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-MONTH PERIOD ENDED JUNE 30, 2017

HIGHLIGHTS

	2017 US$' million	2016 US$' million	**Changes %**
Revenue	**2,882**	2,686	**+7.3**
Gross profit margin	**36.6%**	36.1%	**+50 bps**
EBIT	**233**	201	**+15.4**
Profit attributable to Owners of the Company	**204**	177	**+15.5**
EPS (US cents)	**11.17**	9.69	**+15.3**
Interim dividend per share (approx. US cents)	**3.57**	2.57	**+38.8**

- **Revenue increased 7.3% to a record US$2.9 billion**
- **Revenue adjusted for foreign currency grew 8.1%**
- **MILWAUKEE continues with strong momentum, growing 20.1% adjusted for currency**
- **RYOBI brand business delivered double-digit revenue growth**
- **Gross margin improved 50 basis points to 36.6%**
- **Net profit increased 15.5%, delivering double-digit growth for eight consecutive first half periods**

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-month period ended June 30, 2017 together with the comparative figures in 2016.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK27.75 cents (approximately US3.57 cents) (2016: HK20.00 cents (approximately US2.57 cents)) per share for the six-month period ended June 30, 2017. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 8, 2017. It is expected that the interim dividend will be paid on or about September 22, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Record Performance

TTI delivered another set of record results in the first half of 2017 on strong revenue growth and excellent operational productivity. Revenue, gross profit and net income all reached record levels for the period. Revenues grew 7.3% to US$2.9 billion and 8.1% before currency adjustment. Net profit margins improved by 50 basis points to 7.1% of sales, compared to 6.6% in the first half of 2016. Before currency adjustments, all geographic regions reported revenue growth. TTI continues to drive growth by launching leadership cordless products and through highly successful geographic expansion initiatives.

The Power Equipment segment outpaced the power tool industry with double-digit sales growth of 11.9% and 12.5% before currency adjustment. The MILWAUKEE industrial business again produced outstanding sales growth of 20.1% before currency adjustment. The Consumer Power Tool and Outdoor Product businesses delivered robust growth driven by the industry leading RYOBI ONE+ cordless system. The Floor Care and Appliances segment had a sales decline of 13.8% or 12.1% before currency adjustment, but made progress in revitalizing the product range.

TTI reported its ninth consecutive period of gross margin improvement with a 50 basis point increase in gross margin to 36.6% for the period. The gains are being generated by positive margin contributions from the new product stream as well as lean manufacturing and automation, global purchasing programs, and ongoing initiatives to boost supply chain efficiency. SG&A for the first half of 2017 remained at the same 28.7% of sales as last year. TTI continued the strategic investments in new product development, targeted geographic expansion, and marketing. These initiatives generated increased earnings before interest and taxes by 15.4% to US$233 million, net profit attributable to shareholders of US$204 million, which is a 15.5% increase from the prior year, and basic earnings per share increase of 15.3% to 11.17 US cents.

BUSINESS REVIEW

Power Equipment, Accessories and Hand Tools

The Power Equipment business, the largest segment accounting for 85.6% of total sales, delivered a strong first half with US$2.5 billion in global sales, representing an 11.9% increase compared with the same period in 2016. The growth was bolstered by the flow of new product introductions, strong account partnerships, geographic expansion, and focused end-user marketing. The EBIT increased 25.6% for the business in the first half of the year.

Industrial Tools

In the first half of 2017, the MILWAUKEE industrial business reported impressive results with world-wide sales growing by 20.1% in local currency. The effective execution of both distribution and end user conversion initiatives, introduction of innovative new products, and entry into large adjacent categories resulted in growth which outperformed the market.

Power Tools

The MILWAUKEE Power Tool business reported another period of double-digit sales growth with market share gains and category expansion. The M18 system is the fastest-growing cordless system for the professional end user, which will have over 135 compatible tool solutions on a single battery platform by year-end. MILWAUKEE is the leader in the global sub-compact cordless space, with the M12 cordless system offering over 80 compatible tools.

The MILWAUKEE FUEL technology leverages high-performance brushless motor technology, system electronics, and REDLITHIUM battery technology with sustained performance capable of replacing the need for cords. MILWAUKEE remains focused on developing new and innovative products integrating FUEL technology and currently offers over 55 M18 FUEL cordless power tools. The highly successful FUEL range was further expanded by the introduction of the M18 FUEL Outdoor Power Equipment range. The game changing performance of FUEL is converting users of traditional corded, pneumatic, and gas-powered tools and outdoor products to the MILWAUKEE M18 and M12 cordless systems.

The FORCELOGIC platform which replaces traditional corded, gas, and hydraulic tools continues to exceed end user expectations with the recent introduction of M18 FORCELOGIC 1590 ACSR Cable Cutter, M18 FORCELOGIC 12 Ton Crimper and the innovative M18 FORCE LOGIC 3” Underground Cable Cutter. The successful MILWAUKEE High Output LED Lighting family, powered by the M12 and M18 cordless systems, continues to grow with innovations which utilize the most-advanced LED technology and incorporating versatile product designs.

Accessories

The MILWAUKEE Power Tool Accessory business delivered strong growth in the first half. The SHOCKWAVE line of driver bits and drill bits continues to grow globally through product line expansion tailored to regional needs and from the growth of cordless impact drivers. A new high performance SAWZALL reciprocating blade line up, THE AX with Carbide Teeth offers extreme life and versatility for wood and multi-purpose demolition jobs. Growth will continue to accelerate with the launch of the TORCH with Carbide Teeth for the toughest metal cutting applications.

Hand Tools

The Hand Tool business expansion continues. The successful MILWAUKEE Tape Measure range was upgraded with user benefits including reduced overall size, higher blade durability, and optimized hook design. Additions to the layout category include chalk reels that feature STRIPGUARD clutch technology to protect the planetary gear system from damage. The 18” and 24” Jobsite Rolling Bags have been added to the MILWAUKEE storage solutions which features 6” all-terrain wheels and 1680D ballistic material. MILWAUKEE continues to expand into new categories, such as framing hammers with SHOCKSHIELD grips that provide best-in-class grip durability and vibration reduction.

The EMPIRE brand business maintained strong growth with new product introductions and retail conversions in targeted sales channels. EMPIRE launched a series of digital levels with the first-ever auto-calibrate feature making it simple and easy to use and includes the industry’s largest LCD screen, an audio indication feature, and IP67 rating for working in the toughest construction environments. Building on the successful launch of ULTRAVIEW, EMPIRE introduced the em95.10 ULTRAVIEW LED Torpedo level for best vial viewing in any light condition. This addition to the line is driving the lighted level category to take significant market share.

Consumer and Professional Tools

In the first half, the Consumer and Professional Tools business continued the sales growth momentum with the exciting flow of innovative products focusing on the construction and home improvement segments of the market. Marketing campaigns tied with end user relationship programs such as RYOBI Nation in North America continued to strengthen loyalty bonds with consumers and professionals alike, invigorating Ryobi’s market leading position.

Sales of the RYOBI ONE+ 18V cordless system grew double digit by expanding the product range with technology advancements in brushless tools and LED lighting. Along with the powerful next generation brushless drills, the RYOBI brand launched the first-to-market cordless brushless belt sander. The range additions of the brushless 7 ¼” circular saw, brushless 5” angle grinder, trim router and belt sander brought the RYOBI ONE+ system to over 100 integrated tools. The RYOBI brand is leading the home improvement industry in lithium ion battery technology.

Sales for the professional trade AEG brand power tools were up led by the AEG 18V system expansion and excellent growth in AEG accessories. The AEG impact-rated bits saw significant market acceptance establishing a platform for future growth. Partnerships with leading retailers are providing the distribution footprint as the business continues supporting new product development and investment in marketing initiatives aimed at the professional trade user.

Outdoor Products

Outdoor Products delivered a robust first half with solid growth in cordless tools, electric and gas pressure washers, inverter generators, gas chain saws and gas blowers. The leading RYOBI ONE+ cordless lawn and garden product line generated double digit growth along with the RYOBI 40V cordless program led by the innovative 20” brushless mower. The business is applying cordless technology to everyday end user needs to deliver industry-first products such as the RYOBI 48V, 38” riding mower that has a run time of two hours, covering two acres per charge. Other significant launches included the RYOBI ONE+ cordless trimmer, AEG 58V jet fan blower, and AEG 18V outdoor range.

TTI is leading the cordless technology revolution in outdoor equipment for homeowners and professional trades by eliminating the need for power cords and gas from worksites. The growth is being supported with targeted marketing and advertising programs. This ongoing focus on innovation, quality and customer satisfaction will continue to deliver exceptional results.

Floor Care and Appliances

The Floor Care and Appliance segment sales declined by 13.8% in the first half as the business transitioned from old generation corded products to new technology and cordless platforms. The UK, being a substantial market for the Floor Care business in Europe, was negatively impacted by the combination of weak currency, the impact of Brexit and general softening of the UK retail appliance market. Another impact was the exit of a significant amount of non-strategic OEM shredder business in North America that resulted in no sales in the first half of 2017.

Consistent with the strategy, Floor Care has been streamlining operations by reducing legacy overhead, focusing to win in cordless, highly selective technically advanced corded products and commercial cleaning.

Encouragingly, two key markets, Canada and ANZ, grew impressively in the first half which bodes well for the new Floor Care strategy worldwide. Another highlight was the strong performance of the revitalized Dirt Devil business and the strong cordless stick vac POS for both Hoover and Dirt Devil in the US. The strong POS is not fully reflected in the North American results, but instills confidence that the new products will drive growth.

Floor Care is deploying a strategic plan designed to transform and revitalize the business into a global cordless leader. The market for cordless floor care products is growing dramatically and the business intends to be positioned in the vanguard of this generational transition. In fact, Floor Care cordless sales were up in the first half. The global floor care market is experiencing dramatic growth in cordless. The business looks forward to the continued launch of new products in the second half of this year and into 2018.

OUTLOOK

After delivering another record first half performance, TTI enters the second half with continued strong momentum. The MILWAUKEE industrial business is gaining penetration into core end user groups through the constant flow of innovative technologies in FUEL, M12 and M18 cordless systems, accessories, and hand tools. The Consumer and Professional Tools and Outdoor Products businesses are expanding user demand under the highly-respected RYOBI and AEG brands through leading cordless platforms like the RYOBI ONE+ system. The Floor Care business, with its strong brand portfolio, is seeing encouraging progress with the rollout of the revitalized strategic product plan. TTI's high speed new product development system will continue to deliver product innovations.

The strategy of driving cordless products and relentless geographic expansion is yielding exciting results. TTI has the brands, people, and business processes in place to take it to the next level. The unrelenting focus on the TTI strategic foundation of powerful brands, innovative products, operational excellence, and exceptional people will continue delivering growth and driving profitability in the second half and years to come.

RECENT DEVELOPMENTS

No important events affecting the Group have occurred since June 30, 2017 that are material or otherwise require disclosure or commentary.

FINANCIAL REVIEW

Financial Results

Reported revenue for the period grew by 7.3% as compared to the same period last year, amounting to US$2,882 million, with negative currency headwind. Excluding the negative currency effect, revenue increased by 8.1% as compared to the same period last year. Profit attributable to Owners of the Company amounted to US$204 million as compared to US$177 million reported last year, an increase of 15.5%. Basic earnings per share was at US11.17 cents (2016: US9.69 cents).

EBITDA amounted to US$333 million, an increase of 13.7% as compared to the US$293 million reported in the same period last year.

EBIT amounted to US$233 million, an increase of 15.4% as compared to the US$201 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 36.6% as compared to 36.1% in the same period last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the period amounted to US$826 million as compared to US$770 million reported for the same period last year, representing 28.7% of revenue (2016: 28.7%). The increase was mainly due to the strategic spend on advertising and promotion on new products.

Investment in product design and development amounted to US$77 million (2016: US$71 million), representing 2.7% of revenue (2016: 2.6%), reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad based 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$9.1 million as compared to US$8.0 million reported for the same period last year, representing 0.3% of revenue (2016: 0.3%). Interest cover, expressed as a multiple of EBITDA to total interest was at 26.6 times (2016: 24.5 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$2.5 billion, an increase of 5.5% as compared to December 31, 2016. Book value per share was US$1.38 as compared to US$1.31 at December 31, 2016, an increase of 5.3%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2017, the Group's cash and cash equivalents amounted to US$816 million (US$803 million at December 31, 2016) after the payment of US$70.8 million dividend during the period (US$54.9 million in first half 2016), of which 50.0%, 23.4%, 13.7%, and 12.9% were denominated in US$, RMB, 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 8.8% as compared to 16.0% as at June 30, 2016. The gearing improvement is the result of very disciplined and focused management over working capital and healthy cash flow generation. The Group remains confident that gearing will remains low going forward.

Bank Borrowings

Long term borrowing accounted for 52.1% of total debts (52.8% at December 31, 2016).

The Group's major borrowings continued to be in US$ and HK$. 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.

Working Capital

Total inventory was at US$1,415 million as compared to US$1,341 million as at June 30, 2016. The number of days inventory was at 88 days as compared to 91 days for same period last year. 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 on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 69 days as compared to 64 days as at June 30, 2016. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 65 days as compared to 60 days as at June 30, 2016. The increase in days were mainly because of the timing of the shipments and is not related to the quality of the receivables. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 87 days as compared to 86 days as at June 30, 2016.

Working capital as a percentage of sales was at 19.1% as compared to 18.8% for the same period of last year.

Capital Expenditures

Total capital expenditures for the period amounted to US$72 million (2016: US$81 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2017, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$28 million (2016: US$37 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 21,857 employees (21,288 employees as at June 30, 2016) in Hong Kong and overseas. Total staff cost for the period under review amounted to US$465 million as compared to US$408 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-month period ended June 30, 2017, 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.

The Company has also voluntarily complied with a number of recommended best practices set out in the Corporate Governance Code, aimed at further enhancement of the Company's corporate governance standard as well as promotion of the best interests of the Company and its 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 confirmed that they have fully complied with the required standards as set out in the Model Code during the six-month period ended June 30, 2017.

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 independent auditor, Deloitte Touche Tohmatsu, and the senior management of the Group the unaudited financial statements of the Company for the six-month period ended June 30, 2017, 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

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

The shares bought back were cancelled and accordingly the issued share capital of the Company was reduced. The buy-backs of the Company's shares during the period were effected by the Directors pursuant to the mandate granted by shareholders at the previous annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from September 7, 2017 to September 8, 2017, both days inclusive, during which period no transfer 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 6, 2017.

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 2017 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 16, 2017

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 JP and Mr Camille Jojo and five Independent Non-executive Directors, namely Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Peter David Sullivan, Mr Vincent Ting Kau Cheung and Mr Johannes-Gerhard Hesse.

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

All Trademarks and Trade names listed other than AEG, BLUETOOTH and RYOBI are owned by the Group.

AEG is a registered trademark of AB Electrolux (publ.), and is used under license.

The BLUETOOTH word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. and any use of such marks by the Group is under license.

RYOBI is a registered trademark of Ryobi Limited, and is used under license.

RESULTS SUMMARY

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

For the six-month period ended June 30, 2017

	Notes	**2017 US$'000 (Unaudited)**	2016 US$'000 (Unaudited)
Revenue	3	**2,881,620**	2,685,662
Cost of sales		**(1,825,797)**	(1,716,909)
Gross profit		**1,055,823**	968,753
Other income		**2,271**	2,151
Interest income		**3,561**	4,095
Selling, distribution and advertising expenses		**(430,307)**	(399,396)
Administrative expenses		**(318,131)**	(299,112)
Research and development costs		**(77,181)**	(71,041)
Finance costs		**(12,653)**	(12,094)
Profit before taxation		**223,383**	193,356
Taxation charge	4	**(18,988)**	(16,428)
Profit for the period	5	**204,395**	176,928
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		**(193)**	(107)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on foreign currency forward contracts in hedge accounting		**(30,082)**	2,151
Exchange differences on translation of foreign operations		**31,997**	(50,051)
Other comprehensive income (loss) for the period		**1,722**	(48,007)
Total comprehensive income for the period		**206,117**	128,921
Profit for the period attributable to:			
Owners of the Company		**204,433**	177,033
Non-controlling interests		**(38)**	(105)
		204,395	176,928
Total comprehensive income attributable to:			
Owners of the Company		**206,155**	129,026
Non-controlling interests		**(38)**	(105)
		206,117	128,921
Earnings per share (US cents)	7		
Basic		**11.17**	9.69
Diluted		**11.14**	9.65

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at June 30, 2017

	Notes	**June 30 2017 US$'000 (Unaudited)**	December 31 2016 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8 & 16	**624,710**	601,230
Lease prepayments		**30,186**	29,581
Goodwill		**554,508**	553,194
Intangible assets	8	**565,527**	546,636
Interests in associates		**3,217**	3,667
Available-for-sale investments		**756**	613
Derivative financial instruments		**9,986**	9,986
Deferred tax assets		**154,235**	178,191
		1,943,125	1,923,098
Current assets			
Inventories		**1,414,682**	1,296,425
Trade and other receivables	9	**1,129,410**	950,882
Deposits and prepayments		**102,120**	98,638
Bills receivable	9	**5,788**	11,190
Tax recoverable		**8,449**	11,694
Trade receivables from an associate	10	**1,470**	3,540
Derivative financial instruments		**1,240**	20,199
Bank balances, deposits and cash		**818,142**	804,741
		3,481,301	3,197,309
Current liabilities			
Trade and other payables	11	**1,402,753**	1,330,807
Bills payable	11	**43,722**	54,137
Warranty provision		**84,998**	80,088
Tax payable		**78,813**	100,164
Derivative financial instruments		**19,902**	2,175
Obligations under finance leases – due within one year		**3,071**	2,982
Discounted bills with recourse		**104,636**	93,897
Unsecured borrowings – due within one year	12	**447,073**	403,825
Bank overdrafts		**2,205**	1,656
		2,187,173	2,069,731
Net current assets		**1,294,128**	1,127,578
Total assets less current liabilities		**3,237,253**	3,050,676

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) - continued

As at June 30, 2017

	Notes	**June 30 2017 US$'000 (Unaudited)**	December 31 2016 US$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	13	**650,633**	649,214
Reserves		**1,881,934**	1,750,324
Equity attributable to Owners of the Company		**2,532,567**	2,399,538
Non-controlling interests		**(644)**	(606)
Total equity		**2,531,923**	2,398,932
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		**9,413**	10,760
Unsecured borrowings – due after one year	12	**542,453**	490,452
Retirement benefit obligations		**111,133**	108,167
Deferred tax liabilities		**42,331**	42,365
		705,330	651,744
Total equity and non-current liabilities		**3,237,253**	3,050,676

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation

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”).

The financial information relating to the year ended December 31, 2016 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended December 31, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

No significant events and transactions have been noted in the current interim period.

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-month ended June 30, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2016.

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 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:

For the period ended June 30, 2017

	Power Equipment US$'000	**Floor Care and Appliances US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Segment revenue				
External sales	**2,466,589**	**415,031**	**-**	**2,881,620**
Inter-segment sales	**-**	**991**	**(991)**	**-**
Total segment revenue	**2,466,589**	**416,022**	**(991)**	**2,881,620**

For the period ended June 30, 2016

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	2,204,254	481,408	-	2,685,662
Inter-segment sales	-	467	(467)	-
Total segment revenue	2,204,254	481,875	(467)	2,685,662

Inter-segment sales are charged at prevailing market rates.

	Six-month period ended June 30					
	2017			2016		
	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
Segment results	**232,113**	**362**	**232,475**	184,860	16,495	201,355
Interest income			**3,561**			4,095
Finance costs			**(12,653)**			(12,094)
Profit before taxation			**223,383**			193,356
Taxation charge			**(18,988)**			(16,428)
Profit for the period			**204,395**			176,928

Segment results represent the profit earned 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.

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-month period ended June 30	
	2017	2016
	US$'000	US$'000
Current tax:		
Hong Kong	**2,821**	2,003
Overseas Tax	**(8,561)**	31,893
Deferred Tax	**24,728**	(17,468)
	18,988	16,428

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-month period ended June 30	
	2017	2016
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**54,933**	48,988
Amortisation of lease prepayments	**174**	179
Amortisation of intangible assets	**45,298**	42,097
Total depreciation and amortisation	**100,405**	91,264
Net exchange loss (gain)	**5,285**	(6,034)
Staff costs	**464,697**	408,095
Fair value loss on held-for-trading investments	**-**	141

6. Dividends

A dividend of HK30.00 cents (approximately US3.86 cents) per share with a total of approximately US$70,778,000 (2016: HK23.25 cents (approximately US2.99 cents) per share with a total of approximately US$54,881,000) was paid to shareholders as the final dividend for 2016 on June 23, 2017.

The Directors have determined that an interim dividend of HK27.75 cents (approximately US3.57 cents) per share with a total of approximately US$65,478,000 (2016: HK20.00 cents (approximately US2.57 cents) per share) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 8, 2017.

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:

	Six-month period ended June 30	
	2017	2016
	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	**204,433**	177,033
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,895,206**	1,827,745,438
Effect of dilutive potential ordinary shares:		
Share options	**5,141,103**	6,408,796
Share award	**719,597**	839,723
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,835,755,906**	1,834,993,957

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

During the period, the Group spent approximately US$72 million (for the six-month ended June 30, 2016: US$81 million) and US$66 million (for the six-month ended June 30, 2016: US$54 million) on the acquisition of property, plant and equipment and intangible assets respectively.

9. Trade and other receivables/Bills receivable

The Group has a policy of allowing credit periods ranging mainly from 30 days to 120 days. The aging analysis of trade receivables, net of allowances for doubtful debts, presented on the basis of the revenue recognition date, which is usually the invoice date, at the end of the reporting period is as follows:

	June 30	December 31
	2017	2016
Age	**US$'000**	US$'000
0 to 60 days	**888,401**	759,702
61 to 120 days	**171,170**	141,223
121 days or above	**47,983**	33,925
Total trade receivables	**1,107,554**	934,850
Other receivables	**21,856**	16,032
	1,129,410	950,882

All the Group's bills receivable at June 30, 2017 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 2017 US$'000**	December 31 2016 US$'000
0 to 60 days	**599,410**	561,148
61 to 120 days	**175,580**	142,404
121 days or above	**10,737**	7,878
Total trade payables	**785,727**	711,430
Other payables	**617,026**	619,377
	1,402,753	1,330,807

All the Group's bills payable at June 30, 2017 were aged and are due within 120 days.

12. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US$1,089 million (2016: US$817 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$994 million (2016: US$809 million).

13. Share capital

	Number of shares		**Share capital**	
	June 30 2017	December 31 2016	**June 30 2017 US$'000**	December 31 2016 US$'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	**1,833,896,941**	1,833,736,941	**649,214**	647,109
Issue of shares upon exercise of share options	**995,000**	1,660,000	**1,419**	2,105
Buy-back of shares	**(1,500,000)**	(1,500,000)	**-**	-
At the end of the period	**1,833,391,941**	1,833,896,941	**650,633**	649,214

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

	No. of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid
Month of cancellation		HK$	HK$	US$'000
January 2017	1,500,000	28.15	27.50	5,388

The shares bought back in December 2016 were settled and cancelled during the period. The consideration paid on the buy-back of the shares of approximately US$5,388,000 was charged to retained profits.

14. Contingent liabilities

	June 30 2017 US$'000	December 31 2016 US$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**9,917**	9,545

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 markets for identical assets or liabilities;

- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	June 30, 2017	December 31, 2016		
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$9,986,000	Acquisition right of certain property, plant and equipment: US$9,986,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by a 3rd party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – US$1,240,000; and Liabilities – US$19,902,000	Assets – US$20,199,000; and Liabilities – US$2,175,000	Level 2	Quoted forward exchange rates matching maturities of the contracts.

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 2017 US$'000	December 31 2016 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**27,747**	32,828