

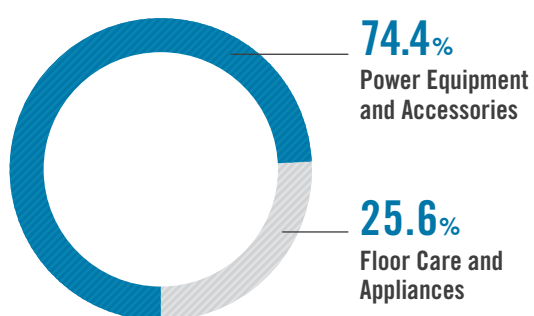


**POWERFUL BRANDS**  
**INNOVATIVE PRODUCTS**  
**EXCEPTIONAL PEOPLE**  
**OPERATIONAL EXCELLENCE**

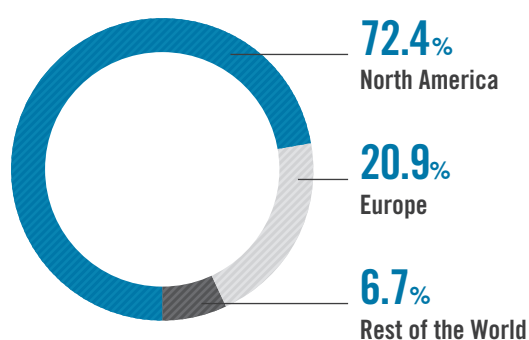
Interim Report 2013



## SALES BY BUSINESS



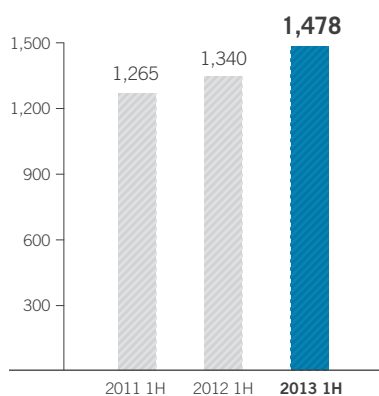
## SALES BY LOCATION



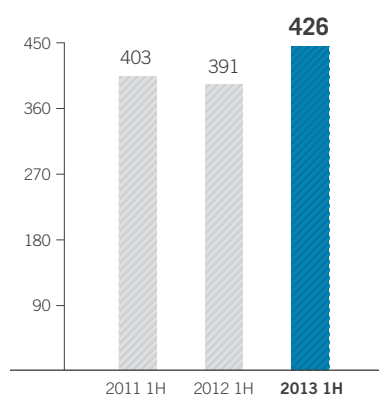
## TURNOVER TO EXTERNAL CUSTOMERS

USDm

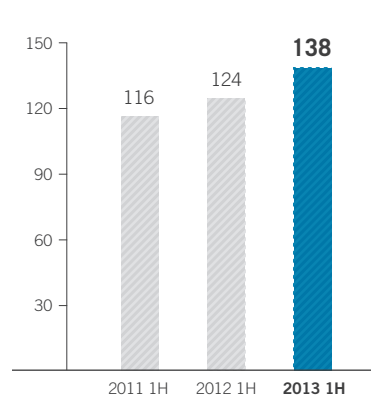
### North America



### Europe



### Rest of the World



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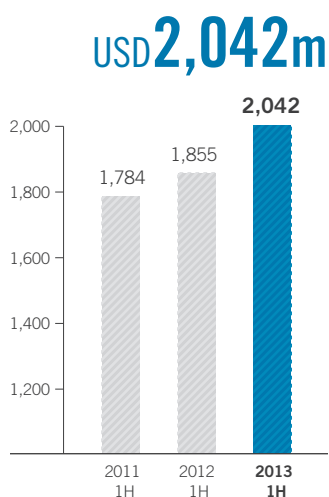
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## FINANCIAL HIGHLIGHTS

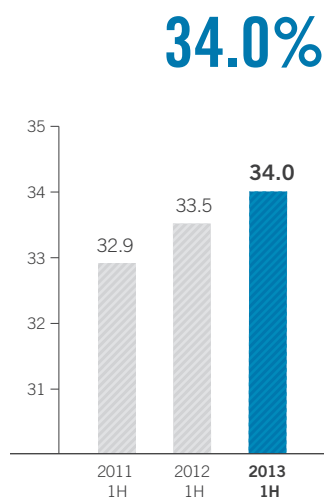
- ▶ Record sales and profit
- ▶ Gross margin improvement
- ▶ Strong balance sheet

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

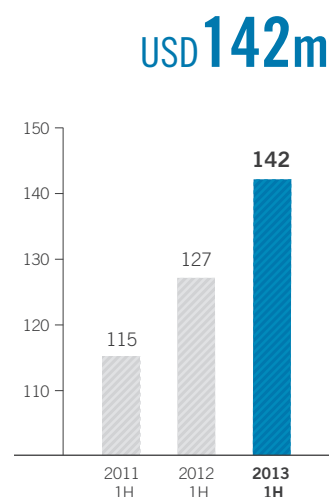
**TURNOVER**  
USDm



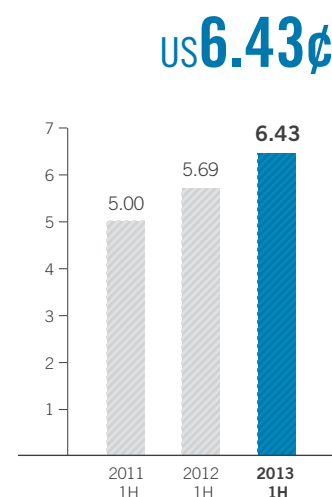
**GROSS MARGIN**  
%



**EBIT**  
USDm



**BASIC EARNINGS PER SHARE**  
US¢



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### STRATEGIC DRIVERS

### STRATEGIC ROADMAP



### Record Sales and Profit

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

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

### Margin Improvements

Gross margin increased for the sixth consecutive period, to 34.0%. The improvement in gross margin was driven by

innovative new products, further investment in developing our lithium strategy, category expansion, product mix, and manufacturing and supply chain efficiencies.

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

### Strong Balance Sheet

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

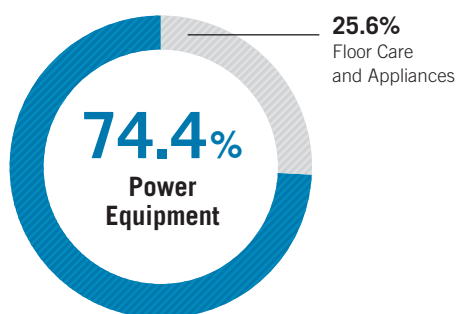
## DELIVERING OUTSTANDING PERFORMANCE

# A BOLD VISION OF GROWTH

Growth initiatives that will capture opportunities generated by our business units across the globe.

- ▶ Deliver Break-Through, Disruptive Technology
- ▶ Lithium ion Cordless Leadership
- ▶ Broad-Based Innovative Products
- ▶ Aggressive Marketing, Demand Creation
- ▶ Target Geographic Expansion
- ▶ Floor Care Transformation
- ▶ Drive Operational Productivity
- ▶ Global Organizational Development

# Power Equipment USD 1.5 billion 74.4% of the total turnover



Brand	Market Segment	Major Market
	Industrial	Global
	Professional	Global
	Consumer ▶ Power Tools & Accessories Garden Enthusiasts ▶ Outdoor Products & Accessories	North America, Europe, Australasia
	Consumer ▶ Outdoor Products & Accessories	Global

## Business Review

### Power Equipment Business Review

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

### Industrial

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

### Consumer, Trade and Professional

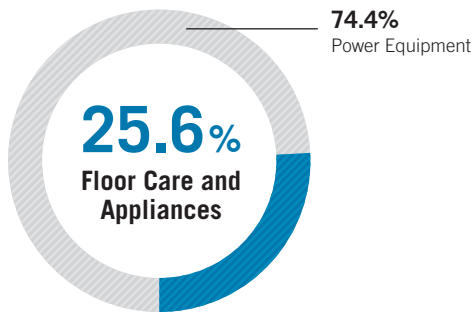
Our consumer RYOBI® brand had an excellent first half driven by new innovative lithium products. One of the highlights in the first-half was the successful launch of the RYOBI® 18-volt One+ System® AirStrike™ nailer and a new generation of LITHIUM+® batteries. The RYOBI® One+ System® TV campaign in the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

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

### Outdoor Products and Accessories

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

# Floor Care and Appliances USD0.5 billion 25.6% of the total turnover



## Floor Care and Appliances Business Review

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

## Outlook

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

Brand	Market Segment	Major Market
	Premium Cleaning	North America, Asia, Middle East & Africa
	High-Performance	Global
	Consumer	Global

## Financial Review

### Financial Results

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

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

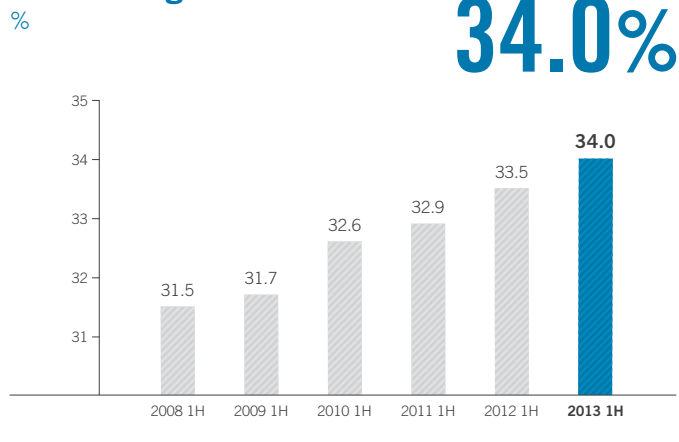
EBIT amounted to USD142 million, an increase of 12.2% as compared to the USD127 million reported in the same period last year.

## Result Analysis

### Gross Margin

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

## Gross Margin



### Operating Expenses

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

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

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

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

## Liquidity and Financial Resources

### Shareholders' Funds

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

### Financial Position

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

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



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## Net gearing improved

# 26.2%

(2012 1H – 37.4%)

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### Bank Borrowings

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

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

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

### Working Capital

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

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

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

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

### Capital Expenditure

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

### Capital Commitment and Contingent Liability

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

### Charges

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

### Human Resources

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

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

### Interim Dividend

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

### Closure of Register of Members

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

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of  
Techtronic Industries Company Limited

## Introduction

We have reviewed the condensed consolidated financial statements of Techtronic Industries Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 9 to 20, which comprise the condensed consolidated statement of financial position as of June 30, 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting”(“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**DELOITTE TOUCHE TOHMATSU**

*Certified Public Accountants*

Hong Kong

August 21, 2013

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months period ended June 30, 2013

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at June 30, 2013

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

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months period ended June 30, 2013

	Attributable to Owners of the Company										Attributable to non-controlling interests	
	Share capital USD' 000	Share premium USD' 000	Capital redemption reserve USD' 000	Convertible bonds equity reserve USD' 000	Translation reserve USD' 000	Employee share-based compensation reserve USD' 000	Defined benefit obligations rereasurement reserve USD' 000	Hedging reserve USD' 000	Retained profits USD' 000	Total USD' 000	Share of net assets of subsidiaries USD' 000	Total USD' 000
At January 1, 2012 (audited)	20,533	460,372	127	8,833	(3,113)	6,608	13,841	—	738,375	1,245,576	8,552	1,254,128
Profit for the period	—	—	—	—	—	—	—	—	96,362	96,362	22	96,384
Exchange differences on translation of foreign operations and other comprehensive income for the period	—	—	—	—	(1,456)	—	—	—	—	(1,456)	(2)	(1,458)
Total comprehensive (loss) income for the period	—	—	—	—	(1,456)	—	—	—	96,362	94,906	20	94,926
Shares issued at premium on exercise of options	5	508	—	—	—	(138)	—	—	—	375	—	375
Repurchase of shares	(43)	—	43	—	—	—	—	—	(3,870)	(3,870)	—	(3,870)
Recognition of equity-settled share-based payments	—	—	—	—	—	226	—	—	—	226	—	226
Lapse of share options	—	—	—	—	—	(1,937)	—	—	1,937	—	—	—
Conversion of convertible bonds	2,877	143,330	—	(8,833)	—	—	—	—	—	137,374	—	137,374
Final dividend – 2011	—	—	—	—	—	—	—	—	(18,185)	(18,185)	—	(18,185)
At June 30, 2012 (unaudited)	23,372	604,210	170	—	(4,569)	4,759	13,841	—	814,619	1,456,402	8,572	1,464,974
Profit (loss) for the period	—	—	—	—	—	—	—	—	104,629	104,629	(906)	103,723
Remeasurement of defined benefit obligations	—	—	—	—	—	—	(9,629)	—	—	(9,629)	—	(9,629)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	(1,254)	—	(1,254)	—	(1,254)
Exchange differences on translation of foreign operations	—	—	—	—	5,688	—	—	—	—	5,688	(21)	5,667
Other comprehensive (loss) income for the period	—	—	—	—	5,688	—	(9,629)	(1,254)	—	(5,195)	(21)	(5,216)
Total comprehensive (loss) income for the period	—	—	—	—	5,688	—	(9,629)	(1,254)	104,629	99,434	(927)	98,507
Shares issued at premium on exercise of options	102	8,880	—	—	—	(1,634)	—	—	—	7,348	—	7,348
Repurchase of shares	(13)	—	13	—	—	—	—	—	(1,783)	(1,783)	—	(1,783)
Recognition of equity-settled share-based payments	—	—	—	—	—	352	—	—	—	352	—	352
Lapse of share options	—	—	—	—	—	(264)	—	—	264	—	—	—
Deferred tax liability on rereasurement of defined benefit obligations	—	—	—	—	—	—	2,962	—	—	2,962	—	2,962
Interim dividend – 2012	—	—	—	—	—	—	—	—	(15,838)	(15,838)	—	(15,838)
At December 31, 2012 and January 1, 2013 (audited)	23,461	613,090	183	—	1,119	3,213	7,174	(1,254)	901,891	1,548,877	7,645	1,556,522
Profit (loss) for the period	—	—	—	—	—	—	—	—	117,564	117,564	(296)	117,268
Remeasurement of defined benefit obligations	—	—	—	—	—	—	(5,113)	—	—	(5,113)	—	(5,113)
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	3,920	—	3,920	—	3,920
Exchange differences on translation of foreign operations	—	—	—	—	(4,902)	—	—	—	—	(4,902)	—	(4,902)
Other comprehensive (loss) income for the period	—	—	—	—	(4,902)	—	(5,113)	3,920	—	(6,095)	—	(6,095)
Total comprehensive (loss) income for the period	—	—	—	—	(4,902)	—	(5,113)	3,920	117,564	111,469	(296)	111,173
Shares issued at premium on exercise of options	48	4,156	—	—	—	(780)	—	—	—	3,424	—	3,424
Repurchase of shares	(16)	—	16	—	—	—	—	—	(2,429)	(2,429)	—	(2,429)
Recognition of equity-settled share-based payments	—	—	—	—	—	269	—	—	—	269	—	269
Final dividend – 2012	—	—	—	—	—	—	—	—	(25,330)	(25,330)	—	(25,330)
At June 30, 2013 (unaudited)	23,493	617,246	199	—	(3,783)	2,702	2,061	2,666	991,696	1,636,280	7,349	1,643,629

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the six months period ended June 30, 2013

	<b>June 30 2013 USD' 000 (Unaudited)</b>	June 30 2012 USD' 000 (Unaudited)
Net cash from operating activities	<b>83,912</b>	141,697
Net cash used in investing activities	<b>(87,026)</b>	(76,211)
Net cash (used in) from financing activities	<b>(36,904)</b>	3,929
Net (decrease) increase in cash and cash equivalents	<b>(40,018)</b>	69,415
Cash and cash equivalents at January 1	<b>610,561</b>	439,678
Effect of foreign exchange rate changes	<b>(1,840)</b>	(1,346)
Cash and cash equivalents at June 30	<b>568,703</b>	507,747
Analysis of the balances of cash and cash equivalents Represented by:		
Bank balances, deposits and cash	<b>573,312</b>	530,076
Bank overdrafts	<b>(4,609)</b>	(22,329)
	<b>568,703</b>	507,747

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. Basis of preparation and accounting policies

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

### 2. Significant accounting policies

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

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

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

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

#### **HKFRS 13 Fair Value Measurement**

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

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

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

#### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.



## 2. Significant accounting policies *(continued)*

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

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

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

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

## 3. Segment information

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

For the period ended June 30, 2013

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

For the period ended June 30, 2012

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

Inter-segment sales are charged at prevailing market rates.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information *(continued)*

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

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

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

## 4. Taxation charge

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

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

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

## 5. Profit for the period

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

## 6. Dividends

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

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

## 7. Earnings per share

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

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

**9. Trade and other receivables/Bills receivable**

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

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

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

**10. Trade and other payables/Bills payable**

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

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

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

**11. Unsecured borrowings**

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

## 12. Share capital

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

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

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

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of USD16,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately USD2,429,000 was charged to retained profits.

## 13. Contingent liabilities

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## 14. Fair value measurements of financial instruments

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

## 15. Capital commitments

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Directors' and Chief Executive's Interests

As at June 30, 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and as adopted by the Company, were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	145,361,000	1,770,000	401,050,794	21.90%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	253,159,794 <sup>(2)</sup>	—		
Mr Joseph Galli Jr	Beneficial owner	849,500	1,000,000	1,849,500	0.10%
Mr Kin Wah Chan	Beneficial owner	500,000	—	500,000	0.03%
Mr Chi Chung Chan	Beneficial owner	300,000	—	300,000	0.02%
Mr Stephan Horst Pudwill	Beneficial owner	4,859,500	1,000,000	5,859,500	0.32%
Prof Roy Chi Ping Chung BBS JP	Beneficial owner	50,005,948	—	87,080,978	4.75%
	Interests of controlled corporation	37,075,030 <sup>(3)</sup>	—		
Mr Joel Arthur Schleicher	Beneficial owner	107,000	850,000	957,000	0.05%
Mr Christopher Patrick Langley OBE	Beneficial owner	1,000,000	250,000	1,250,000	0.07%
Mr Manfred Kuhlmann	Beneficial owner	—	350,000	350,000	0.02%
Mr Peter David Sullivan	Beneficial owner	—	650,000	650,000	0.04%
Mr Vincent Ting Kau Cheung	Beneficial owner	2,920,000	850,000	3,770,000	0.21%

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions of the Company.

The interests of the directors of the Company in the underlying shares pursuant to equity derivatives, which were held as beneficial owner, represent share options granted to them respectively pursuant to the share option schemes adopted by the Company, details of which are separately disclosed in the section headed "Share Options" below. These share options are physically settled and unlisted.

- (2) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

	No. of shares
Sunning Inc.	216,084,764
Cordless Industries Company Limited *	37,075,030
	253,159,794

- (3) These shares were held by Cordless Industries Company Limited\* in which Prof Roy Chi Ping Chung BBS JP has a beneficial interest.

\*Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Prof Roy Chi Ping Chung BBS JP.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at June 30, 2013.

## Share Options

The following tables discloses movements in the Company's share options during the six months period ended June 30, 2013:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HKD	Exercise period
<b>Directors</b>									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 - 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 - 25.11.2020
	21.5.2012	D	570,000	—	—	—	570,000	8.742	21.5.2012 - 20.5.2022
Mr Joseph Galli Jr	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 - 15.11.2019
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	—	—	1,000,000	8.742	21.5.2012 - 20.5.2022
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	(600,000)	—	—	6.770	16.11.2009 - 15.11.2019
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Christopher Patrick Langley OBE	23.5.2011	D	200,000	—	(200,000)	—	—	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Manfred Kuhlmann	23.5.2011	D	100,000	—	—	—	100,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Peter David Sullivan	16.11.2009	D	400,000	—	(200,000)	—	200,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
<b>Total for directors</b>		<b>8,720,000</b>	<b>—</b>	<b>(2,000,000)</b>	<b>—</b>	<b>6,720,000</b>			



Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HKD	Exercise period
<b>Employees</b>	24.8.2007	D	1,180,000	—	(200,000)	—	980,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	14.1.2008	D	605,000	—	(45,000)	—	560,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	775,000	—	(175,000)	—	600,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	D	426,000	—	(76,000)	—	350,000	7.546	30.5.2008 - 29.5.2018
	11.9.2008	D	50,000	—	(50,000)	—	—	7.430	11.9.2008 - 10.9.2018
	1.12.2008	D	100,000	—	(100,000)	—	—	2.340	1.12.2008 - 30.11.2018
	16.11.2009	D	3,570,000	—	(1,165,000)	—	2,405,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 - 6.12.2019
	21.12.2009	D	50,000	—	—	—	50,000	6.350	21.12.2009 - 20.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 - 27.12.2019
	13.9.2010	D	500,000	—	—	—	500,000	7.390	13.9.2010 - 12.9.2020
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 - 16.1.2021
<b>Total for employees</b>			<b>7,561,000</b>	<b>—</b>	<b>(1,811,000)</b>	<b>—</b>	<b>5,750,000</b>		
<b>Total for all categories</b>			<b>16,281,000</b>	<b>—</b>	<b>(3,811,000)</b>	<b>—</b>	<b>12,470,000</b>		

Notes:

- (1) Scheme D is the share option scheme adopted by the Company on May 29, 2007. The share options are vested in parts over 3 years from the date of grant.
- (2) No option was granted and cancelled during the period.
- (3) The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HKD18.10.
- (4) The Group recognised total expense of USD270,000 for the six months period ended June 30, 2013 in relation to share options granted by the Company.
- (5) The Company had 12,470,000 share options outstanding, which represented approximately 0.68% of the issued share capital of the Company as at June 30, 2013.

## Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the period was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## Substantial Shareholders' Interests

As at June 30, 2013, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares (L/S/LP)*	Approximate aggregate percentage of interests
FIL Limited <sup>(1)</sup>	127,900,784 (L)	6.98%
JPMorgan Chase & Co. <sup>(2)</sup>	143,311,585 (L)	7.82%
	73,000 (S)	0.00%
	119,633,184 (LP)	6.53%
The Capital Group Companies, Inc. <sup>(3)</sup>	97,062,500 (L)	5.30%

\* (L/S/LP) represents (Long position/Short position/Lending pool)

Notes:

(1) The capacity of FIL Limited in holding the 127,900,784 shares was as investment manager.

(2) The following is a breakdown of the interests in shares in the Company held by JPMorgan Chase & Co.:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct Interests	(L/S)	Deemed interests	(L/S/LP)	
JPMorgan Chase & Co.	(2a)	—	—	143,311,585	(L)	7.82%
		—	—	73,000	(S)	0.00%
		—	—	119,633,184	(LP)	6.53%
JPMorgan Chase Bank, N.A.	(2b)	119,633,184	(L)	—	—	6.53%
J.P. Morgan Whitefriars Inc.	(2b)	44,401	(L)	—	—	0.00%
J.P. Morgan Overseas Capital Corporation	(2b)	—	—	44,401	(L)	0.00%
J.P. Morgan International Finance Limited	(2b)	—	—	44,401	(L)	0.00%
Bank One International Holdings Corporation	(2b)	—	—	44,401	(L)	0.00%
J.P. Morgan International Inc.	(2b)	—	—	44,401	(L)	0.00%
JPMorgan Chase Bank, NA	(2b)	—	—	44,401	(L)	0.00%
JF International Management Inc.	(2b)	551,500	(L)	—	—	0.03%
JPMorgan Asset Management (Asia) Inc.	(2b)	—	—	23,561,000	(L)	1.29%
JPMorgan Asset Management Holdings Inc.	(2b)	—	—	23,561,000	(L)	1.29%
JPMorgan Asset Management (Taiwan) Limited	(2b)	625,000	(L)	—	—	0.03%
J.P. Morgan Clearing Corp	(2b)	73,000	(L)	—	—	0.00%
		73,000	(S)	—	—	0.00%
J.P. Morgan Securities LLC	(2b)	—	—	73,000	(L)	0.00%
		—	—	73,000	(S)	0.00%
J.P. Morgan Broker-Dealer Holdings Inc	(2b)	—	—	73,000	(L)	0.00%
		—	—	73,000	(S)	0.00%
JF Asset Management Limited	(2b)	22,384,500	(L)	—	—	1.22%

Remarks:

- (2a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 143,311,585 shares of long position, 73,000 shares of short position and 119,633,184 shares of lending pool respectively was as controlled corporation.
- (2b) JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JPMorgan Chase Bank, NA, JF International Management Inc., JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan Clearing Corp, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc and JF Asset Management Limited were all direct or indirect owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

## Substantial Shareholders' Interests *(continued)*

Notes: *(continued)*

(3) The following is a breakdown of the interest in the shares in the Company held by The Capital Group Companies, Inc.:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct Interests	(L/S)	Deemed interests	(L/S)	
The Capital Group Companies, Inc.	(3a)	—	—	97,062,500	(L)	5.30%
Capital Research and Management Company	(3b)	97,062,500	(L)	—	—	5.30%

Remarks:

- (3a) The capacity of The Capital Group Companies, Inc. in holding 97,062,500 shares of long position was as controlled corporation.
- (3b) Capital Research and Management Company was direct owned by The Capital Group Companies, Inc. and by virtue of the SFO, The Capital Group Companies, Inc. was deemed to be interested in the shares held by subsidiary.

Save as disclosed, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at June 30, 2013.

## Compliance with the Corporate Governance Code of the Listing Rules

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

1. none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one-third of the Board must retire by rotation at each general meeting of the Company and if eligible, offer themselves for re-election.
2. Mr Christopher Patrick Langley OBE (an Independent Non-executive Director) was unable to attend the annual general meeting of the Company held on May 24, 2013 (the "2013 Annual General Meeting") as he had to attend another annual general meeting of which he is the chairman of the audit committee. Mr Joel Arthur Schleicher (an Independent Non-executive Director) was unable to attend the 2013 Annual General Meeting due to prior engagements.
3. the Board is provided with quarterly updates instead of monthly updates. The Board agreed that quarterly updates give a balanced and understandable assessment of the performance, position and prospects of the Company in supporting the Directors to discharge their responsibilities.

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

## Compliance with the Model Code of the Listing Rules

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the six months period ended June 30, 2013.

The Board has also adopted another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the "Code for Securities Transactions by Relevant Employees"). No incident of non-compliance was noted by the Company during the period.

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

## Change in Director's Emoluments

With the recommendation of the Remuneration Committee, the Board has agreed to grant phantom options to the Directors of the Company as bonus on May 24, 2013. Details of which are listed below:

Position	No. of phantom options granted
Chairman	250,000
Executive Directors (except Chairman)	1,000,000 each
Non-executive Director	250,000
Independent Non-executive Directors	250,000 each

The grant date was May 24, 2013 (the "Grant Date"). 50% of the above phantom options will vest on the first anniversary of the Grant Date and the balance will vest on the second anniversary of the Grant Date. No shares will be issued and only the difference in price between the closing price on the Grant Date and the closing price on the related exercise date times the related phantom options would be given to the concerned Directors as bonus.

## Review of Accounts

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee has reviewed with the Company's external auditors, Deloitte Touche Tohmatsu, and the senior management of the Group this report, the accounting principles and practices adopted by the Group and the internal controls and financial reporting matters. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

## Directors' Interests in Contracts of Significance

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

## Purchase, Sales or Redemption of Securities

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

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

By order of the Board

**Horst Julius Pudwill**

*Chairman*

Hong Kong

August 21, 2013

# CORPORATE INFORMATION

## Board of Directors

### Group Executive Directors

Mr Horst Julius Pudwill  
*Chairman*

Mr Joseph Galli Jr  
*Chief Executive Officer*

Mr Patrick Kin Wah Chan  
Mr Frank Chi Chung Chan  
Mr Stephan Horst Pudwill

### Non-executive Director

Prof Roy Chi Ping Chung BBS JP

### Independent Non-executive Directors

Mr Joel Arthur Schleicher  
Mr Christopher Patrick Langley OBE  
Mr Manfred Kuhlmann  
Mr Peter David Sullivan  
Mr Vincent Ting Kau Cheung

## Financial Calendar 2013

June 28	: Final dividend payment for 2012
June 30	: Six months interim period end
August 21	: Announcement of 2013 interim results
September 11	: Last day to register for 2013 interim dividend
September 12 to 13	: Book closure period for 2013 interim dividend
September 27	: Interim dividend payment for 2013
December 31	: Financial year end

## Investor Relations Contact

Investor Relations and Communications  
Techtronic Industries Co. Ltd.  
24/F., CDW Building  
388 Castle Peak Road  
Tsuen Wan, N.T.  
Hong Kong  
email: ir@tti.com.hk

## Website

www.ttigroup.com  
Earnings results, annual/interim reports are available online.

## Listing Information

The Stock Exchange of Hong Kong Limited  
Ordinary Shares (stock code: 669)  
ADR Level 1 Programme (symbol: TTNDY)

## Share Registrar and Transfer Office

Tricor Secretaries Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong  
Tel: (852) 2980 1888

## ADR Depository

The Bank of New York

## Principal Bankers

Bank of America, N.A.  
Bank of China  
China CITIC Bank International Limited  
Hang Seng Bank Ltd.  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank

## Solicitors

Vincent T. K. Cheung, Yap & Co.

## Auditor

Deloitte Touche Tohmatsu

## Company Secretary

Ms Veronica Ka Po Ng

## Trademarks

All trademarks used are intellectual property of their respective owners and are protected under trademark law.

AEG® is a registered trademark and its use is pursuant to a License granted by AB Electrolux (publ).

RYOBI® is a registered trademark and its use is pursuant to a License granted by Ryobi Limited.



TTI is a world-class leader in design, manufacturing and marketing of Power Tools, Outdoor Power Equipment, and Floor Care and Appliances for consumers, professional and industrial users in the home improvement, repair and construction industries. Our unrelenting strategic focus on Powerful Brands, Innovative Products, Operational Excellence and Exceptional People drives our culture.

Our brands and products are recognized worldwide for their deep heritage, superior quality, outstanding performance and compelling innovation. Through a company-wide commitment to innovation and strong customer partnerships, we consistently deliver new products that enhance customer satisfaction and productivity. This focus and drive provides TTI with a powerful platform for sustainable leadership and strong growth.

Founded in 1985 in Hong Kong, TTI has a portfolio of industry leading brands, a worldwide customer reach, and over 19,000 staff. TTI is listed on the Stock Exchange of Hong Kong and in 2012 had worldwide annual sales of USD3.9 billion.

## POWER EQUIPMENT AND ACCESSORIES



## OUTDOOR PRODUCTS



## FLOOR CARE AND APPLIANCES



## GLOBAL OPERATIONS

### Canada

Power Equipment,  
Floor Care & Appliances  
• Sales & Marketing

### United States

Milwaukee Industrial Tools  
• Sales & Marketing  
• Research & Development  
• Manufacturing

Consumer & Professional Tools  
• Sales & Marketing  
• Research & Development

Outdoor Products  
• Sales & Marketing  
• Research & Development  
• Manufacturing

Floor Care & Appliances  
• Sales & Marketing  
• Research & Development  
• Manufacturing

### Mexico

Floor Care & Appliances  
• Manufacturing

### Latin America

Power Equipment,  
Floor Care & Appliances  
• Sales & Marketing

### Europe

Power Equipment & Accessories  
• Sales & Marketing  
• Research & Development  
• Manufacturing

Floor Care & Appliances  
• Sales & Marketing

### Asia TTI Worldwide Headquarters

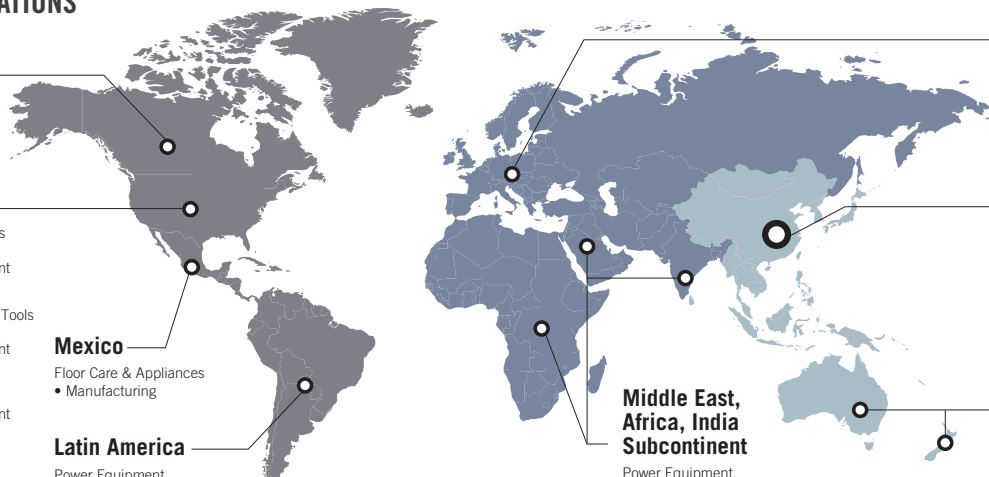
• Sales & Marketing  
• Research & Development  
• Manufacturing  
• Global Sourcing

### Australasia

Power Equipment,  
Floor Care & Appliances  
• Sales & Marketing

### Middle East, Africa, India Subcontinent

Power Equipment,  
Floor Care & Appliances  
• Sales & Marketing





Techtronic Industries

