below:

	2022 **US$'000**	2021 US$'000
North America	**10,232,470**	10,225,163
Europe	**1,927,755**	1,951,454
Other countries	**1,093,692**	1,026,544
Total	**13,253,917**	13,203,161

Information about major customer

During the years ended December 31, 2022 and 2021, the Group's largest customer contributed total revenue of US$6,333,127,000 (2021: US$6,275,193,000), of which US$6,293,896,000 (2021: US$6,206,588,000) was under the Power Equipment segment and US$39,231,000 (2021: US$68,605,000) was under the Floorcare & Cleaning segment. There is no other customer contributing more than 10% of total revenue.

3. Other Income

Other income in both 2022 and 2021 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

4. Finance Costs

	2022 **US$'000**	2021 US$'000
Interest on:		
Unsecured borrowings	**58,810**	31,656
Lease liabilities	**11,058**	10,352
	69,868	42,008

5. Taxation Charge

	2022	2021
	US$'000	US$'000
The total tax (charge) credit comprises:		
Hong Kong Profits Tax	**(1,903)**	(1,729)
Overseas taxation	**(65,007)**	(107,241)
Deferred tax	**(12,837)**	26,246
	(79,747)	(82,724)

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

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

6. Profit for the Year

	2022	2021
	US$'000	US$'000
Profit for the year has been arrived at after charging:		
Amortization of intangible assets	**120,425**	95,669
Depreciation on property, plant and equipment	**240,428**	190,289
Staff costs	**1,944,919**	1,878,144

Staff costs disclosed above do not include an amount of US$475,188,000 (2021: US$328,684,000) of staff costs incurred relating to research and development activities.

7. 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:

	2022	2021
	US$'000	US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**1,077,150**	1,099,003
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,931,694**	1,830,544,048
Effect of dilutive potential ordinary shares:		
Share options	**4,199,642**	7,179,011
Share awards	**1,900,192**	2,287,031
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,836,031,528**	1,840,010,090

8. Additions of Property, Plant and Equipment

During the year, the Group spent approximately US$581 million (2021: US$747 million) on the acquisition of property, plant and equipment.

9. Trade and Other Receivables

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days. The ageing analysis of trade receivables, net of allowances for credit losses, 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:

	2022	2021
	US$'000	US$'000
0 to 60 days	**1,090,446**	1,795,436
61 to 120 days	**328,173**	22,583
121 days or above	**82,640**	82,128
Total trade receivables	**1,501,259**	1,900,147
Other receivables	**138,304**	122,131
	1,639,563	2,022,278

10. Trade and Other Payables

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

	2022	2021
	US$'000	US$'000
0 to 60 days	**1,306,486**	1,267,129
61 to 120 days	**533,961**	672,558
121 days or above	**232,838**	92,789
Total trade payables	**2,073,285**	2,032,476
Other payables	**1,764,488**	2,007,823
Total trade and other payables	**3,837,773**	4,040,299
Non-current portion of other payables	**(60,346)**	(48,502)
	3,777,427	3,991,797

The credit period on the purchase of goods ranges from 30 days to 120 days (2021: 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.

11. Share Capital

	2022 Number of shares	2021 Number of shares	**2022 US$'000**	2021 US$'000
Ordinary shares				
Issued and fully paid:				
At the beginning of the year	**1,834,484,441**	1,832,620,441	**683,395**	673,141
Issue of shares upon exercise of share options	**213,500**	1,864,000	**1,315**	10,254
At the end of the year	**1,834,697,941**	1,834,484,441	**684,710**	683,395

12. Acquisition of a subsidiary

In January 2022, the Group acquired 100% equity interest in C4 Carbides Limited ("C4") from independent third parties for a cash consideration of approximately US$39,589,000. C4's business was acquired so as to continue the expansion of the Group's power equipment business. C4 is engaged in the manufacture and sale of saw blades and is included in the Power Equipment segment.

	Fair value US$'000
Net Assets Acquired	
Property, plant and equipment	**3,200**
Right of use assets	**1,712**
Intangible assets	**2,015**
Inventories	**4,797**
Trade and other receivables	**7,639**
Bank balances and cash	**2,529**
Trade and other payables	**(5,034)**
Lease liabilities	**(1,876)**
Tax payable	**(122)**
Deferred tax liabilities	**(376)**
Goodwill arising on acquisition of C4	**25,105**
Total consideration	**39,589**
Net cash outflow arising on acquisition:	
Total consideration	**39,589**
Less: Bank balances and cash acquired	**(2,529)**
Net outflow of cash and cash equivalents in respect of the acquisition of C4	**37,060**

Intangible assets of US$2,015,000 and goodwill of US$25,105,000 arose on the acquisition of C4's business from patents and the anticipated profitability arising from new product synergies and cost savings within the Power Equipment segment.

The fair value and contractual amounts of trade and other receivables at the date of acquisition amounted to US$7,639,000. All amount are expected to be collected.

12. Acquisition of a subsidiary (continued)

The acquisition-related costs are insignificant. They have been excluded from the consideration transferred and have been recognized as an expense in the current year.

The business acquired contributed approximately US$16,876,000 to the Group's revenue, and approximately US$419,000 decrease in the Group's profit before taxation for the period between the date of acquisition and the reporting date as at December 31, 2022.

13. Capital Commitments

	2022	2021
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment and equity interest in a subsidiary contracted for but not provided in the consolidated financial statements	**328,364**	235,174