Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. General Information

Techtronic Industries Company Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacturing and trading of electrical and electronic products.

The consolidated financial statements are presented in United States dollars ("US$"), which is also the functional currency of the Company.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

2.1 Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 *Extension of the Temporary Exemption from HKFRS 9* that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after January 1, 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

2.2 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2.3 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after January 1, 2022;

(ii) the Group also, as at January 1, 2022, recognized 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 difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognized as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group's financial position and performance.

2.4 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the "Pillar Two legislation"). The revised standard requires that entities apply the amendments both retrospectively and immediately upon issuance. The revised standard also requires entities to separately disclose its qualitative and quantitative exposure relative to the Pillar Two. This disclosure requirement is effective for Pillar Two legislation enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023.

For group entities operating in jurisdictions where the Pillar Two legislation is enacted or substantially enacted but not yet in effect, the Group has applied the temporary exception upon issue of these amendments. The qualitative and quantitative information about the Group's exposure to Pillar Two income taxes is set out in Note 10.

The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

2.5 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

2.6 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in Note 41, the Company and several subsidiaries are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on May 1, 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following 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[1]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after January 1, 2024.

3 Effective for annual periods beginning on or after January 1, 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 *Revenue from Contracts with Customers* ("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 *Leases* ("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.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The 2020 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:

- 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*.
- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an 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.

In addition, the 2022 Amendments 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 an entity classifies 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 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after January 1, 2024. The 2022 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, 2023, the Group's right to defer settlement for borrowings of US$1,030,971,000 are subject to compliance with certain financial ratios only after the reporting period. Such borrowings were classified as non-current as the Group met such ratios at December 31, 2023. Upon the application of the 2022 Amendments, such borrowings will still be classified as non-current as the 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.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group's other liabilities as at December 31, 2023.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

BUSINESS COMBINATIONS

Business Combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right of use assets ("ROU assets") are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

BUSINESS COMBINATIONS (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

INTEREST IN AN ASSOCIATE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The result and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of an associate. Changes in net assets of an associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

INTANGIBLE ASSETS

Intangible Assets Acquired Separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Internally-Generated Intangible Assets – Research and Development Expenditure

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

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

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

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

Subsequent to initial recognition, an internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

LEASES

Definition of a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a Lessee

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

ROU Assets

The cost of ROU assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

ROU assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents ROU assets as a separate line item on the consolidated statement of financial position.

Refundable Rental Deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of ROU assets.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

LEASES (continued)

The Group as a Lessee (continued)

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease Modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant ROU asset.

The Group as a Lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

SALE AND LEASEBACK TRANSACTIONS

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the ROU asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognizes any gain or loss that relates to the rights transferred to the buyer-lessor only. ROU asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

(a) any below-market terms is accounted for as a prepayment of lease payments; and

(b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

PROPERTY, PLANT & EQUIPMENT ("PP&E")

PP&E are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold land and construction in progress as described below. PP&E are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of items of PP&E, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

PP&E in the course of construction for production, supply or administrative purpose is carried at cost, less any recognized impairment loss. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of PP&E when completed and ready for its intended use. Depreciation of these assets, on the same basis as other PP&E, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold is presented as "ROU assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as PP&E.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

IMPAIRMENT ON PP&E, ROU ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its PP&E, ROU assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. The recoverable amount of PP&E, ROU assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established. The recoverable amount is determined for the CGU to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

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

BANK BALANCES, DEPOSITS AND CASH

Bank balances, deposits and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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

Financial Assets

Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except for derivatives designated as cash flow hedge relationship.

Amortized Cost and Interest Income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial Assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, bills receivable, trade receivables from an associate, finance lease receivables, bank balances and deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant Increase in Credit Risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)

(i) Significant Increase in Credit Risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)

(v) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset (i.e. gross carrying amount less loss allowance for ECL).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss; and
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.

Financial Liabilities and Equity

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

Equity Instrument

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

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

Financial Liabilities at Amortized Cost

Financial liabilities (including unsecured borrowings, trade and other payables, bills payable and discounted bills with recourse) are subsequently measured at amortized cost, using the effective interest method.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 Business Combinations applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Financial Liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of Hedging Relationship and Effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in the hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of Hedge Accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Derecognition of Financial Assets and Liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and has not retained control of the transferred asset, the Group derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

PROVISIONS

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

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

OVER TIME REVENUE RECOGNITION (COMMISSION AND ROYALTY INCOME): MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (i.e. royalty income), the Group recognizes revenue in the amount to which the Group has the right to invoice.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

REFUND LIABILITIES

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

SALE WITH A RIGHT OF RETURN/EXCHANGE

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

TAXATION

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

TAXATION (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the ROU assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the ROU assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to ROU assets and lease liabilities are assessed on a net basis. Excess of depreciation on ROU assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used, by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of an associate that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

BORROWING COSTS

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

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve would be transferred to share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the employee share-based compensation reserve would be transferred to retained profits.

When the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognized on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under the share award scheme. Accordingly, the related expense of the granted shares vested is reversed from the employee share-based compensation reserve. The difference arising from this transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimate of the number of shares that are expected to ultimately vest. The impact of the revision of the estimate, if any, is recognized in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

GOVERNMENT GRANTS

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

RETIREMENT BENEFIT SCHEMES

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

The Group accounts for the employer's MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation. The Group applies the practical expedient in HKAS 19.93(b) to account for employer's MPF voluntary contributions as the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered. For mandatory contributions, the Group applies HKAS 19.93(a) and attributes the contributions to period of services for the purpose of calculation of the negative service costs. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees.

For defined benefit retirement benefits plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

RETIREMENT BENEFIT SCHEMES (continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligations recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interests and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. Key Sources of Accounting Estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

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

Capitalization, Useful Lives and Estimated Impairment of Deferred Development Costs

Determining the development costs, including the time and costs for individual projects, to be capitalized requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life. As at December 31, 2023, the carrying amount of deferred development costs of the Group was US$1,004,916,000 (2022: US$836,933,000). The estimation of their useful lives impacts the level of annual amortization recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material impairment loss may arise and need to be recognized. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

Income Taxes

The Group operates in a complex multinational tax environment. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, estimation is required in determining the Group's provision for taxation charge as there are many complex transactions and calculations, of which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payable carried as liabilities in the consolidated statement of financial position as at December 31, 2023 was US$47,558,000 (2022: US$56,750,000).

As at December 31, 2023, deferred tax assets of US$71,647,000 (2022: US$52,761,000) in relation to unused tax losses and US$78,010,000 (2022: US$64,051,000) in relation to employee related provisions has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax assets mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of the deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal or further recognition takes place.

5. 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, 2023

	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Segment revenue				
External sales	**12,794,548**	**936,863**	**—**	**13,731,411**
Inter-segment sales	**—**	**37,885**	**(37,885)**	**—**
Total segment revenue	**12,794,548**	**974,748**	**(37,885)**	**13,731,411**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	**1,107,509**	**27,207**	**—**	**1,134,716**
Interest income				**44,956**
Finance costs				**(124,056)**
Profit before taxation				**1,055,616**

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 taxation				1,156,897

5. Segment Information (continued)

Segment Revenue and Results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned or loss incurred by each segment without 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.

Other Segment Information

For the year ended December 31, 2023

Amounts included in the measure of segment results:

	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Consolidated US$'000**
Loss on disposal of property, plant and equipment	**15,781**	**2,298**	**18,079**
Write down of inventories	**18,509**	**5,738**	**24,247**
Impairment loss (reversal of impairment loss) on trade receivables under ECL model	**10,057**	**(319)**	**9,738**
Write-off of intangible assets	**32,533**	**2,522**	**35,055**
Depreciation and amortization	**555,642**	**42,790**	**598,432**
Gain on early termination of leases	**(65)**	**—**	**(65)**

For the year ended December 31, 2022

Amounts included in the measure of segment results:

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Consolidated US$'000
Loss on disposal of property, plant and equipment	14,089	2,408	16,497
Gain on sale and leaseback transactions	(9,072)	—	(9,072)
Write down of inventories	59,161	2,450	61,611
Reversal of impairment loss on trade receivables under ECL model	(10,777)	(1,491)	(12,268)
Write-off of intangible assets	10,817	1,192	12,009
Depreciation and amortization	462,536	38,315	500,851
Gain on early termination of leases	(178)	—	(178)

5. Segment Information (continued)

Revenue from Major Products

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

	2023 US$'000	2022 US$'000
Power Equipment	**12,794,548**	12,329,071
Floorcare & Cleaning	**936,863**	924,846
Total	**13,731,411**	13,253,917

Geographical Information

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

	Revenue from external customers		**Non-Current Assets***	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
North America	**10,513,310**	10,232,470	**2,861,778**	2,695,426
Europe	**2,093,341**	1,927,755	**244,686**	196,590
Other countries	**1,124,760**	1,093,692	**1,978,579**	1,608,318
Total	**13,731,411**	13,253,917	**5,085,043**	4,500,334

* Non-current assets exclude interest in an associate, financial assets at FVTPL, deposits, derivative financial instruments and deferred tax assets.

Information about Major Customer

During the years ended December 31, 2023 and 2022, the Group's largest customer contributed total revenue of US$6,046,986,000 (2022: US$6,333,127,000), of which US$6,016,567,000 (2022: US$6,293,896,000) was under the Power Equipment segment and US$30,419,000 (2022: US$39,231,000) was under the Floorcare & Cleaning segment. There is no other customer contributing more than 10% of total revenue.

6. Revenue

Revenue represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission and royalty income received during the year and is analyzed as follows:

	2023 **US$'000**	2022 US$'000
Sales of goods	**13,720,454**	13,238,728
Commission and royalty income	**10,957**	15,189
	13,731,411	13,253,917

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

The Group sells products mainly to the wholesale market. Revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location or pick up point (delivery).

Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognized for sales which are considered highly probable and where a significant reversal of the cumulative revenue recognized will not occur. A contract liability is recognized for sales in which revenue has not yet been recognized. The Group's right to recover the product when customers exercise their right to return products is recognized as a right to returned goods asset and a corresponding adjustment to cost of sales.

As at December 31, 2023, revenue for unsatisfied contracts to be recognized by the Group over one year is immaterial. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for contracts with period of one year or less is not disclosed.

7. Other Income

Other income in both 2023 and 2022 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2023 **US$'000**	2022 US$'000
Interest on:		
Unsecured borrowings	**104,625**	58,810
Lease liabilities	**19,431**	11,058
	124,056	69,868

10. Taxation Charge

	2023 US$'000	2022 US$'000
Current tax:		
Hong Kong Profits Tax	**(1,519)**	(1,344)
Under provision in prior years	**(12,598)**	(559)
	(14,117)	(1,903)
Overseas taxation	**(36,509)**	(64,554)
Under provision in prior years	**(73)**	(453)
	(36,582)	(65,007)
Deferred tax (Note 42):		
Current year	**(20,627)**	1,636
Deferred tax asset impairment	**(8,281)**	(14,452)
Change in tax rates	**331**	(21)
	(28,577)	(12,837)
	(79,276)	(79,747)

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.

The taxation charge for the year is reconciled as follows:

	2023 US$'000	**2023 %**	2022 US$'000	2022 %
Profit before taxation	**1,055,616**		1,156,897	
Tax at Hong Kong Profits Tax rate	**(174,177)**	**16.5%**	(190,888)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**158,033**	**(15.0%)**	139,542	(12.1%)
Tax effect of expenses not deductible for tax purposes	**(44,570)**	**4.2%**	(33,032)	2.9%
Tax effect of income not taxable for tax purposes	**7,085**	**(0.7%)**	2,422	(0.2%)
Utilization of deductible temporary differences previously not recognized	**2,517**	**(0.2%)**	3,368	(0.3%)
Tax effect of tax losses and temporary differences not recognized	**(7,547)**	**0.7%**	14,325	(1.2%)
Deferred tax asset impairment	**(8,281)**	**0.8%**	(14,452)	1.2%
Under provision in respect of prior years	**(12,671)**	**1.2%**	(1,012)	0.1%
Tax effect of changes in tax rates	**331**	**0.0%**	(21)	0.0%
Tax effect of share of result of an associate	**4**	**0.0%**	1	0.0%
Taxation charge for the year	**(79,276)**	**7.5%**	(79,747)	6.9%

Details of deferred tax are set out in Note 42.

10. Taxation Charge (continued)

For the year ended December 31, 2023, deferred tax asset of US$655,000 (2022: US$304,000) and deferred tax liability of US$200,000 (2022: US$2,631,000) related to remeasurement of defined benefit obligations and fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting have been recognized in other comprehensive income respectively.

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group has completed a comprehensive assessment of its estimated tax exposure to any Pillar Two income taxes for the year ended December 31, 2023.

The estimated tax exposure is based on the 2023 financial information, applying Pillar II rules proposed to be enacted in 2024 or later (based on latest published Pillar Two materials from Organization for Economic Co-operation and Development), assuming as if Pillar Two legislation was effectively enacted in all of the jurisdictions covering the Group's constituent entities in 2023 and making use of the safe harbour rules. As of December 31, 2023, no Pillar Two legislation is effective in the jurisdictions where the group entities is operating.

If the Pillar Two legislation had been globally enacted and effective for the year ended December 31, 2023 and, the estimated tax exposure had been recognized, the Group's effective tax rate would increase from 7.51% to 7.53%.

The table below depicts the jurisdictions affected and the determination of the additional tax exposure:

Jurisdiction	Jurisdictional Local Effective Tax Rate %	Pillar II Jurisdictional Globe Income US$'000	Pillar II Substance Based Income Exclusion US$'000	Pillar II 15% Tax on Globe Income US$'000	Pillar II Substance Based Exclusion Tax Effect US$'000	Pillar II Jurisdictional Covered Tax US$'000	Pillar II Jurisdictional Top Up Tax US$'000
Macao	11.996%	6,707	(125)	1,006	(3)	(805)	198
Dubai	0.000%	783	(417)	117	(62)	—	55
		7,490	(542)	1,123	(65)	(805)	253

11. Profit for the Year

	2023 US$'000	2022 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortization of intangible assets	**163,213**	120,425
Auditors' remuneration	**3,801**	3,714
Cost of inventories recognized as an expense	**8,311,775**	8,041,340
Depreciation of property, plant and equipment	**269,041**	240,428
Depreciation of right of use assets	**166,178**	139,998
Fair value loss (gain) on foreign currency forward contracts	**8,968**	(4,339)
Fair value (gain) loss on acquisition right of certain property, plant and equipment	**(82)**	300
Fair value (gain) loss on listed equity securities	**(14,024)**	2,806
Fair value loss on unlisted equity securities	**1,000**	—
Gain on early termination of leases	**(65)**	(178)
Gain on sale and leaseback transactions	**—**	(9,072)
Impairment loss (reversal of impairment loss) on trade receivables under ECL model	**9,738**	(12,268)
Loss on disposal of property, plant and equipment	**18,079**	16,497
Net exchange gain	**(4,534)**	(112,125)
Expenses relating to short-term leases and low-value assets recognized in respect of:		
Motor vehicles	**4,787**	3,716
Plant and machinery	**8,258**	6,619
Office equipment, furniture and fixtures	**22,317**	20,659
Premises	**6,973**	13,696
Other assets	**1,531**	1,560
Unconditional government grants	**(309)**	(685)
Write down of inventories	**24,247**	61,611
Write-off of intangible assets	**35,055**	12,009
Staff costs		
Directors' remuneration		
Fees	**746**	644
Other emoluments	**66,734**	76,843
	67,480	77,487
Other staff costs	**1,836,614**	1,836,729
Contributions to retirement benefits schemes (other than those included in the Directors' emoluments)		
Defined contribution plans	**34,374**	29,838
Defined benefit plans (Note 41)	**2,082**	865
	1,940,550	1,944,919

Staff costs disclosed above do not include an amount of US$513,326,000 (2022: US$475,188,000) of staff costs incurred relating to research and development activities.

12. Directors' Emoluments

The emoluments paid or payable to each of the twelve (2022: twelve) directors, disclosed pursuant to the applicable Listing Rules and the CO, were as follows:

For the year ended December 31, 2023

		Other emoluments				
	Fees US$'000	**Basic salaries and allowances US$'000**	**Contributions to retirement benefits schemes US$'000**	**Bonus US$'000**	**Share-based payments US$'000**	**Total US$'000**
Mr Horst Julius Pudwill (Note i)	—	**1,849**	**2**	**10,103**	**2,223**	**14,177**
Mr Stephan Horst Pudwill (Note i)	—	**1,019**	**2**	**2,200**	**2,556**	**5,777**
Mr Joseph Galli Jr (Note i)	—	**1,848**	**11**	**13,100**	**17,598**	**32,557**
Mr Kin Wah Chan (Note i)	—	**912**	**2**	**2,641**	**2,556**	**6,111**
Mr Chi Chung Chan (Note i)	—	**909**	—	**2,940**	**2,556**	**6,405**
Mr Camille Jojo (Note i, iv)	**98**	**193**	—	—	**103**	**394**
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	**108**	—	—	—	**106**	**214**
Mr Peter David Sullivan (Note iii)	**108**	**54**	—	**512**	**106**	**780**
Mr Johannes-Gerhard Hesse (Note iii)	**108**	**30**	—	—	**185**	**323**
Mr Robert Hinman Getz (Note iii)	**108**	**59**	—	—	**142**	**309**
Ms Virginia Davis Wilmerding (Note iii)	**108**	**18**	—	—	**114**	**240**
Ms Caroline Christina Kracht (Note iii)	**108**	**17**	—	—	**68**	**193**
Total	**746**	**6,908**	**17**	**31,496**	**28,313**	**67,480**

For the year ended December 31, 2022

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,826	2	10,803	2,994	15,625
Mr Stephan Horst Pudwill (Note i)	—	988	2	2,200	5,270	8,460
Mr Joseph Galli Jr (Note i)	—	1,851	10	14,100	16,781	32,742
Mr Kin Wah Chan (Note i)	—	912	2	2,641	5,270	8,825
Mr Chi Chung Chan (Note i)	—	909	—	2,940	5,270	9,119
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	94	—	—	—	366	460
Mr Camille Jojo (Note ii)	94	29	—	—	601	724
Mr Peter David Sullivan (Note iii)	94	47	—	—	366	507
Mr Johannes-Gerhard Hesse (Note iii)	94	29	—	—	261	384
Mr Robert Hinman Getz (Note iii)	94	50	—	—	212	356
Ms Virginia Davis Wilmerding (Note iii)	94	4	—	—	107	205
Ms Caroline Christina Kracht (appointed on March 7, 2022) (Note iii)	80	—	—	—	—	80
Total	644	6,645	16	32,684	37,498	77,487

12. Directors' Emoluments (continued)

Note i: The individuals represent the Executive Directors of the Company and the Group. The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group. Mr Joseph Galli Jr serves as the Chief Executive Officer of the Group.

Note ii: The individuals represent the Non-Executive Directors of the Company. The Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

Note iii: The individuals represent the independent Non-Executive Directors of the Company. The Independent Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company.

Note iv: Mr Camille Jojo re-designated from Non-executive Director to Executive Director with effect from December 1, 2023.

The bonuses were based on past performance of the Group.

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option schemes and share award scheme, respectively, as estimated at the date of grant and award. The share-based payments represent the costs of share options and share awards granted to directors as charged to the Company's profit and loss, but not as income of respective directors. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 45 and 46 respectively.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2022: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2022: one) individuals for the year ended December 31, 2023 were as follows:

	2023	2022
	US$'000	US$'000
Basic salaries and allowances	**1,596**	905
Contributions to retirement benefits schemes	**342**	183
Bonus	**15,635**	10,515
Share-based payments	—	—
	17,573	11,603

The emoluments of these two (2022: one) highest paid individuals for the year ended December 31, 2023 were within the following bands:

	No. of persons	
HK$	**2023**	2022
63,000,001 to 63,500,000	**1**	—
73,000,001 to 73,500,000	**1**	—
90,000,001 to 90,500,000	**—**	1

During each of the two years ended December 31, 2023 and 2022, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

14. Dividends

	2023 **US$'000**	2022 US$'000
Dividends recognized as distributions during the year:		
Final dividend paid:		
2022: HK90.00 cents (approximately US11.58 cents) (2021: HK1 dollar (approximately US12.87 cents)) per share	**212,525**	236,104
Interim dividend paid:		
2023: HK95.00 cents (approximately US12.23 cents) (2022: HK95.00 cents (approximately US12.23 cents)) per share	**224,334**	224,317
	436,859	460,421

The final dividend of HK98.00 cents (approximately US12.61 cents) per share with a total of approximately US$231,355,000 in respect of the year ended December 31, 2023 (2022: final dividend of HK90.00 cents (approximately US11.58 cents) per share in respect of the year ended December 31, 2022) has been proposed by the directors of the Company and is subject to approval by the shareholders in the Annual General Meeting.

15. 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:

	2023 **US$'000**	2022 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**976,340**	1,077,150
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,863,359**	1,829,931,694
Effect of dilutive potential ordinary shares:		
Share options	**3,258,878**	4,199,642
Share awards	**3,060,683**	1,900,192
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,836,182,920**	1,836,031,528

The computation of diluted earnings per share does not assume the exercise of the Company's share options and vesting of Company's share awards which the exercise price of those share options and adjusted exercise price of those share awards were higher than the average market price for shares for both years.

16. Property, Plant and Equipment

	Freehold land and land and buildings (Note) US$'000	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Vessels US$'000	Aircraft US$'000	Construction in progress US$'000	Total US$'000
Cost										
At January 1, 2022	554,533	114,782	323,045	614,749	10,471	370,579	7,106	67,493	597,674	2,660,432
Currency realignment	(1,713)	(5,484)	(5,109)	(21,513)	(152)	(9,447)	—	—	(2,019)	(45,437)
Additions	—	5,862	19,524	49,017	849	3,130	—	2,467	500,141	580,990
Acquisition of a subsidiary (Note 43)	—	1,057	141	1,327	—	106	—	—	569	3,200
Disposals	(68,197)	(6,430)	(32,394)	(11,284)	(342)	(72,051)	—	—	(4,622)	(195,320)
Reclassification	94,075	17,948	59,998	63,633	257	111,812	—	—	(347,723)	—
At December 31, 2022	578,698	127,735	365,205	695,929	11,083	404,129	7,106	69,960	744,020	3,003,865
Currency realignment	**2,055**	**(865)**	**1,366**	**(3,486)**	**(119)**	**(2,953)**	**—**	**—**	**(5,222)**	**(9,224)**
Additions	**2,833**	**10,920**	**18,859**	**28,426**	**232**	**1,387**	**10**	**36,782**	**402,124**	**501,573**
Acquisition of a subsidiary (Note 43)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**68,339**	**68,339**
Disposals	**(24,718)**	**(8,256)**	**(10,612)**	**(29,122)**	**(1,291)**	**(66,948)**	**—**	**(26,374)**	**(1,401)**	**(168,722)**
Reclassification	**338,899**	**14,025**	**35,566**	**153,410**	**1,266**	**71,534**	**—**	**—**	**(614,700)**	**—**
At December 31, 2023	**897,767**	**143,559**	**410,384**	**845,157**	**11,171**	**407,149**	**7,116**	**80,368**	**593,160**	**3,395,831**
Depreciation and Impairment										
At January 1, 2022	65,661	60,464	195,266	295,904	6,348	172,318	6,610	4,975	—	807,546
Currency realignment	(1,454)	(3,098)	(3,548)	(12,083)	(116)	(4,001)	—	—	—	(24,300)
Provided for the year	14,579	15,739	37,839	69,734	1,645	96,188	494	4,210	—	240,428
Eliminated on disposals	(2,321)	(4,258)	(29,805)	(8,954)	(241)	(60,101)	—	—	—	(105,680)
At December 31, 2022	76,465	68,847	199,752	344,601	7,636	204,404	7,104	9,185	—	917,994
Currency realignment	**115**	**(519)**	**882**	**(1,743)**	**(41)**	**(1,209)**	**—**	**—**	**—**	**(2,515)**
Provided for the year	**20,091**	**15,082**	**40,599**	**84,410**	**1,348**	**102,859**	**3**	**4,649**	**—**	**269,041**
Eliminated on disposals	**(1,173)**	**(6,886)**	**(10,024)**	**(15,995)**	**(1,012)**	**(56,635)**	**—**	**(7,501)**	**—**	**(99,226)**
At December 31, 2023	**95,498**	**76,524**	**231,209**	**411,273**	**7,931**	**249,419**	**7,107**	**6,333**	**—**	**1,085,294**
Carrying amounts										
At December 31, 2023	**802,269**	**67,035**	**179,175**	**433,884**	**3,240**	**157,730**	**9**	**74,035**	**593,160**	**2,310,537**
At December 31, 2022	502,233	58,888	165,453	351,328	3,447	199,725	2	60,775	744,020	2,085,871

Note: Buildings with a carrying amount of US$9,601,000 (2022: US$11,371,000) are erected on leasehold land that is presented as ROU assets on the consolidated statement of financial position.

16. Property, Plant and Equipment (continued)

The above PP&E, other than freehold land and construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Land and buildings	Over the Shorter of lease term or useful life of twenty to fifty years
Leasehold improvements	$2\frac{1}{2}$% – $37\frac{1}{2}$%
Office equipment, furniture and fixtures	10% – $33\frac{1}{3}$%
Plant and machinery	5% – $33\frac{1}{3}$%
Motor vehicles	10% – $33\frac{1}{3}$%
Moulds and tooling	18% – $33\frac{1}{3}$%
Vessels	20% – 25%
Aircraft	6%

The carrying amounts of properties shown above comprise:

	2023 **US$'000**	2022 US$'000
Properties situated outside Hong Kong are analyzed as follows:		
Freehold land	**673,729**	431,519
Land and buildings	**70,593**	11,371
	744,322	442,890
Land and buildings situated in Hong Kong	**57,947**	59,343
	802,269	502,233

The cost of the Group's PP&E includes amounts of US$261,645,000 (2022: US$233,661,000) in respect of fully depreciated PP&E that are still in use.

17. Right of Use Assets

	Land and buildings US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Aircraft US$'000	Leasehold land US$'000	Total US$'000
Cost							
At January 1, 2022	687,348	13,058	8,940	131,054	12,582	38,873	891,855
Currency realignment	(16,937)	(33)	(256)	(3,727)	—	(3,057)	(24,010)
Additions	232,501	9,457	534	51,424	—	—	293,916
Acquisition of a subsidiary (Note 43)	1,701	11	—	—	—	—	1,712
Early termination/end of leases	(25,800)	(1,153)	(224)	(11,025)	(12,582)	—	(50,784)
At December 31, 2022	878,813	21,340	8,994	167,726	—	35,816	1,112,689
Currency realignment	**4,587**	**2**	**80**	**1,939**	**—**	**(1,010)**	**5,598**
Additions	**269,484**	**1,039**	**6,693**	**71,966**	**—**	**—**	**349,182**
Acquisition of a subsidiary (Note 43)	**12,008**	**—**	**—**	**—**	**—**	**—**	**12,008**
Early termination/end of leases	**(65,555)**	**(2,961)**	**(859)**	**(32,111)**	**—**	**—**	**(101,486)**
At December 31, 2023	**1,099,337**	**19,420**	**14,908**	**209,520**	**—**	**34,806**	**1,377,991**
Depreciation							
At January 1, 2022	247,090	4,683	3,629	61,444	11,219	10,425	338,490
Currency realignment	(8,423)	(8)	(128)	(2,216)	—	(835)	(11,610)
Provided for the year	100,733	4,527	1,498	31,306	1,201	733	139,998
Elimination on early termination/end of leases	(13,765)	(1,129)	(224)	(9,940)	(12,420)	—	(37,478)
At December 31, 2022	325,635	8,073	4,775	80,594	—	10,323	429,400
Currency realignment	**2,384**	**1**	**44**	**862**	**—**	**(291)**	**3,000**
Provided for the year	**115,682**	**5,417**	**2,132**	**42,250**	**—**	**697**	**166,178**
Elimination on early termination/end of leases	**(60,299)**	**(2,921)**	**(416)**	**(22,960)**	**—**	**—**	**(86,596)**
At December 31, 2023	**383,402**	**10,570**	**6,535**	**100,746**	**—**	**10,729**	**511,982**
Carrying amounts							
At December 31, 2023	**715,935**	**8,850**	**8,373**	**108,774**	**—**	**24,077**	**866,009**
At December 31, 2022	553,178	13,267	4,219	87,132	—	25,493	683,289

17. Right of Use Assets (continued)

During the year ended December 31, 2022, the Group disposed certain PP&E (mainly Land and buildings) with carrying amount of approximately US$67,595,000 at consideration of US$78,572,000 to an independent third party. Subsequently, the Group entered into a lease agreement with the purchaser to leaseback the PP&E for 36 months. The transaction constituted a sales and leaseback transaction and the Group recognized ROU assets and lease liabilities of approximately US$11,735,000 and US$13,640,000 respectively.

	2023 **US$'000**	2022 US$'000
Expense relating to short-term leases	**21,457**	27,549
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**22,409**	18,701
Total cash outflow for leases	**223,216**	194,641

For both years, the Group leased land and buildings, office equipment, furniture and fixtures, plant and machinery, motor vehicles, aircraft and leasehold land for its operations. Lease contracts are entered into for term of up to 50 years (2022: 50 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for property, plant and machinery, office equipment, furniture and fixtures and motor vehicles. As at December 31, 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases Committed

As at December 31, 2023, the Group entered into new leases for certain PP&E that have not yet commenced, with average non-cancellable period that ranges from 2 to 10 years (2022: 2 to 6 years) with extension options, the total future undiscounted cash flows under which amounts to US$44,643,000 (2022: US$12,212,000) over the non-cancellable period.

Details of the lease maturity analysis of the lease liabilities are set out in Note 34.

18. Goodwill

	US$'000
At January 1, 2022	577,237
Currency realignment	(3,668)
Arising on acquisition of a subsidiary (Note 43)	25,105
At December 31, 2022	598,674
Currency realignment	**1,659**
Arising on acquisition of a subsidiary (Note 43)	**3,964**
At December 31, 2023	**604,297**

Particulars regarding impairment testing of goodwill are disclosed in Note 20.

19. Intangible Assets

	Deferred development costs US$'000	Patents US$'000	Trademarks US$'000	Manufacturing know-how US$'000	Retailer and service relationships US$'000	Non compete agreement US$'000	Total US$'000
Cost							
At January 1, 2022	1,024,593	109,512	239,212	1,753	9,900	1,300	1,386,270
Currency realignment	(78)	(280)	—	—	—	—	(358)
Additions	388,266	15,401	1,209	—	—	—	404,876
Arising on acquisition of a subsidiary (Note 43)	—	2,015	—	—	—	—	2,015
Written off in the year	(37,958)	(309)	—	—	—	—	(38,267)
At December 31, 2022	1,374,823	126,339	240,421	1,753	9,900	1,300	1,754,536
Currency realignment	**105**	**161**	**—**	**—**	**—**	**—**	**266**
Additions	**357,108**	**15,297**	**183**	**—**	**—**	**—**	**372,588**
Written off in the year	**(54,808)**	**(454)**	**(170)**	**—**	**—**	**—**	**(55,432)**
At December 31, 2023	**1,677,228**	**141,343**	**240,434**	**1,753**	**9,900**	**1,300**	**2,071,958**
Amortization							
At January 1, 2022	452,144	64,626	14,772	876	2,767	1,300	536,485
Currency realignment	(61)	(68)	—	—	—	—	(129)
Provided for the year	112,065	6,468	37	130	1,725	—	120,425
Eliminated on write-off	(26,258)	—	—	—	—	—	(26,258)
At December 31, 2022	537,890	71,026	14,809	1,006	4,492	1,300	630,523
Currency realignment	**99**	**81**	**—**	**—**	**—**	**—**	**180**
Provided for the year	**154,530**	**7,805**	**88**	**130**	**660**	**—**	**163,213**
Eliminated on write-off	**(20,207)**	**—**	**(170)**	**—**	**—**	**—**	**(20,377)**
At December 31, 2023	**672,312**	**78,912**	**14,727**	**1,136**	**5,152**	**1,300**	**773,539**
Carrying amounts							
At December 31, 2023	**1,004,916**	**62,431**	**225,707**	**617**	**4,748**	**—**	**1,298,419**
At December 31, 2022	836,933	55,313	225,612	747	5,408	—	1,124,013

Deferred development costs are internally-generated by capitalizing the costs pertaining to the development of new products or enhancement of existing products.

Included in trademarks of the Group, US$224,440,000 (2022: US$224,440,000) are trademarks considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely. The trademarks will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

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

19. Intangible Assets (continued)

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

Deferred development costs	$14\frac{1}{3}$% – $33\frac{1}{3}$%
Patents	10% – 25%
Trademarks with finite useful lives	$6\frac{2}{3}$% – 10%
Manufacturing know-how	10%
Retailer and service relationships	5% – $6\frac{2}{3}$%
Non compete agreement	$6\frac{2}{3}$%

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

As explained in Note 5, the Group uses the types of goods sold as the basis for preparing the operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19, the majority of the amounts have been allocated to four major individual CGUs, including three units in the Power Equipment segment and one unit in the Floorcare & Cleaning segment. The carrying amounts of goodwill and trademarks as at December 31, 2023 allocated to these units are as follows:

	Goodwill		Trademarks	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Power Equipment – MET	**467,881**	466,705	**126,607**	126,607
Power Equipment – TTI OPE	**16,509**	16,509	**30,648**	30,648
Power Equipment – Drebo	**21,523**	21,040	**—**	—
Floorcare & Cleaning – RAM/Hoover/VAX	**75,748**	75,748	**67,179**	67,179
Others	**22,636**	18,672	**6**	6
	604,297	598,674	**224,440**	224,440

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

Power Equipment – MET ("MET")

The recoverable amounts of MET's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 8.0% (2022: 7.5%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on MET's past performance, management's expectations of the market development, the success of the new products launched, managing the working capital and the continuance of costs controlling strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2022: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of MET's goodwill and intangible assets to exceed the estimated recoverable amounts.

Power Equipment – TTI OPE ("TTI OPE")

The recoverable amounts of TTI OPE's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9.0% (2022: 9.0%) per annum.

Cash flow projections during the budget period for TTI OPE are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on TTI OPE's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of TTI OPE's goodwill and intangible assets to exceed the estimated recoverable amounts.

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

Power Equipment – Drebo ("Drebo")

The recoverable amounts of Drebo's goodwill have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10.0% (2022: 9.5%) per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Drebo's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a 3.0% (2022: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Drebo's goodwill to exceed the estimated recoverable amount.

Floorcare & Cleaning – RAM/Hoover/VAX ("RAM/Hoover/VAX")

The recoverable amounts of RAM/Hoover/VAX's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13.0% (2022: 12.5%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimations are based on RAM/Hoover/VAX's past performance, management's expectations of the market development, managing the working capital and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2022: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of RAM/Hoover/VAX's goodwill and intangibles to exceed the estimated aggregate recoverable amounts.

21. Interest in an Associate

	2023 **US$'000**	2022 US$'000
Cost of investment in an associate	**1,470**	1,470
Share of post-acquisition profits	**586**	559
Share of net assets	**2,056**	2,029

Summarized financial information in respect of an associate, Wuerth Master Power Tools Limited ("Wuerth"), is set out below. The summarized financial information below represents amounts shown in Wuerth's financial statements prepared in accordance with HKFRSs.

Wuerth is accounted for using equity method in the consolidated financial statements.

	2023 **US$'000**	2022 US$'000
Non-current assets	**2,642**	1,944
Current assets	**8,739**	7,490
Current liabilities	**7,186**	5,293
Net assets	**4,195**	4,141

	2023 **US$'000**	2022 US$'000
Profit for the year	**54**	8

21. Interest in an Associate (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in Wuerth recognized in the consolidated financial statements:

	2023 US$'000	2022 US$'000
Net assets	**4,195**	4,141
Proportion of the Group's ownership interest	**49.0%**	49.0%
The Group's share of net assets	**2,056**	2,029
Carrying amount of the Group's interest	**2,056**	2,029

Particulars of an associate as at December 31, 2023 and 2022 are set out in Note 52.

22. Financial Assets at FVTPL

	Notes	**2023 US$'000**	2022 US$'000
Club membership debentures	(a)	**4,887**	4,899
Unlisted equity securities	(b)	**3,800**	4,800
Listed equity securities	(c)	**26,114**	13,466
Other		**45**	45
		34,846	23,210
Analyzed for reporting purposes as:			
Current assets		**26,114**	13,466
Non-current assets		**8,732**	9,744
		34,846	23,210

Notes:

(a) As at December 31, 2023 and 2022, the club membership debentures measured at fair value with reference to recent transaction prices for similar comparables with similar characteristics.

(b) As at December 31, 2023, the unlisted equity securities represented the interests in private companies incorporated in the United States of America ("US"). The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in a private market.

(c) The Group's listed equity securities were carried at fair value using the market bid prices on the reporting date.

23. Finance lease receivables

The finance lease receivables represent the sublease arrangement entered by the Group as a lessor for land and building during the year. The term of finance lease entered into is approximately four years. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Finance lease receivables comprise:				
Within one year	**2,821**	2,746	**2,706**	2,589
In the second year	**2,899**	2,821	**2,828**	2,706
In the third year	**2,979**	2,899	**2,953**	2,828
In the fourth year	**—**	2,979	**—**	2,953
	8,699	11,445	**8,487**	11,076
Less: Unearned finance income	**(212)**	(369)	**N/A**	N/A
Present value of minimum lease payment receivables	**8,487**	11,076	**8,487**	11,076
Analyzed as:				
Current			**2,706**	2,589
Non-current			**5,781**	8,487
			8,487	11,076

Interest rate implicit in the above finance lease was 1.60% (2022:1.60%).

The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the finance lease is denominated in the respective functional currency of the group entity.

Details of impairment assessment are set out in Note 37.2.4.

24. Inventories

	2023	2022
	US$'000	US$'000
Raw materials	**837,642**	870,652
Work in progress	**97,318**	102,190
Finished goods	**3,163,201**	4,112,109
	4,098,161	5,084,951

25. Right to Returned Goods Asset/Refund Liabilities from Right of Return

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's various returns policies.

The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for the sold products expected to be returned.

The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

26. Trade and Other Receivables

	2023 **US$'000**	2022 US$'000
Trade receivables	**1,757,327**	1,559,646
Less: Allowances for credit losses	**(57,848)**	(58,387)
	1,699,479	1,501,259
Other receivables	**112,113**	138,304
	1,811,592	1,639,563

As at January 1, 2022, all trade receivables amounted US$1,900,147,000 are derived from contracts with customers.

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:

	2023 **US$'000**	2022 US$'000
0 to 60 days	**1,291,677**	1,090,446
61 to 120 days	**335,205**	328,173
121 days or above	**72,597**	82,640
Total trade receivables	**1,699,479**	1,501,259

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

As at December 31, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$317,836,000 (2022: US$315,617,000) which are past due as at the reporting date. The past due over 90 days balances that are presumed in default in accordance with the Group's accounting policy of US$26,022,000 (2022: US$29,486,000) are not considered as in default as they are due from a number of independent customers that have a good payment track record with the Group.

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days.

In accordance with receivables purchase agreements, certain trade receivables have been factored to banks (the "Factored Trade Receivables"). As the Group still retained the credit risks with respect to default payments, the Group has continued to recognize the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of US$19,500,000 (2022: US$54,426,000) were recognized as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

27. Bills Receivable

All the Group's bills receivable at December 31, 2023 and 2022 are aged within 120 days based on invoice date.

28. Trade Receivables from an Associate

The trade receivables from an associate are aged within 120 days based on invoice date and are unsecured, non-interest bearing and are repayable on demand.

29. Derivative Financial Instruments

	2023 US$'000	2022 US$'000
Assets		
Acquisition right of certain property, plant and equipment	**8,084**	8,002
Foreign currency forward contracts – under hedge accounting	**8,461**	49,146
Foreign currency forward contracts – not under hedge accounting	**652**	10,564
Cross-currency interest rate swaps – under hedge accounting	**5,342**	17,064
	22,539	84,776

	2023 US$'000	2022 US$'000
Liabilities		
Foreign currency forward contracts – under hedge accounting	**14,815**	50,474
Foreign currency forward contracts – not under hedge accounting	**1,247**	—
	16,062	50,474

Acquisition Right of Certain PP&E

As at December 31, 2023 and 2022, the Group owned a right to acquire certain PP&E which was acquired as part of the acquisition of the Oreck business from the Oreck Bankruptcy Estate. The right is expected to be exercised in 2032. The fair value of the PP&E was US$8,084,000 valued on September 30, 2023 (2022: US$8,002,000 valued on September 30, 2022) by Kroll, an independent valuer not related to the Group.

Foreign Currency Forward Contracts

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

Foreign Currency Forward Contracts under Hedge Accounting

At the end of the reporting period, the Group had the following foreign currency forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to future foreign currency sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

29. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts under Hedge Accounting (continued)

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

2023

Notional amounts in millions ("M")	Maturity
Sell AUD 411.0M, Buy US$	**January 30, 2024 to December 30, 2024**
Sell EUR 645.0M, Buy US$	**January 26, 2024 to December 27, 2024**
Sell US$ 266.9M, Buy RMB	**January 26, 2024 to December 27, 2024**
Sell US$ 485.5M, Buy EUR	**January 11, 2024 to July 3, 2025**
Sell GBP 30.9M, Buy EUR	**January 11, 2024 to June 13, 2024**
Sell GBP 57.1M, Buy US$	**January 5, 2024 to December 5, 2024**
Sell CHF 3.8M, Buy EUR	**January 11, 2024 to December 12, 2024**
Sell PLN 159.0M, Buy EUR	**January 11, 2024 to December 12, 2024**
Sell CAD 475.4M, Buy US$	**January 31, 2024 to June 28, 2024**
Sell MXN 284.7M, Buy US$	**January 31, 2024 to June 28, 2024**

2022

Notional amounts in M	Maturity
Sell AUD 575.5M, Buy US$	January 30, 2023 to December 28, 2023
Sell EUR 545.0M, Buy US$	January 26, 2023 to December 28, 2023
Sell US$ 44.9M, Buy HK$	January 5, 2023 to February 16, 2023
Sell US$ 877.6M, Buy RMB	January 30, 2023 to December 29, 2023
Sell US$ 103.8M, Buy EUR	January 5, 2023 to December 21, 2023
Sell GBP 59.1M, Buy US$	January 6, 2023 to December 22, 2023
Sell GBP 70.5M, Buy EUR	January 12, 2023 to December 18, 2023
Sell CHF 7.0M, Buy EUR	January 12, 2023 to December 14, 2023
Sell NOK 68.0M, Buy EUR	January 12, 2023 to March 9, 2023

For the foreign currency forward contracts held at December 31, 2023, a fair value loss of US$6,221,000 (December 31, 2022: fair value loss of US$171,465,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss upon maturity.

During the year, a fair value loss of US$1,265,000 (2022: fair value gain of US$84,333,000) was reclassified from reserves to profit or loss upon maturity.

Major terms of the foreign currency forward contracts not under hedge accounting are as follows:

2023

Notional amounts in M	Maturity
Buy EUR 2.4M, Sell AUD	**January 19, 2024 to December 20, 2024**
Buy US$ 25.8M, Sell AUD	**January 17, 2024 to December 20, 2024**
Buy US$ 49.0M, Sell NZD	**January 17, 2024 to December 20, 2024**

2022

Notional amounts in M	Maturity
Buy EUR 3.0M, Sell AUD	January 23, 2023 to December 21, 2023
Buy US$ 70.4M, Sell AUD	January 20, 2023 to December 22, 2023
Buy US$ 62.2M, Sell NZD	January 24, 2023 to December 22, 2023
Buy US$ 244.8M, Sell CAD	January 31, 2023 to June 30, 2023

29. Derivative Financial Instruments (continued)

Cross-currency Interest Rate Swaps

The Group uses cross-currency interest rate swaps designated as effective hedging instrument to minimize its exposures to interest rate risk on US$ and HK$ floating borrowings and foreign currency risk on the intercompany advances which affects the consolidated profit or loss.

The cross-currency interest rate swaps with total notional amount of US$144,180,000 (2022: US$210,300,000) have fixed currency payments in EUR at exchange rate of EUR to US$ at 1.102 and 1.077 (2022: at 1.102 and 1.077) and fixed interest payments monthly in EUR at 0.305% and 0.520% per annum (2022: 0.305% and 0.520% per annum) for periods up until October 2024, April 2024, April 2025 (2022: October 2023, October 2024, April 2024 and April 2025).

The Group also has HK$750,000,000 fixed currency payments in HK$ at exchange rate of EUR to HK$ at 8.5190 and fixed interest payments monthly in EUR at 4.068% per annum for periods up until July 2025.

The floating rate index and the currency exposure of the cross-currency interest rate swaps match with the floating rate US$ and HK$ bank borrowings and the currency exposure of the intercompany advances respectively.

During the year, a fair value loss of US$11,722,000 (December 31, 2022: fair value gain of US$23,461,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

The fair value of the cross-currency interest rate swaps is determined by using the discounted cash flow method based on Secured Overnight Financing Rate ("SOFR") yield curves, Hong Kong Interbank Offered Rate ("HIBOR") yield curves and the forward exchange rates between US$ and EUR & HK$ and EUR estimated at the end of the reporting period.

Major terms of the cross-currency interest rate swaps were as follows:

2023

Notional amounts	**Maturity**	**Receive floating**	**Pay fixed**
US$99,180,000	**October 9, 2024**	**SOFR +0.96448%**	**0.305%**
US$18,000,000	**April 23, 2024**	**SOFR +0.96448%**	**0.520%**
US$27,000,000	**April 23, 2025**	**SOFR +0.96448%**	**0.520%**
HK$750,000,000	**July 3, 2025**	**HIBOR +0.68%**	**4.068%**

2022

Notional amounts	Maturity	Receive floating*	Pay fixed
US$66,120,000	October 16, 2023	LIBOR +0.85%	0.305%
US$99,180,000	October 9, 2024	LIBOR +0.85%	0.305%
US$18,000,000	April 23, 2024	LIBOR +0.85%	0.520%
US$27,000,000	April 23, 2025	LIBOR +0.85%	0.520%

* The receive floating would be changed from "London Interbank Offered Rate ("LIBOR") + 0.85%" to "SOFR + Credit Adjustment Spread + 0.85%" on rate switch date June 30, 2023.

30. Bank Balances, Deposits and Cash

Bank balances carry interest at market rates which ranged from 0.05% to 6.18% (2022: 0.001% to 6.00%) per annum.

31. 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:

	2023	2022
	US$'000	US$'000
0 to 60 days	**1,017,375**	1,306,486
61 to 120 days	**495,930**	533,961
121 days or above	**142,062**	232,838
Total trade payables	**1,655,367**	2,073,285
Other payables	**1,749,394**	1,764,488
Total trade and other payables	**3,404,761**	3,837,773
Non-current portion of other payables	**(31,530)**	(60,346)
	3,373,231	3,777,427

The credit period on the purchase of goods ranges from 30 days to 120 days (2022: 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.

The other payables mainly represents accruals of various selling, general and administrative expenses of US$1,621,560,000 (2022: US$1,554,656,000). The non-current other payables mainly represents accruals of long-term incentive benefits offered to certain management executives of the Group.

32. Bills Payable

All the Group's bills payable at December 31, 2023 and 2022 are aged within 120 days based on invoice date.

33. Warranty Provision

	US$'000
At January 1, 2022	182,765
Currency realignment	(3,610)
Provision in the year	157,724
Utilization of provision	(131,529)
At December 31, 2022	205,350
Currency realignment	**1,213**
Provision in the year	**159,173**
Utilization of provision	**(130,139)**
At December 31, 2023	**235,597**

The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims and industry averages for defective products. It is expected that the majority of this expenditure will be utilized in the next financial year.

34. Lease Liabilities

	2023 US$'000	2022 US$'000
Amounts payable under lease liabilities:		
Within one year	**153,523**	139,520
In more than one year but not more than two years	**138,297**	110,402
In more than two years but not more than five years	**262,697**	224,702
More than five years	**333,375**	230,457
	887,892	705,081
Less: Amount due for settlement within 12 months shown under current liabilities	**(153,523)**	(139,520)
Amount due for settlement after 12 months shown under non-current liabilities	**734,369**	565,561

The weighted average incremental borrowing rates applied to lease liabilities ranged from 1.10% to 4.90% (2022: from 1.10% to 2.80%).

Lease obligations that are denominated in major currencies other than the functional currencies of the relevant group entities are set out below:

	EUR US$'000	AUD US$'000	VND US$'000	GBP US$'000
As at December 31, 2023	**78,840**	**73,908**	**34,194**	**27,227**
As at December 31, 2022	35,387	18,811	49,654	22,340

35. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 5.14% per annum (2022: 2.01% per annum) have maturity profiles of less than 120 days.

36. Capital Risk Management

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

The capital structure of the Group consists of net debt which includes unsecured borrowings and discounted bills with recourse, net of cash and cash equivalents and equity attributable to Owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing Ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not exceeding 35% determined as the proportion of net debt to equity. The Group will continue to execute very disciplined control and management of its working capital and generate free cash inflows through the growth of the business.

The gearing ratio at the year end was as follows:

	2023 **US$'000**	2022 US$'000
Bank balances, deposits and cash	**953,240**	1,428,930
Debt[(i)]	**(1,934,330)**	(3,098,526)
Net debt	**(981,090)**	(1,669,596)
Equity[(ii)]	**5,747,550**	5,205,481
Net debt to equity ratio	**17.07%**	32.07%

(i) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from Factored Trade Receivables as detailed in Notes 35, 38 and 26 respectively.

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

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

37. Financial Instruments

37.1 Categories of Financial Instruments

	2023 US$'000	2022 US$'000
Financial assets		
FVTPL		
Financial assets at FVTPL	**34,846**	23,210
	34,846	23,210
Derivative financial instruments		
Acquisition right of certain property, plant and equipment	**8,084**	8,002
Foreign currency forward contracts – under hedge accounting	**8,461**	49,146
Foreign currency forward contracts – not under hedge accounting	**652**	10,564
Cross-currency interest rate swaps – under hedge accounting	**5,342**	17,064
	22,539	84,776
Financial assets at amortized cost		
Trade and other receivables	**1,811,592**	1,639,563
Bills receivable	**8,423**	6,887
Trade receivables from an associate	**6,927**	5,026
Bank balances, deposits and cash	**953,240**	1,428,930
	2,780,182	3,080,406
Financial liabilities		
Derivative financial instruments		
Foreign currency forward contracts – under hedge accounting	**14,815**	50,474
Foreign currency forward contracts – not under hedge accounting	**1,247**	—
	16,062	50,474
Financial liabilities at amortized cost		
Trade and other payables	**3,404,761**	3,837,773
Bills payable	**18,424**	20,267
Discounted bills with recourse	**2,708**	2,003
Unsecured borrowings	**1,951,122**	3,150,949
	5,377,015	7,010,992

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies

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

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

37.2.1 FOREIGN CURRENCY RISK MANAGEMENT

Subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 21.8% (2022: 21.2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst 16.4% (2022: 12.7%) of purchases are denominated in the group entity's respective functional currency.

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

	Liabilities		Assets	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Foreign Currency				
EUR	**510,754**	303,238	**566,186**	340,216
US$	**7,010,431**	5,400,972	**1,839,858**	1,884,521

Note: For group entities with their functional currency as the US$, monetary assets and monetary liabilities denominated in HK$ have no material foreign currency risk exposure as the HK$ is pegged with the US$.

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposure. The foreign exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into forward contracts in relation to the foreign currency amounting to US$248,517,000 (2022: US$519,161,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness (see Note 29 for details).

The Group also uses cross-currency interest rate swaps to reduce currency exposure to hedge against the debts which are effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.1 FOREIGN CURRENCY RISK MANAGEMENT (continued)

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in the functional currency against foreign currency. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of cross-currency interest rate swaps held at the reporting date. A positive number below indicates an increase in profit for the year where functional currency weakens 5% (2022: 5%) against foreign currency. For a 5% (2022: 5%) strengthening of functional currency against the foreign currency, there would be an equal and opposite impact on the profit for the year and the amounts below would be negative.

	Impact of US$		Impact of EUR	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Profit for the year(i)	**(239,113)**	(163,703)	**2,563**	1,721

(i) This is mainly attributable to the net exposure on receivables, payables and unsecured borrowings denominated in US$ & EUR as foreign currency at the reporting date.

37.2.2 INTEREST RATE RISK MANAGEMENT

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note. The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 38 for details of these borrowings) and bank balances and deposits. The Group's cash flow interest rate risk is mainly concentrated on SOFR and EURO Interbank Offered Rate ("EURIBOR") arising from the Group's US$ and EUR denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk to be low. The management continuously monitors interest rate fluctuations and will consider further hedging the interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate unsecured borrowings (see Note 38 for details of these borrowings), discounted bills with recourse, finance lease receivables and lease liabilities.

During the year, the Group obtained new unsecured borrowings of US$5,597 million (2022: US$4,839 million) which are either at a fixed rate, SOFR, HIBOR, Shanghai Interbank Offered Rate ("SHIBOR") or EURIBOR based. The proceeds were used for refinancing the Group's borrowings.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.2 INTEREST RATE RISK MANAGEMENT (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year without considering the cross-currency interest rate swaps entered at the end of the reporting period. A 50 basis points (2022: 50 basis points) increase or decrease in SOFR and EURIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2023 would decrease/increase by US$4,750,000 (2022: decrease/increase by US$10,004,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

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

37.2.3 OTHER PRICE RISK

The Group is exposed to price risk mainly through its listed equity securities.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of listed equity securities measured at fair value at the reporting date.

If the prices of the listed equity securities had been 10% higher, the profit before tax for the year ended December 31, 2023 of the Group would have increased by US$2,611,000 (2022: increase by US$1,347,000) as a result of the changes in the fair values of the listed equity securities.

37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT

As at December 31, 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group amounted to US$2,788,669,000 (2022: US$3,091,482,000). The Group's credit risk exposures are primarily attributable to trade and other receivables, bills receivables, trade receivables from an associate, finance lease receivables and bank balances and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment using an ECL model on trade receivables collectively which are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 27.0% (2022: 31.6%) and 41.7% (2022: 49.1%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of Group has delegated a team responsible for determination of credit limits and credit approvals.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

Bank balances and deposits

The credit risks on bank balances and deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ Other items
Minimal risk	The counterparty has minimal risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired	12m ECL
Low risk	The counterparty has a low risk of default and occasionally repays after due dates.	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	The counterparty has a medium risk of default and occasionally repays after due dates.	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

The tables below detail the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	**2023** External credit rating	**2023** Gross carrying amount US$'000	2022 External credit rating	2022 Gross carrying amount US$'000
Trade receivables	26	(Note 1)	Lifetime ECL (not credit-impaired)	**N/A**	**1,757,327**	N/A	1,559,646
Other receivables	26	(Note 2)	12m ECL	**N/A**	**112,113**	N/A	138,304
Bills receivable	27	N/A	12m ECL	**A To AA-**	**8,423**	A To AA-	6,887
Trade receivables from an associate	28	(Note 2)	12m ECL	**N/A**	**6,927**	N/A	5,026
Finance lease receivables	23	(Note 2)	12m ECL	**N/A**	**8,487**	N/A	11,076
Bank balances and deposits	30	N/A	12m ECL	**A To AA-**	**953,240**	A To A+	1,428,930

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a collective assessment grouped by internal credit rating.
2. Trade receivables from an associate and other receivables amounted to US$6,927,000 and US$112,113,000 (2022: US$5,026,000 and US$138,304,000) respectively have no fixed repayment terms. The Group has assessed these balances on a 12m ECL basis as there has been no significant increase in the credit risk since initial recognition.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operations. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively as at December 31, 2023.

	2023			2022		
	Average loss rate	**Gross carrying amount US$'000**	**Allowances for credit losses US$'000**	Average loss rate	Gross carrying amount US$'000	Allowances for credit losses US$'000
Internal credit rating						
Minimal risk	**Less than 1%**	**319,352**	**—**	Less than 1%	346,104	—
Low risk	**1-5%**	**1,380,461**	**35,202**	1-5%	1,164,637	34,766
Medium risk	**6-20%**	**32,308**	**2,919**	6-20%	22,582	2,525
High risk	**Over 20%**	**25,206**	**19,727**	Over 20%	26,323	21,096
		1,757,327	**57,848**		1,559,646	58,387

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at December 31, 2023, the Group provided US$57,848,000 (2022: US$58,387,000) for credit losses allowances for trade receivables.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulties and there is no realistic prospect of recovery.

The following table shows the movement in the lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) US$'000
As at January 1, 2022	75,913
Currency realignment	(511)
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,566,204,000	(70,655)
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,213,542,000	58,387
Write-offs	(4,747)
As at December 31, 2022	58,387
Currency realignment	**666**
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,202,599,000	**(48,110)**
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,437,975,000	**57,848**
Write-offs	**(10,943)**
As at December 31, 2023	**57,848**

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT

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

As at December 31, 2023, the Group has available unutilized overdrafts facilities and short and medium term bank loan facilities of approximately US$307 million (2022: US$306 million) and US$5,468 million (2022: US$3,570 million) respectively.

Liquidity Tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on agreed repayment dates. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

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

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months-1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2023 US$'000
2023								
Non-derivative financial liabilities								
Trade and other payables	—	(2,239,051)	(841,826)	(292,354)	(27,702)	(3,828)	(3,404,761)	(3,404,761)
Bills payable	—	(1,568)	(5,692)	(11,164)	—	—	(18,424)	(18,424)
Lease liabilities	1.10%-4.90%	(12,794)	(25,715)	(117,733)	(142,446)	(631,837)	(930,525)	(887,892)
Discounted bills with recourse	5.14%	(124)	(2,607)	—	—	—	(2,731)	(2,708)
Unsecured borrowings	0.31%-6.47%	(585,282)	(143,808)	(196,747)	(283,853)	(807,711)	(2,017,401)	(1,951,122)
Refund liabilities from right of return	—	(7,226)	—	(8,989)	—	—	(16,215)	(16,215)
		(2,846,045)	(1,019,648)	(626,987)	(454,001)	(1,443,376)	(6,390,057)	(6,281,122)
2023								
Derivatives – net settlement								
Acquisition right of certain property, plant and equipment	—	—	—	—	—	8,084	8,084	8,084
Cross-currency interest rate swaps contracts	—	872	1,657	1,853	1,259	—	5,641	5,342
Foreign currency forward contracts – US$	—	—	282	(1,990)	—	—	(1,708)	(1,708)
		872	1,939	(137)	1,259	8,084	12,017	11,718
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	13,746	24,779	68,672	—	—	107,197	107,197
– RMB	—	—	—	266,179	—	—	266,179	266,179
– GBP	—	6,592	12,282	53,009	—	—	71,883	71,883
– US$	—	122,629	559,778	656,477	99,625	—	1,438,509	1,438,509
– AUD	—	4,650	12,720	10,908	—	—	28,278	28,278
– NZD	—	6,067	10,940	31,755	—	—	48,762	48,762
		153,684	620,499	1,087,000	99,625	—	1,960,808	1,960,808
– outflow								
– EUR	—	(13,865)	(24,948)	(68,876)	—	—	(107,689)	(107,689)
– RMB	—	—	—	(266,909)	—	—	(266,909)	(266,909)
– GBP	—	(6,628)	(12,368)	(53,643)	—	—	(72,639)	(72,639)
– US$	—	(123,942)	(558,486)	(659,497)	(99,255)	—	(1,441,180)	(1,441,180)
– AUD	—	(4,361)	(11,966)	(11,302)	—	—	(27,629)	(27,629)
– NZD	—	(6,130)	(11,043)	(32,830)	—	—	(50,003)	(50,003)
		(154,926)	(618,811)	(1,093,057)	(99,255)	—	(1,966,049)	(1,966,049)
		(1,242)	1,688	(6,057)	370	—	(5,241)	(5,241)

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2022 US$'000
2022								
Non-derivative financial liabilities								
Trade and other payables	—	(2,546,096)	(712,597)	(518,734)	(45,447)	(14,899)	(3,837,773)	(3,837,773)
Bills payable	—	(2,435)	(7,672)	(10,160)	—	—	(20,267)	(20,267)
Lease liabilities	1.10% — 2.80%	(11,627)	(23,339)	(106,367)	(112,831)	(475,186)	(729,350)	(705,081)
Discounted bills with recourse	2.01%	—	(2,010)	—	—	—	(2,010)	(2,003)
Unsecured borrowings	0.31% — 5.14%	(1,097,300)	(391,972)	(474,959)	(310,149)	(944,917)	(3,219,297)	(3,150,949)
Refund liabilities from right of return	—	(10,840)	—	(6,737)	—	—	(17,577)	(17,577)
		(3,668,298)	(1,137,590)	(1,116,957)	(468,427)	(1,435,002)	(7,826,274)	(7,733,650)
2022								
Derivatives – net settlement								
Acquisition right of certain property, plant and equipment	—	—	—	—	—	8,002	8,002	8,002
Cross-currency interest rate swaps contracts	—	894	1,874	8,193	7,025	352	18,338	17,064
Foreign currency forward contracts – US$	—	—	1,488	1,628	—	—	3,116	3,116
		894	3,362	9,821	7,025	8,354	29,456	28,182
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– HK$	—	33,820	11,246	—	—	—	45,066	45,066
– EUR	—	14,207	27,671	93,402	—	—	135,280	135,280
– RMB	—	136,480	250,006	456,715	—	—	843,201	843,201
– GBP	—	3,304	6,601	59,912	—	—	69,817	69,817
– US$	—	68,809	204,169	816,427	—	—	1,089,405	1,089,405
– AUD	—	7,226	24,072	42,377	—	—	73,675	73,675
– NZD	—	6,809	20,171	35,256	—	—	62,236	62,236
		270,655	543,936	1,504,089	—	—	2,318,680	2,318,680
– outflow								
– HK$	—	(33,776)	(11,225)	—	—	—	(45,001)	(45,001)
– EUR	—	(13,798)	(26,930)	(92,675)	—	—	(133,403)	(133,403)
– RMB	—	(139,385)	(259,486)	(479,873)	—	—	(878,744)	(878,744)
– GBP	—	(3,281)	(6,554)	(61,731)	—	—	(71,566)	(71,566)
– US$	—	(68,203)	(204,720)	(782,396)	—	—	(1,055,319)	(1,055,319)
– AUD	—	(6,680)	(22,208)	(39,788)	—	—	(68,676)	(68,676)
– NZD	—	(6,402)	(18,684)	(34,765)	—	—	(59,851)	(59,851)
		(271,525)	(549,807)	(1,491,228)	—	—	(2,312,560)	(2,312,560)
		(870)	(5,871)	12,861	—	—	6,120	6,120

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

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

Liquidity Tables (continued)

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

37.3 Fair Value

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

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of cross-currency interest rate swaps is measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices or latest purchase/transaction prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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 categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are 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).

37. Financial Instruments (continued)

37.3 Fair Value (continued)

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

Financial assets/ financial liabilities	Fair value as at 2023	Fair value as at 2022	Fair value hierarchy	Valuation techniques and key inputs
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the consolidated statement of financial position	**Acquisition right of certain property, plant and equipment: US$8,084,000**	Acquisition right of certain property, plant and equipment: US$8,002,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Assets – US$9,113,000; and Liabilities – US$16,062,000**	Assets – US$59,710,000; and Liabilities – US$50,474,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position	**Listed shares: US$26,114,000**	Listed shares: US$13,466,000	Level 1	Quoted bid prices in an active market.
4) Other financial assets classified as financial assets at FVTPL in the consolidated statement of financial position	**Club membership debentures: US$4,887,000**	Club membership debentures: US$4,899,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
	Unlisted equity securities: US$3,800,000	Unlisted equity securities: US$4,800,000	Level 2	The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.
	Other: US$45,000	Other: US$45,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
5) Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	**Assets – US$5,342,000; and Liabilities – Nil**	Assets – US$17,064,000; and Liabilities – Nil	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period.

37. Financial Instruments (continued)

37.3 Fair Value (continued)

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Level 1 US$'000	Level 2 US$'000	Total US$'000
2023			
Financial assets			
Acquisition right of certain property, plant and equipment	**—**	**8,084**	**8,084**
Foreign currency forward contracts	**—**	**9,113**	**9,113**
Cross-currency interest rate swaps	**—**	**5,342**	**5,342**
Financial assets at FVTPL	**26,114**	**8,732**	**34,846**
Total	**26,114**	**31,271**	**57,385**
Financial liabilities			
Foreign currency forward contracts	**—**	**(16,062)**	**(16,062)**
Total	**—**	**(16,062)**	**(16,062)**
2022			
Financial assets			
Acquisition right of certain property, plant and equipment	—	8,002	8,002
Foreign currency forward contracts	—	59,710	59,710
Cross-currency interest rate swaps	—	17,064	17,064
Financial assets at FVTPL	13,466	9,744	23,210
Total	13,466	94,520	107,986
Financial liabilities			
Foreign currency forward contracts	—	(50,474)	(50,474)
Total	—	(50,474)	(50,474)

37. Financial Instruments (continued)

37.4 Transfers of financial assets

The following were the Group's financial assets as at December 31, 2023 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group retained substantially all of the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as discounted bills with recourse (see Note 35) and unsecured borrowings – due within one year (see Note 38). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

The trade and bills receivables discounted with banks with full recourse at the year end was as follows:

	2023 **US$'000**	2022 US$'000
Carrying amount of transferred assets	**22,208**	56,429
Carrying amount of associated liabilities	**(22,208)**	(56,429)
Net position	**—**	—

The directors of the Company consider that the carrying amounts of the discounted bills and unsecured borrowings approximate their fair values.

38. Unsecured Borrowings

	2023 **US$'000**	2022 US$'000
Bank advance from Factored Trade Receivables	**19,500**	54,426
Bank loans	**1,668,763**	2,835,760
Medium term notes	**262,859**	260,763
Total borrowings	**1,951,122**	3,150,949

The borrowings of the Group are repayable as follows:

	2023 **US$'000**	2022 US$'000
Fixed-rate		
Within one year	**124,959**	79,931
In more than one year but not more than two years	**151,166**	124,796
In more than two years but not more than five years	**551,621**	591,916
More than five years	**99,020**	207,458
Variable-rate		
Within one year	**795,192**	1,873,016
In more than one year but not more than two years	**123,380**	177,125
In more than two years but not more than five years	**105,784**	96,707
	1,951,122	3,150,949
Less: Amount due within one year shown under current liabilities	**(920,151)**	(1,952,947)
Amount due after one year	**1,030,971**	1,198,002

38. Unsecured Borrowings (continued)

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

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**0.73% to 3.66%**	0.73% to 3.66%
Variable-rate borrowings	**0.31% to 6.47%**	0.31% to 5.14%

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

	US$'000
As at December 31, 2023	**698,826**
As at December 31, 2022	53,305

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

39. Share Capital

	2023 Number of shares	2022 Number of shares	**2023 US$'000**	2022 US$'000
Ordinary shares				
Issued and fully paid:				
At the beginning of the year	**1,834,697,941**	1,834,484,441	**684,710**	683,395
Issue of shares upon exercise of share options	**120,000**	213,500	**682**	1,315
Buy-back of shares	**(500,000)**	—	**—**	—
At the end of the year	**1,834,317,941**	1,834,697,941	**685,392**	684,710

Details of the share options are set out in Note 45.

During 2023, the Company bought back and cancelled its own shares through the Stock Exchange as follows:

Month of cancellation	**No. of ordinary shares**	**Price per share Highest HK$**	**Price per share Lowest HK$**	**Aggregate consideration paid US$'000**
October 2023	**500,000**	**68.70**	**67.90**	**4,408**

The shares bought back were settled and cancelled during the year. The consideration paid on the buy-back of the shares of approximately US$4,408,000 was charged to retained profits.

40. Reserves

	Shares held for share award scheme US$'000	Employee share-based compensation reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000
The Company					
At January 1, 2022	(105,740)	31,341	66,903	23,105,529	23,098,033
Profit for the year	—	—	—	192,922	192,922
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	(74,220)	—	(74,220)
Total comprehensive (loss) income for the year	—	—	(74,220)	192,922	118,702
Shares issued on exercise of options	—	(258)	—	—	(258)
Vesting of awarded shares	21,651	(21,651)	—	—	—
Shares for share award scheme	(9,796)	—	—	—	(9,796)
Recognition of share-based payments	—	47,346	—	—	47,346
Final dividend – 2021	—	—	—	(236,104)	(236,104)
Interim dividend – 2022	—	—	—	(224,317)	(224,317)
At December 31, 2022	(93,885)	56,778	(7,317)	22,838,030	22,793,606
Loss for the year	**—**	**—**	**—**	**(240,354)**	**(240,354)**
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	**—**	**—**	**9,591**	**—**	**9,591**
Total comprehensive income (loss) for the year	**—**	**—**	**9,591**	**(240,354)**	**(230,763)**
Shares issued on exercise of options	**—**	**(132)**	**—**	**—**	**(132)**
Buy-back of shares	**—**	**—**	**—**	**(4,408)**	**(4,408)**
Vesting of awarded shares	**23,479**	**(23,479)**	**—**	**—**	**—**
Shares for share award scheme	**(3,525)**	**—**	**—**	**—**	**(3,525)**
Recognition of share-based payments	**—**	**46,945**	**—**	**—**	**46,945**
Final dividend – 2022	**—**	**—**	**—**	**(212,525)**	**(212,525)**
Interim dividend – 2023	**—**	**—**	**—**	**(224,334)**	**(224,334)**
At December 31, 2023	**(73,931)**	**80,112**	**2,274**	**22,156,409**	**22,164,864**

As at December 31, 2023, the Company's reserves available for distribution to shareholders comprised the retained profits of US$22,156,409,000 (2022: US$22,838,030,000).

41. Retirement Benefit Obligations

Defined Contribution Plans:

The Group operating in Hong Kong have participated in the MPF Schemes registered under the Mandatory Provident Fund Schemes Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with a maximum amount of HK$18,000 (2022: HK$18,000) per employee per annum, which contribution is matched by the employee.

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

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

The total expense recognized in profit or loss of US$34,391,000 (2022: US$29,854,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined Benefit Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The defined benefit plans are administered by separate funds that are legally separated from the Group. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. The major defined benefit plans are as follows:

	2023 **US$'000**	2022 US$'000
Pension plan obligations (Note i)	**47,015**	46,107
Life and medical insurance plan (Note ii)	**57**	900
Others	**753**	664
	47,825	47,671

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes an unfunded plan that pays retirement benefits based on the term of service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the qualifying employees are entitled to retirement benefits varying between 10% and 20% of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on January 1, 2024, by BDO AG Wirtschaftsprufungsgesellschaft, an independent valuer not related to the Group.

Note ii: Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 29, 2023 by Willis Towers Watson, an independent valuer not related to the Group.

41. Retirement Benefit Obligations (continued)

Defined Benefit Plans: (continued)

The plans in Germany and the US expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is reinsured by an external insurance company.

The main actuarial assumptions used were as follows:

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
Discount rate	**4.25%**	3.80%	**4.54%**	4.25%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A
Future pension increases	**2.00%**	2.00%	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%

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

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Current service cost and interest cost	**N/A**	N/A	**—**	2
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**3**	44

41. Retirement Benefit Obligations (continued)

Defined Benefit Plans: (continued)

Amounts recognized in other comprehensive income in respect of the defined benefit plans are as follows:

	Pension plan		Life & medical Insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Service cost:				
Current service cost	**331**	463	**—**	—
Net interest expense on defined benefit liabilities	**1,716**	382	**35**	20
Components of defined benefit costs recognized in profit or loss	**2,047**	845	**35**	20
Remeasurement on the net defined benefit liability:				
Actuarial losses (gains) arising from changes in financial assumptions	**710**	(21,855)	**(872)**	(152)
Components of defined benefit costs recognized in other comprehensive income	**710**	(21,855)	**(872)**	(152)
Total	**2,757**	(21,010)	**(837)**	(132)

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

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

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Present value of unfunded obligations	**47,015**	46,107	**57**	900

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

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
At January 1	**46,107**	74,474	**900**	1,051
Exchange realignment	**1,428**	(4,013)	**—**	—
Current service cost	**331**	463	**—**	—
Actuarial losses (gains)	**710**	(21,855)	**(872)**	(152)
Interest cost	**1,716**	382	**35**	20
Benefit paid	**(3,277)**	(3,344)	**(6)**	(19)
At December 31	**47,015**	46,107	**57**	900

The significant actuarial assumption for the determination of the defined obligation is the discount rate. If the discount rate is 100 basis points higher (lower), the effect on defined benefit obligation would be immaterial.

41. Retirement Benefit Obligations (continued)

Defined Benefit Plans: (continued)

Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57)

For the Company and several subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permitted the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting the LSP payable to an employee (the "Offsetting Arrangement").

The Amendment Ordinance was gazetted on June 17, 2022, which abolished the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., May 1, 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. On the other hand, the accrued benefits derived from the Group's voluntary contributions made pre-, on or post-transition can continue to be used to offset pre- and post-transition LSP. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date.

42. Deferred Tax Assets (Liabilities)

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

	Accelerated tax depreciation US$'000	Warranty provision US$'000	Employee related provision US$'000	Tax losses US$'000	Inventory provision US$'000	Others US$'000	Total US$'000
At January 1, 2022	(82,332)	26,000	74,748	17,797	(1,561)	48,725	83,377
Currency realignment	39	(457)	(465)	(113)	(439)	(1,542)	(2,977)
Charge to hedging reserve	—	—	—	—	—	304	304
(Charge) credit to profit or loss	(24,043)	5,712	(7,608)	35,098	(45,882)	23,907	(12,816)
Change in tax rates	—	—	—	(21)	—	—	(21)
Acquisition of a subsidiary (Note 43)	(380)	—	7	—	—	(3)	(376)
Credit to other comprehensive income	—	—	(2,631)	—	—	—	(2,631)
At December 31, 2022	(106,716)	31,255	64,051	52,761	(47,882)	71,391	64,860
Currency realignment	**(16)**	**226**	**112**	**21**	**(916)**	**920**	**347**
Charge to hedging reserve	**—**	**—**	**—**	**—**	**—**	**655**	**655**
(Charge) credit to profit or loss	**(29,782)**	**5,594**	**13,945**	**18,865**	**(24,198)**	**(13,332)**	**(28,908)**
Change in tax rates	**387**	**—**	**102**	**—**	**(137)**	**(21)**	**331**
Credit to other comprehensive income	**—**	**—**	**(200)**	**—**	**—**	**—**	**(200)**
At December 31, 2023	**(136,127)**	**37,075**	**78,010**	**71,647**	**(73,133)**	**59,613**	**37,085**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 US$'000	2022 US$'000
Deferred tax assets	**63,354**	81,082
Deferred tax liabilities	**(26,269)**	(16,222)
	37,085	64,860

At the end of the reporting period, the Group has unused tax losses of US$4,337 million (2022: US$2,537 million) available for offset against future taxable profits. Of the US$4,337 million of unused losses approximately US$447 million expire over the next 5 to 14 years with the remaining loss carry forwards having no useful life limitation. No deferred tax asset has been recognized in respect of tax losses of US$4,046 million (2022: US$2,323 million) due to the lack of probable future taxable profits.

In respect of all unrepatriated foreign earnings, the Group has provided deferred taxes of US$19 million (2022: US$15 million) as these unrepatriated foreign earnings are not considered permanently reinvested.

43. Acquisition of a subsidiary

In April 2023, the Group acquired 100% equity interest in Green Planet Distribution Centre Company Limited ("Green Planet") from independent third parties for a cash consideration of approximately US$75,094,000. Green Planet's business was acquired so as to continue the expansion of the Group's manufacture of power equipment and outdoor power equipment products business. Green Planet is engaged in the Power Equipment segment.

	2023 Fair value US$'000
Net Assets Acquired	
Property, plant and equipment	68,339
Right of use assets	12,008
Trade and other receivables	6,033
Bank balances and cash	76
Trade and other payables	(15,159)
Lease liabilities	(167)
Goodwill arising on acquisition	3,964
Total consideration	75,094
Net cash outflow arising on acquisition:	
Total consideration	75,094
Less: Consideration payable	(8,194)
Less: Deposit paid	(62,300)
Less: Bank balances and cash acquired	(76)
Net outflow of cash and cash equivalents in respect of the acquisition	4,524

Goodwill of US$3,964,000 arose on the acquisition of Green Planet's business from expected 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$6,033,000. All amounts are expected to be collected.

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$27,110,000 to the Group's revenue, and approximately US$7,449,000 decrease in the Group's profit before taxation for the period between the date of acquisition and the reporting date as at December 31, 2023.

43. Acquisition of a subsidiary (continued)

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.

	2022 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.

The acquisition-related costs are insignificant. They have been excluded from the consideration transferred and have been recognized as an expense in 2022.

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.

44. Guarantees

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at December 31, 2023 amounted to US$152,487,000 (2022: US$802,996,000).

45. Share Options

Share Option Schemes

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and subsequently amended and restated on May 12, 2023 ("Scheme E Amendment Date"), and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. Below are the summary of the principal terms of Scheme D:

The Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Directors; or

(iii) secondees; or

(iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or

(v) business partners; or

(vi) suppliers; or

(vii) customers; or

(viii) advisers of the Group.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board for the grant thereof. Share options may be exercised at any time, subject to vesting conditions, from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of the shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1.0% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Options may be exercised at any time immediately after vesting on each of the first and, depending on the vesting conditions, second and third anniversary of the relevant date of grant of the share option to the tenth anniversary of such date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the scheme rules of Scheme E were amended and restated to ensure full compliance with the latest regulatory requirements.

45. Share Options (continued)

Share Option Schemes (continued)

The following tables disclose movements in the Company's share options during the year:

2023

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	22.12.2020	E	23,500	—	—	—	23,500	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	750,000	—	—	750,000	81.050	22.8.2024 – 21.8.2033
Mr Stephan Horst Pudwill	20.3.2014	D	750,000	—	—	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	500,000	—	—	500,000	81.050	22.8.2024 – 21.8.2033
Mr Joseph Galli Jr	22.8.2023	E	—	750,000	—	—	750,000	81.050	22.8.2024 – 21.8.2033
Mr Kin Wah Chan	17.3.2017	D	200,000	—	—	—	200,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	500,000	—	—	500,000	81.050	22.8.2024 – 21.8.2033
Mr Chi Chung Chan	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	500,000	—	—	500,000	81.050	22.8.2024 – 21.8.2033
Mr Camille Jojo (re-designated from Non-executive Director to Executive Director with effect from December 1, 2023)	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033

45. Share Options (continued)

Share Option Schemes (continued)

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Prof Roy Chi Ping Chung GBS BBS JP	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Mr Peter David Sullivan	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Mr Robert Hinman Getz	15.5.2020	E	75,000	—	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Ms Virginia Davis Wilmerding	19.08.2021	E	29,500	—	—	—	29,500	167.200	19.08.2022 –18.08.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Ms Caroline Christina Kracht	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Total for directors			16,331,000	3,420,000	—	—	19,751,000		
Employees	17.3.2017	D	70,000	—	(20,000)	—	50,000	32.100	17.3.2018 – 16.3.2027
	19.6.2017	E	100,000	—	(100,000)	—	—	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	150,000	—	—	—	150,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	194,000	—	—	—	194,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	94,000	—	—	—	94,000	105.500	22.12.2021 –21.12.2030
	22.11.2023	E	—	250,000	—	—	250,000	81.480	22.11.2024 –21.11.2033
Total for employees			608,000	250,000	(120,000)	—	738,000		
Total for all categories			16,939,000	3,670,000	(120,000)	—	20,489,000		
Exercisable at the end of the year							15,799,000		

45. Share Options (continued)

Share Option Schemes (continued)

The following tables disclose movements in the Company's share options during the year:

2022

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	22.12.2020	E	47,000	—	(23,500)	—	23,500	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Stephan Horst Pudwill	20.3.2014	D	750,000	—	—	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Kin Wah Chan	17.3.2017	D	200,000	—	—	—	200,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Chi Chung Chan	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	(150,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Camille Jojo	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031

45. **Share Options** (continued)

Share Option Schemes (continued)

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Peter David Sullivan	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Robert Hinman Getz	15.5.2020	E	75,000	—	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Ms Virginia Davis Wilmerding	19.08.2021	E	29,500	—	—	—	29,500	167.200	19.08.2022 – 18.08.2031
Total for directors			16,504,500	—	(173,500)	—	16,331,000		
Employees	17.3.2017	D	110,000	—	(40,000)	—	70,000	32.100	17.3.2018 – 16.3.2027
	19.6.2017	E	100,000	—	—	—	100,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	150,000	—	—	—	150,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	194,000	—	—	—	194,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	94,000	—	—	—	94,000	105.500	22.12.2021 – 21.12.2030
Total for employees			648,000	—	(40,000)	—	608,000		
Total for all categories			17,152,500	—	(213,500)	—	16,939,000		
Exercisable at the end of the year							12,291,250		

45. Share Options (continued)

Share Option Schemes (continued)

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

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Yields of Hong Kong Government Bonds	Expected annual dividend yield
For the year ended December 31, 2023					
22.8.2023	81.05	3 years	40%	1.50%	4.019%
22.11.2023	81.48	3 years	40%	1.50%	4.088%

The share options are vested in parts over 1 to 3 years from the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing price of the Company's shares immediately before the various dates on which the share options were granted during 2023 was HK$78.81 (2022: Nil).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$78.60 to HK$81.75 in 2023 (2022: Nil).

The weighted average closing prices of the Company's shares immediately before various dates during 2023 and 2022 on which the share options was exercised were HK$81.33 (2022: HK$87.98) respectively.

The Group recognized a total expense of US$8,829,000 (2022: US$15,366,000) for the year ended December 31, 2023 in relation to share options granted by the Company.

The fair value of the share options granted in 2023 measured at various dates on which the share options were granted was ranged from HK$23.12 to HK$23.15 (2022: Nil). The weighted average fair value of the share options granted in 2023 was HK$23.12 per option (2022: Nil).

The Company had 20,489,000 share options outstanding (2022: 16,939,000), which represented approximately 1.12% (2022: 0.92%) of the issued share capital of the Company as at December 31, 2023. 3,670,000 option (2022: Nil) was granted, no option (2022: Nil) was cancelled and no share options (2022: Nil) was lapsed during the year.

The total number of shares available for issue in respect of which share options may be granted under Scheme D are 150,505,065 shares, which represented approximately 8.20% of the issued shares of the Company as at December 31, 2023. The total number of shares available for issue in respect of which share options may be granted under Scheme E are 183,479,794 shares, which represented approximately 10.00% of the issued shares of the Company as at December 31, 2023.

46. Share Award Scheme

The purpose of the share award scheme is to recognize the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the Board of Directors on January 9, 2008 and renewed on January 17, 2018, which was subsequently amended and restated on May 12, 2023. The Board may, from time to time, at their absolute discretion select any individual as an eligible person for participation in the scheme as a selected grantee and determine the number of shares to be awarded. The Board of Directors are required to pay the trustee the purchase price and the related expenses. The trustee must either purchase shares from the market or subscribe for new shares. The trustee must hold the shares until they are vested in accordance with the scheme rules. When the selected grantee has satisfied all vesting conditions specified by the Board of Directors at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee will upon the Company's instruction transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the selected grantee.

An award of shares automatically lapses when, (i) a selected grantee who is an employee ceases to be an employee; or (ii) the subsidiary by which a selected grantee is employed ceases to be a subsidiary of the Company (or of a member of the Group); or (iii) a selected grantee who is a director of the Company or a subsidiary ceases to be a director of the same; or (iv) an order for the winding-up of the Company is made or a resolution is passed (otherwise than for certain purposes) for the voluntary winding-up of the Company, and, in any such case, the award, unless the Board otherwise agrees, automatically lapses forthwith and all the awarded shares and related income of such award do not vest on the relevant vesting date but become returned shares for the purpose of the scheme.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the scheme rules of 2018 Share Award Scheme were amended and restated to ensure full compliance with the latest regulatory requirements.

Recognition of share-based payment expenses under the share award scheme during the year was US$38,116,000 (2022: US$31,980,000). During the year ended December 31, 2023, 1,575,000 shares (2022: 1,784,500 shares) were transferred to the awardees upon vesting.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

	Number	
	2023	2022
At January 1	**5,817,500**	4,591,000
Awarded (Note (a))	**1,437,500**	3,011,000
Vested	**(1,575,000)**	(1,784,500)
At December 31 (Note (b))	**5,680,000**	5,817,500

Notes:

(a) All the awarded shares were purchased from the market with the average price of HK$111.23.

(b) At the end of the year, the average fair value per share is HK$98.98 (2022: HK$100.52). The average fair value of the awarded shares is based on the average purchase cost.

(ii) The remaining vesting periods of the awarded shares outstanding are as follows:

	Number of awarded shares	
	2023	2022
Less than 1 year	**1,287,500**	1,425,000
More than 1 year	**4,392,500**	4,392,500
	5,680,000	5,817,500

47. Capital Commitments

	2023 **US$'000**	2022 US$'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	**177,975**	328,364

48. Related Party Transactions

During the year, the Group entered into the following transactions with its associate, which did not constitute connected transactions under Chapter 14A of the Listing Rules:

	2023 **US$'000**	2022 US$'000
Sales income	**59,638**	75,211
Service income	**—**	2,453

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

	2023 **US$'000**	2022 US$'000
Short-term benefits	**104,052**	112,981
Post-employment benefits	**1,470**	1,131
Share-based payments	**28,720**	38,173
	134,242	152,285

Details of the balances and transactions with related parties are set out in the consolidated statements of financial position and Notes 21 and 28.

49. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable US$'000	Unsecured borrowings Note 38 US$'000	Discounted bills with recourse Note 35 US$'000	Lease liabilities Note 34 US$'000	Total US$'000
At January 1, 2022	—	3,280,987	1,857	554,200	3,837,044
Currency realignment	—	(13,850)	—	(7,503)	(21,353)
Financing cash flows	(460,421)	(116,188)	146	(137,333)	(713,796)
New leases entered	—	—	—	295,821	295,821
Early termination of leases	—	—	—	(1,980)	(1,980)
Interest expenses	—	58,810	—	11,058	69,868
Interest paid	—	(58,810)	—	(11,058)	(69,868)
Dividends declared	460,421	—	—	—	460,421
Acquisition of a subsidiary	—	—	—	1,876	1,876
At December 31, 2022	—	3,150,949	2,003	705,081	3,858,033
Currency realignment	**—**	**1,883**	**—**	**2,149**	**4,032**
Financing cash flows	**(436,859)**	**(1,201,710)**	**705**	**(159,919)**	**(1,797,783)**
New leases entered	**—**	**—**	**—**	**355,804**	**355,804**
Early termination of leases	**—**	**—**	**—**	**(15,390)**	**(15,390)**
Interest expenses	**—**	**104,625**	**—**	**19,431**	**124,056**
Interest paid	**—**	**(104,625)**	**—**	**(19,431)**	**(124,056)**
Dividends declared	**436,859**	**—**	**—**	**—**	**436,859**
Acquisition of a subsidiary	**—**	**—**	**—**	**167**	**167**
At December 31, 2023	**—**	**1,951,122**	**2,708**	**887,892**	**2,841,722**

50. Statement of Financial Position of the Company

As at December 31, 2023

	2023 US$'000	2022 US$'000
Non-current assets		
Property, plant and equipment	**2,043**	3,012
Right of use assets	**1,242**	2,838
Intangible assets	**28**	11
Investments in subsidiaries	**27,765,164**	28,141,334
Loans to subsidiaries	**10,856**	12,716
Financial assets at FVTPL	**3,622**	3,635
Deposits	**87,000**	90,000
	27,869,955	28,253,546
Current assets		
Deposits and prepayments	**37,913**	57,995
Financial assets at FVTPL	**26,114**	13,466
Tax recoverable	**—**	7,612
Derivative financial instruments	**12,271**	39,481
Amounts due from subsidiaries	**2,083,796**	662,539
Bank balances, deposits and cash	**6,377**	303,439
	2,166,471	1,084,532
Current liabilities		
Trade and other payables	**158,854**	193,388
Derivative financial instruments	**9,997**	46,798
Lease liabilities	**1,045**	1,477
Amounts due to subsidiaries	**5,031,284**	3,229,332
Unsecured borrowings – due within one year	**788,797**	1,172,221
	5,989,977	4,643,216
Net current liabilities	**(3,823,506)**	(3,558,684)
Total assets less current liabilities	**24,046,449**	24,694,862

50. Statement of Financial Position of the Company (continued)

As at December 31, 2023

	Note	2023 US$'000	2022 US$'000
Capital and Reserves			
Share capital		**685,392**	684,710
Reserves	40	**22,164,864**	22,793,606
Total equity		**22,850,256**	23,478,316
Non-current Liabilities			
Lease liabilities		**214**	1,390
Unsecured borrowings – due after one year		**1,030,971**	1,198,002
Amount due to a subsidiary		**165,008**	—
Other payables		**—**	17,154
Total equity and non-current liabilities		**24,046,449**	24,694,862

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on March 6, 2024 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Vice Chairman

51. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2023 and December 31, 2022 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			2023		2022		
			Directly %	Indirectly %	Directly %	Indirectly %	
DreBo Werkzeugfabrik GmbH*	Germany	EUR1,000,000	—	100	—	100	Trading and manufacture of power equipment products
TTI Outdoor Power Equipment, Inc.	US	US$10	—	100	—	100	Trading of outdoor power equipment products
Hart Consumer Products, Inc.	US	US$10	—	100	—	100	Trading of power equipment and outdoor power equipment products
Milwaukee Electric Tool Corporation	US	US$50,000,000	—	100	—	100	Trading and manufacture of power equipment products
TTI Consumer Power Tools, Inc.	US	US$10	—	100	—	100	Trading of power equipment products
Royal Appliance Mfg. Co.	US	US$1	—	100	—	100	Trading and manufacture of floorcare products
Techtronic Cordless GP	US	US$200	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	US$47,000,000	—	100	—	100	Manufacture of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (UK) Ltd.	United Kingdom	GBP4,000,000	—	100	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD25,575,762	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR25,600	—	100	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR25,000	—	100	—	100	Trading of power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR14,998,680 (2022:EUR14,919,832)	—	100	—	100	Trading of power equipment products
Techtronic Industries GmbH	Germany	EUR20,452,500	—	100	—	100	Trading and manufacture of power equipment products
Techtronic Industries Korea LLC	Korea	KRW3,400,000,000	—	100	—	100	Trading of power equipment products

51. Particulars of Principal Subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company 2023 Directly %	2023 Indirectly %	2022 Directly %	2022 Indirectly %	Principal activities
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN50,000 (Serie I) MXN596,964,358 (Serie II)	—	100	100	—	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Co. Mexico, S. De R.L. de C.V.	Mexico	MXN223,746,470 (2022:MXN678,954,230)	—	100	100	—	Manufacture of power equipment products
Techtronic Industries N.Z. Limited	New Zealand	NZD4,165,600	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries North America, Inc.	US	US$10	—	100	—	100	Investment holding
Green Planet Distribution Centre Co. Ltd.	Vietnam	VND1,000,000,000,000	—	100	—	—	Manufacture of power equipment and outdoor power equipment products
Techtronic Industries Vietnam Manufacturing Co. Ltd.	Vietnam	VND406,954,000,000	—	100	—	100	Manufacture of power equipment and outdoor power equipment products
Techtronic Product Development Limited	Hong Kong	HK$2	—	100	—	100	Engage in research and development activities
Techtronic Trading Limited	Hong Kong	HK$2	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$960,563,422 (2022:HK$6,086,955)	100	—	100	—	Investment holding
Techtronic Industries Company Pte. Ltd.	Singapore	US$126,467,853 (2022:US$38,000,101)	—	100	—	100	Investment holding
TTI Singapore SPV Pte. Ltd.	Singapore	US$6,169,310,060 (2022:US$5,544,032,272)	100	—	100	—	Investment holding
Vax Limited	United Kingdom	GBP30,000 (Ordinary A shares) GBP2,500 (Ordinary B shares)	—	100	—	100	Trading of household electrical and floorcare products

* Exempt from the obligation to publish local financial statements.

A wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

51. Particulars of Principal Subsidiaries (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarized as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2023	2022
Manufacture of power equipment, floorcare and outdoor power equipment products	Europe, PRC, US and others	**9**	9
Trading of power equipment, floorcare and outdoor power equipment product	Canada, Europe, Hong Kong, Latin America, PRC, US and others	**47**	39
Investment holding	Australia, BVI, Europe, Hong Kong, US	**20**	22
Dormant	BVI, Europe, Hong Kong, US	**18**	22

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

52. Particulars of an Associate

Particulars of an associate are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Group		Principal activities
			2023	2022	
			%	%	
Wuerth Master Power Tools Limited	Hong Kong	US$3,000,000	**49.0**	49.0	Manufacture and sale of power equipment