



Interim Report
2019



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Company Profile

Techtronic Industries Company Limited (the “Company”, the “Group” or “TTI”) is a fast-growing world leader in Power Tools, Accessories, Hand Tools, Outdoor Power Equipment, and Floor Care and Appliances for Do-It-Yourself (DIY), professional and industrial users in the home improvement, repair, maintenance, construction and infrastructure industries. TTI is accelerating the transformation of these industries through environmentally friendly cordless technology.

An unrelenting strategic focus on Powerful Brands, Innovative Products, Operational Excellence and Exceptional People drives our culture. The TTI brands like MILWAUKEE, RYOBI, and HOOVER, and their products are recognized worldwide for their deep heritage, superior quality, outstanding performance and compelling innovation. Through an ongoing company-wide commitment to cordless technology, innovation and strong customer partnerships, TTI consistently delivers exciting new products that enhance customer satisfaction and productivity. This focus and drive provide TTI with a powerful platform for sustainable leadership and strong growth.

Founded in 1985 and listed on the Stock Exchange of Hong Kong (“SEHK”) in 1990, TTI is included in the Hang Seng Index as one of their fifty constituent stocks. The Company has a worldwide customer reach, and over 29,000 staff. TTI maintains a healthy financial position and in 2018 had worldwide annual sales of over US\$7 billion.

Power Equipment, Accessories and Hand Tools



Floor Care and Appliances



Global Operations

Canada

Power Equipment, Floor Care & Appliances

- Sales & Marketing

United States

Milwaukee Industrial Tools

- Sales & Marketing
- Research & Development
- Manufacturing

DIY & Professional Tools

- Sales & Marketing
- Research & Development

Outdoor Products

- Sales & Marketing
- Research & Development
- Manufacturing

Floor Care & Appliances

- Sales & Marketing
- Research & Development
- Manufacturing

Latin America

Power Equipment, Floor Care & Appliances

- Sales & Marketing

Middle East, Africa, Indian Subcontinent

Power Equipment, Floor Care & Appliances

- Sales & Marketing

Australasia

Power Equipment, Floor Care & Appliances

- Sales & Marketing

Europe

Power Equipment

- Sales & Marketing
- Research & Development
- Manufacturing

Floor Care & Appliances

- Sales & Marketing

Asia TTI Worldwide Headquarters

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

Financial Highlights

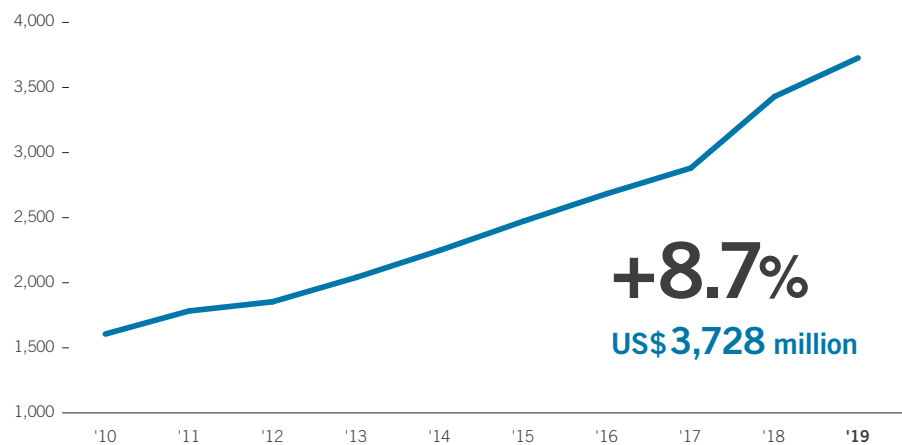
For the six-month period ended June 30, 2019

- First Half 2019 Revenue Totaled US\$3.7 Billion up by 10.7% in local currency
- Net Profit Continues to Grow at a Faster Rate than Sales, up 11.9%, Driven by the 11th Consecutive First half of Gross Margin Improvement
- Disciplined Working Capital Management, Delivered Working Capital of 18.4% of Sales
- The Flagship Milwaukee Tool Business Continues to Grow 20%+ in local currency

10th
consecutive year
of record first
half revenue

Revenue

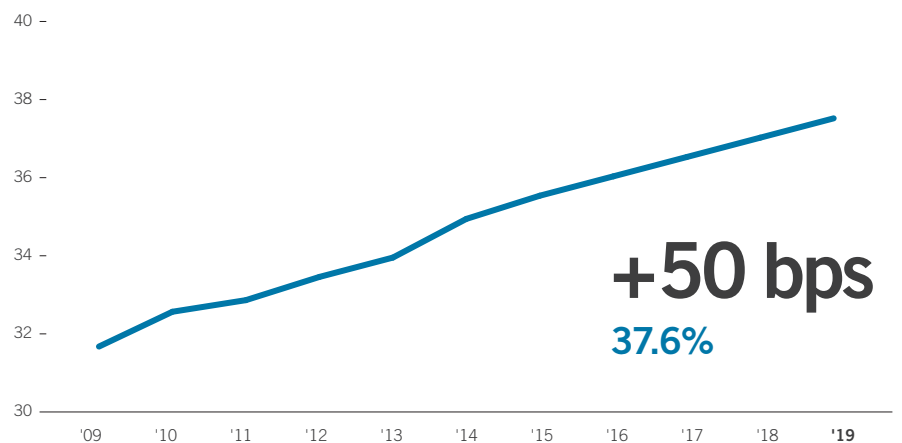
US\$m



11th
consecutive year
of record first
half gross margin

Gross Profit Margin

%

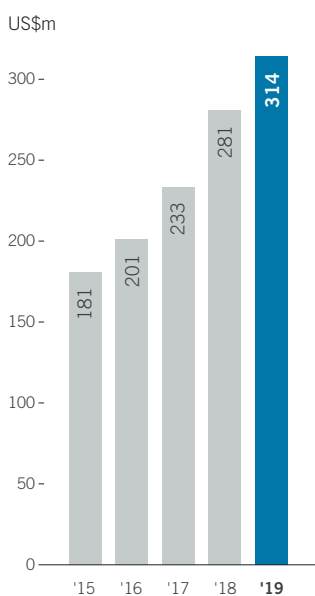


For the six-month period ended June 30, 2019

| | 2019 US\$' million | 2018 US\$' million | Changes |
|---|--------------------------|--------------------------|---------|
| Revenue | 3,728 | 3,431 | +8.7% |
| Gross profit margin | 37.6% | 37.1% | +50 bps |
| EBIT | 314 | 281 | +11.9% |
| Profit attributable to Owners of the Company | 285 | 255 | +11.9% |
| EPS (US cents) | 15.61 | 13.89 | +12.4% |
| Interim dividend per share (approx. US cents) | 5.79 | 4.89 | +18.4% |

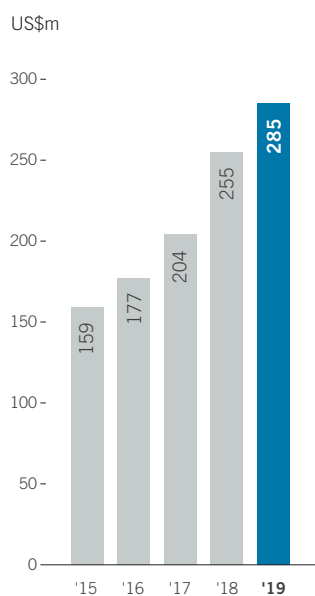
EBIT

+11.9%
US\$314 million



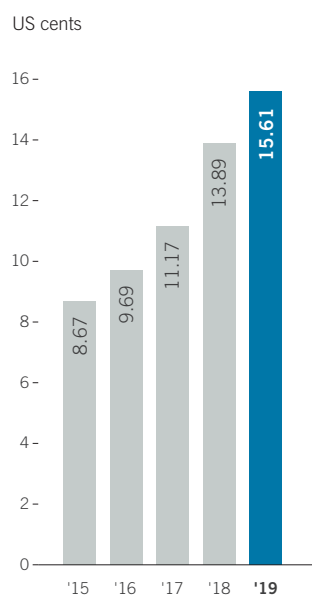
Net Profit

+11.9%
US\$285 million



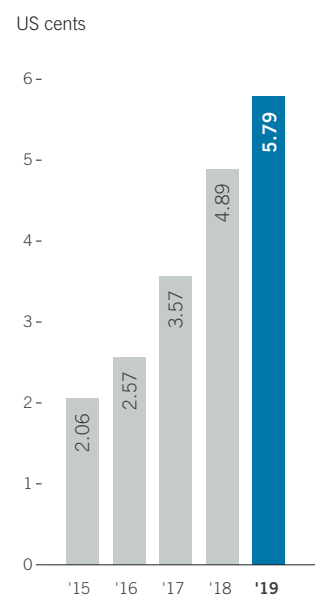
EPS

+12.4%
US15.61 cents



Interim Dividend per Share

+18.4%
US5.79 cents



Management's Discussion and Analysis

Revenue increased **10.7%**
(in local currency)

EBIT and net profit both increased
11.9%

Gross margin increased in the first
half for the eleventh consecutive year,
up **50** bps

Power Equipment segment continued
the strong momentum with growth
14.3%
(in local currency)

Milwaukee Tool business once
again grew globally over
20%
(in local currency)

Floor Care is on track to deliver
targeted increase in profits

Review of Operations

New Product Driving Growth

We are pleased to announce that our results for the first half of 2019 were another record for the Group with revenue increasing 8.7%, EBIT and net profit both increasing 11.9%, and earnings per share increasing 12.4%, to approximately US15.61 cents. Revenue grew 10.7% in local currency. The strong first half performance was driven by the launch of new products, category and geographic expansion. Gross margin increased in the first half for the eleventh consecutive year, up 50 bps, increasing from 37.1% to 37.6%. Our disciplined working capital management continued to yield solid performance at 18.4% of sales.

Our flagship Milwaukee Tool business once again grew over 20% globally in local currency and our Power Equipment business outperformed the market with double-digit growth. Additionally, our other Power Equipment brands posted excellent results, led by the Ryobi business with high single digit growth. Our Floor Care business is improving nicely with a strategic focus on cordless and carpet washing.

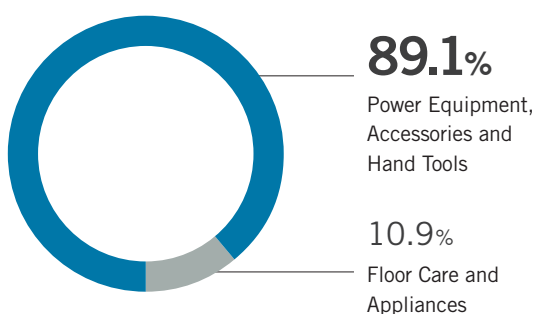
Our geographic expansion was also a highlight for the first half with the European team delivering an outstanding 14.2% growth in local currency, led by Milwaukee Tool with over 25% growth. In rest of world, Australia and our Asian companies continued to deliver above market growth at 12.8%. Our North American businesses continued to perform exceptionally well at 9.7% growth with Milwaukee Tool up 20%+ in the US and 28%+ in Canada.

High margin new products, productivity gains, and volume leverage improved gross margin in the first half for the eleventh consecutive year. TTI delivered a good first half result due to productivity and supply chain expansion outside of our traditional base, along with volume leverage. We are rapidly expanding our global manufacturing footprint. This global supply chain, along with swift and effective managerial action, helped us mitigate headwinds in the first half, including tariffs.

US\$3.3 billion

Sales in Power Equipment, Accessories and Hand Tools

Sales by Business



AEG

RYOBI

Homelite®



IMPERIAL BLADES



HART

Power Equipment

The Power Equipment segment continued the strong momentum with 14.3% growth in local currency, to revenue of US\$3.3 billion. New products, geographic expansion, and entry into new categories all contributed to the excellent performance.

Professional and Industrial Solutions

Our Milwaukee Tool global business delivered 22.2% growth in local currency for the first half of 2019 and continues to outperform the global market. The high-performance MILWAUKEE FUEL cordless range had an outstanding first half with over 24% growth bolstered by key new product launches.

Milwaukee Tool continues to bring significant technological advancements to batteries, brushless motors, and system electronics. These cordless innovations deliver increased capabilities in power, run time, and performance which propelled Milwaukee Tool to a global cordless market leadership position. The M18 system, the fastest-growing cordless system for the professional end user, now offers a platform of over 180 products. In addition, Milwaukee Tool continues its dominant leadership position in the global sub-compact cordless space, with the M12 cordless system now featuring over 100 products.

High performance cordless lighting continues to be a highlight of Milwaukee Tool's business growth. Lighting is a good example of category expansion rapidly gaining traction. With recent introductions in the personal lighting and the site lighting categories, Milwaukee Tool now offers one of the most comprehensive cordless work lighting portfolio in the industry.

The MILWAUKEE PACKOUT system continues to exceed growth expectations with an innovative, durable and mobile storage system. We continue to expand our PACKOUT system beyond the already comprehensive 17 unique professional modular storage products, with more to come.

The newly launched MILWAUKEE mechanics hand tool line is a great example of a new category targeting new verticals and represents tremendous growth opportunity for the second half and beyond. Our innovative wrenches, ratchets and socket sets have been well received by targeted user groups.

Our MILWAUKEE tape measure business continues to show impressive growth with the introduction of the MILWAUKEE STUD tape measures, the industry's most durable tape measure, equipped with innovative technology which protects the blade from ripping and wearing, delivering one of the longest-lasting blades on the market.

Consumer Power Tools & Outdoor

The RYOBI ONE+ cordless tool range is the number one line of DIY cordless tools in the world today. We are continuing to expand this leadership position with a series of exciting RYOBI ONE+ products. The RYOBI ONE+ Air Cannon fan, RYOBI ONE+ band saw, and RYOBI ONE+ grease gun are great examples of the ongoing expansion of this world leading system.

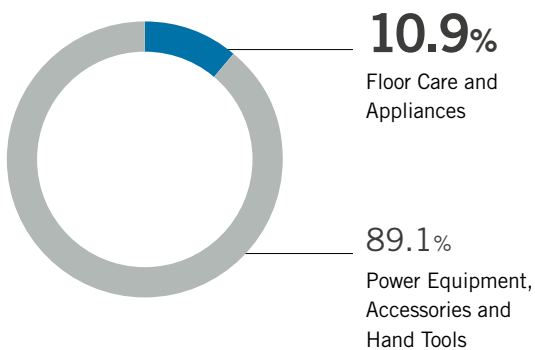
The Ryobi Outdoor business delivered 15.9% growth in the first half, led by the revolutionary range of cordless outdoor products. The leadership cordless mower range continues to disrupt and transform a legacy petrol market into an easier to use and environmentally friendly solution. We successfully expanded our cordless offerings with additional mowers, blower vacs, sprayers, foggers, and string trimmers.

A key strength of the Ryobi business is the overarching range of cordless products that span from power tools to outdoor, and many other categories.

US\$406 million

Sales in Floor Care and Appliances

Sales by Business



ORECK

vax



Floor Care and Appliances

We are encouraged with the implementation of our new floorcare strategy, led by our next generation Carpet Washing and Solution range. The next phase of this new strategy is the rollout of our new cordless ONEPWR system that will position the HOOVER brand for years of growth and profitability. Hoover's new ONEPWR cordless system is rolling out with a family of 9 cordless cleaning products that share the same powerful lithium-ion battery. We are also rolling out the cordless ONEPWR platform under the VAX brand in the UK and ANZ. This technologically advanced battery platform will allow us to expand into new areas.

Our Carpet Washing and Solutions business posted double digit growth, led by the success of SMARTWASH and POWERDASH. POWERDASH is now the number 1 selling carpet washer in North America. Additionally, our new line of detergents formulated to optimize the performance of our Carpet Washers are selling well.

Additionally, our Milwaukee Tool business has developed an exciting range of job site cordless cleaning products underscoring the synergies and shared technology platform with the Floor Care division. These MILWAUKEE floorcare products are selling above expectations and hold great promise.

Our outlook for the full year 2019 Floor Care is on track to deliver targeted increase in profits. Although the first half revenue reflects the planned process of exiting a lower margin market in Western Europe and our ongoing exit from Corded Uprights (down 12.0% in local currency in the first half), our overall sales outlook for the full year is encouraging with above plan sales on our focused strategic areas, and this trend will continue to gather momentum in the years ahead.

Outlook

We are well positioned to deliver a strong second half, and importantly, a strong future. Our expanding global manufacturing network continues to deliver consistent, outstanding productivity gains and we are working hard to offset and minimize the impact of challenging headwinds, including tariffs.

We continue to focus on things we can control, such as rigorously managing non-strategic SGA spend. New product development is a core strength of TTI and our new product flow continues to accelerate. We continue to aggressively invest in this high speed, world class process so that we can bring to market a stream of high margin new products with cutting edge technology for the months and years to come. With the strength of our new product programs, our outstanding team and strong brand portfolio, we are poised to deliver excellent results.

Financial Review

Financial Results

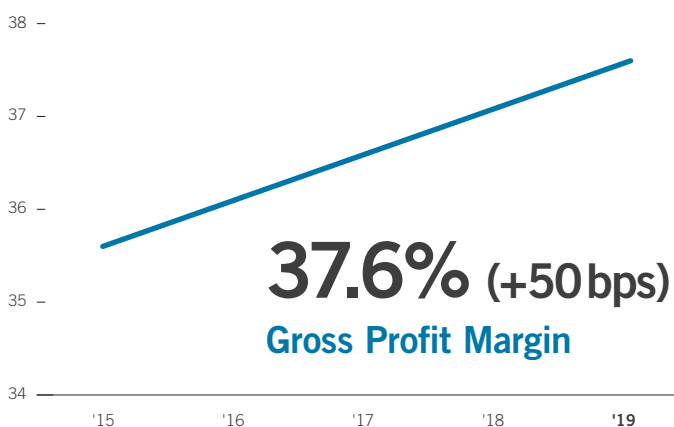
Reported revenue for the period grew by 8.7% as compared to the same period last year, amounting to US\$3,728 million. Profit attributable to Owners of the Company amounted to US\$285 million as compared to US\$255 million reported last year, an increase of 11.9%. Basic earnings per share was at US15.61 cents (2018: US13.89 cents), an increase of 12.4%.

EBIT amounted to US\$314 million, an increase of 11.9% as compared to the US\$281 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 37.6% as compared to 37.1% in the same period last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity together with very effective action plans to mitigate the tariffs impact.



For the six-month period ended June 30, 2019

Operating Expenses

Total operating expenses for the period amounted to US\$1,093 million as compared to US\$996 million reported for the same period last year, representing 29.3% of revenue (2018: 29.0%). During the period under review, R&D spent remains at 2.9% of revenue (2018: 2.9%) to maintain the high velocity growth momentum.

Net interest expenses for the period amounted to US\$7 million as compared to US\$5 million reported for the same period last year, representing 0.2% of revenue (2018: 0.2%). Interest cover, expressed as a multiple of EBITDA to total interest was at 19.3 times (2018: 22.3 times).

Effective tax rate for the period was at 7.1% (2018: 7.5%).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$3.2 billion, an increase of 4.0% as compared to December 31, 2018. Book value per share was US\$1.74 as compared to US\$1.67 at December 31, 2018, an increase of 4.2%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2019, the Group's cash and cash equivalents amounted to US\$1,206 million (US\$1,104 million at December 31, 2018) after the payment of US\$117.6 million dividend during the period (US\$93.8 million in first half 2018), of which 48.6%, 31.0%, 8.0%, and 12.4% were denominated in US\$, RMB, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, was at 13.1% as compared to 1.8% as at June 30, 2018. The Group remains confident that gearing will further improve by end of the year.

Bank Borrowings

Long term borrowing accounted for 40.9% of total debts (56.0% at December 31, 2018).

The Group's major borrowings continued to be in US\$. Borrowings are predominantly LIBOR 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.

Amongst the bank borrowings, fixed rate debts account for 11.1% of the total debt, the balance being floating rate debts.

Working Capital

Total inventory was at US\$1,961 million as compared to US\$1,578 million as at June 30, 2018. Days inventory increased by 6 days from 88 days to 94 days. The higher inventory days as compared with same period last year was mainly due to the strategic decision to carry a higher level of inventory to support our service level, considering our high growth momentum and the pull in ahead of tariff becoming effective. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 63 days as compared to 67 days as at June 30, 2018. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 61 days as compared to 63 days as at June 30, 2018. 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 91 days as compared to 93 days as at June 30, 2018.

Working capital as a percentage of sales was at 18.4% as compared to 17.0% for the same period last year.

Capital Expenditures

Total capital expenditures for the period amounted to US\$211 million and additional US\$42 million for headquarters located in the USA (2018: US\$86 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2019, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$34 million (2018: US\$30 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 29,536 employees (26,110 employees as at June 30, 2018) in Hong Kong and overseas. Total staff cost for the period under review amounted to US\$625 million as compared to US\$514 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 HK45.00 cents (approximately US5.79 cents) (2018: HK38.00 cents (approximately US4.89 cents)) per share for the six-month period ended June 30, 2019. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 6, 2019. It is expected that the interim dividend will be paid on or about September 20, 2019.

Closure of Register of Members

The register of members of the Company will be closed from September 5, 2019 to September 6, 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 4, 2019.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

To the Board of Directors of
Techtronic Industries Company Limited
(incorporated in Hong Kong with limited liability)

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 10 to 28, which comprise the consolidated statement of financial position as of June 30, 2019 and the related 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 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 14, 2019

Condensed Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six-month period ended June 30, 2019

| | Notes | 2019 US\$'000 (Unaudited) | 2018 US\$'000 (Unaudited) |
|---|-------|---------------------------------|---------------------------------|
| Revenue | 3 & 4 | 3,728,247 | 3,430,828 |
| Cost of sales | | (2,325,499) | (2,157,198) |
| Gross profit | | 1,402,748 | 1,273,630 |
| Other income | | 4,372 | 3,252 |
| Interest income | | 17,817 | 13,156 |
| Selling, distribution and advertising expenses | | (581,768) | (522,233) |
| Administrative expenses | | (402,688) | (374,791) |
| Research and development costs | | (108,592) | (99,111) |
| Finance costs | | (25,166) | (18,470) |
| Profit before share of results of associates and taxation | | 306,723 | 275,433 |
| Share of results of associates | | 27 | — |
| Profit before taxation | | 306,750 | 275,433 |
| Taxation charge | 5 | (21,687) | (20,657) |
| Profit for the period | 6 | 285,063 | 254,776 |
| Other comprehensive (loss) income: | | | |
| Item that will not be reclassified subsequently to profit or loss, net of related income tax: | | | |
| Remeasurement of defined benefit obligations | | (3,114) | 135 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Fair value (loss) gain on foreign currency forward contracts in hedge accounting | | (994) | 40,758 |
| Exchange differences on translation of foreign operations | | (2,934) | (22,871) |
| Other comprehensive (loss) income for the period | | (7,042) | 18,022 |
| Total comprehensive income for the period | | 278,021 | 272,798 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 285,004 | 254,737 |
| Non-controlling interests | | 59 | 39 |
| | | 285,063 | 254,776 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 277,962 | 272,759 |
| Non-controlling interests | | 59 | 39 |
| | | 278,021 | 272,798 |
| Earnings per share (US cents) | 8 | | |
| Basic | | 15.61 | 13.89 |
| Diluted | | 15.55 | 13.84 |

Condensed Consolidated Financial Statements

Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2019

| | Notes | June 30 2019 US\$'000 (Unaudited) | December 31 2018 US\$'000 (Audited) |
|--|--------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 & 17 | 965,526 | 790,936 |
| Lease prepayments | | — | 28,475 |
| Right of use assets | 2 & 9 | 236,318 | — |
| Goodwill | | 581,096 | 581,215 |
| Intangible assets | 9 | 641,086 | 620,801 |
| Interests in associates | | 3,282 | 3,664 |
| Financial assets at fair value through profit or loss | | 5,663 | 5,361 |
| Derivative financial instruments | | 9,441 | 9,441 |
| Deferred tax assets | | 86,170 | 83,945 |
| | | 2,528,582 | 2,123,838 |
| Current assets | | | |
| Inventories | | 1,961,134 | 1,766,722 |
| Right to returned goods asset | | 16,987 | 14,005 |
| Trade and other receivables | 10 | 1,373,612 | 1,126,798 |
| Deposits and prepayments | | 132,737 | 126,841 |
| Bills receivable | 10 | 6,518 | 5,057 |
| Tax recoverable | | 5,787 | 12,852 |
| Trade receivables from associates | 11 | 11,140 | 2,253 |
| Derivative financial instruments | | 28,202 | 33,788 |
| Financial assets at fair value through profit or loss | | 25,762 | 32,828 |
| Bank balances, deposits and cash | | 1,205,564 | 1,103,880 |
| | | 4,767,443 | 4,225,024 |
| Current liabilities | | | |
| Trade and other payables | 12 | 1,884,935 | 1,921,452 |
| Bills payable | 12 | 26,396 | 41,164 |
| Warranty provision | | 108,587 | 105,215 |
| Tax payable | | 10,992 | 15,300 |
| Derivative financial instruments | | 1,046 | 712 |
| Lease liabilities | | 57,847 | — |
| Obligations under finance leases – due within one year | | — | 288 |
| Discounted bills with recourse | | 258,163 | 243,360 |
| Unsecured borrowings – due within one year | 13 | 760,514 | 255,228 |
| Refund liabilities from right of return | | 36,470 | 33,267 |
| | | 3,144,950 | 2,615,986 |
| Net current assets | | 1,622,493 | 1,609,038 |
| Total assets less current liabilities | | 4,151,075 | 3,732,876 |

Condensed Consolidated Financial Statements
 Consolidated Statement of Financial Position (Unaudited)
 As at June 30, 2019

| | Notes | June 30 2019 US\$'000 (Unaudited) | December 31 2018 US\$'000 (Audited) |
|---|-------|--|--|
| CAPITAL AND RESERVES | | | |
| Share capital | 14 | 659,545 | 654,991 |
| Reserves | | 2,521,386 | 2,402,780 |
| Equity attributable to Owners of the Company | | 3,180,931 | 3,057,771 |
| Non-controlling interests | | (371) | (430) |
| Total equity | | 3,180,560 | 3,057,341 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 166,667 | — |
| Obligations under finance leases – due after one year | | — | 725 |
| Unsecured borrowings – due after one year | 13 | 663,377 | 540,214 |
| Retirement benefit obligations | | 125,864 | 119,974 |
| Deferred tax liabilities | | 14,607 | 14,622 |
| | | 970,515 | 675,535 |
| Total equity and non-current liabilities | | 4,151,075 | 3,732,876 |

Condensed Consolidated Financial Statements

Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended June 30, 2019

| | Attributable to Owners of the Company | | | | | | | Total US\$' 000 | Share of net assets of subsidiaries US\$' 000 | Attributable to non- controlling interests | Total US\$' 000 |
|---|---------------------------------------|--|-------------------------------------|---|---|---------------------------------|----------------------------------|--------------------|--|---|--------------------|
| | Share capital US\$' 000 | Shares held for share award scheme US\$' 000 | Translation reserve US\$' 000 | Employee share-based compensation reserve US\$' 000 | Defined benefit obligations remeasurement reserve US\$' 000 | Hedging reserve US\$' 000 | Retained profits US\$' 000 | | | | |
| At January 1, 2018 (audited) | 653,918 | (10,561) | (94,058) | 6,902 | (20,421) | (28,784) | 2,234,229 | 2,741,225 | (507) | 2,740,718 | |
| Adjustment for adoption of HKFRS 9 | — | — | — | — | — | — | 1,570 | 1,570 | — | 1,570 | |
| Adjustment for adoption of HKFRS 15 | — | — | — | — | — | — | (7,060) | (7,060) | — | (7,060) | |
| At January 1, 2018 (restated) | 653,918 | (10,561) | (94,058) | 6,902 | (20,421) | (28,784) | 2,228,739 | 2,735,735 | (507) | 2,735,228 | |
| Profit for the period | — | — | — | — | — | — | 254,737 | 254,737 | 39 | 254,776 | |
| Remeasurement of defined benefit obligations | — | — | — | — | 135 | — | — | 135 | — | 135 | |
| Fair value gain on foreign currency forward contracts in hedge accounting | — | — | — | — | — | 40,758 | — | 40,758 | — | 40,758 | |
| Exchange differences on translation of foreign operations | — | — | (22,871) | — | — | — | — | (22,871) | — | (22,871) | |
| Other comprehensive income (loss) for the period | — | — | (22,871) | — | 135 | 40,758 | — | 18,022 | — | 18,022 | |
| Total comprehensive income (loss) for the period | — | — | (22,871) | — | 135 | 40,758 | 254,737 | 272,759 | 39 | 272,798 | |
| Shares issued at premium on exercise of options | 686 | — | — | (128) | — | — | — | 558 | — | 558 | |
| Buy-back of shares | — | — | — | — | — | — | (12,764) | (12,764) | — | (12,764) | |
| Vesting of awarded shares | — | 637 | — | (637) | — | — | — | — | — | — | |
| Shares for share award scheme | — | (4,674) | — | — | — | — | — | (4,674) | — | (4,674) | |
| Recognition of equity-settled share-based payments | — | — | — | 2,346 | — | — | — | 2,346 | — | 2,346 | |
| Lapse of share options | — | — | — | (6) | — | — | 6 | — | — | — | |
| Final dividend – 2017 | — | — | — | — | — | — | (93,827) | (93,827) | — | (93,827) | |
| At June 30, 2018 (unaudited) | 654,604 | (14,598) | (116,929) | 8,477 | (20,286) | 11,974 | 2,376,891 | 2,900,133 | (468) | 2,899,665 | |
| Profit for the year | — | — | — | — | — | — | 297,726 | 297,726 | 38 | 297,764 | |
| Remeasurement of defined benefit obligations | — | — | — | — | (164) | — | — | (164) | — | (164) | |
| Fair value gain on foreign currency forward contracts in hedge accounting | — | — | — | — | — | 10,972 | — | 10,972 | — | 10,972 | |
| Deferred tax liability on remeasurement of defined benefit obligation | — | — | — | — | (82) | — | — | (82) | — | (82) | |
| Deferred tax liability on hedging reserve | — | — | — | — | — | (1,498) | — | (1,498) | — | (1,498) | |
| Exchange differences on translation of foreign operations | — | — | (26,302) | — | — | — | — | (26,302) | — | (26,302) | |
| Other comprehensive income (loss) for the period | — | — | (26,302) | — | (246) | 9,474 | — | (17,074) | — | (17,074) | |
| Total comprehensive income (loss) for the period | — | — | (26,302) | — | (246) | 9,474 | 297,726 | 280,652 | 38 | 280,690 | |
| Shares issued at premium on exercise of options | 387 | — | — | (77) | — | — | — | 310 | — | 310 | |
| Buy-back of shares | — | — | — | — | — | — | (25,844) | (25,844) | — | (25,844) | |
| Shares for share award scheme | — | (10,517) | — | — | — | — | — | (10,517) | — | (10,517) | |
| Recognition of equity-settled share-based payments | — | — | — | 2,632 | — | — | — | 2,632 | — | 2,632 | |
| Interim dividend – 2018 | — | — | — | — | — | — | (89,595) | (89,595) | — | (89,595) | |
| At December 31, 2018 (audited) | 654,991 | (25,115) | (143,231) | 11,032 | (20,532) | 21,448 | 2,559,178 | 3,057,771 | (430) | 3,057,341 | |
| Adjustment for adoption of HKFRS 16 (note 2.1.2) | — | — | — | — | — | — | (22,139) | (22,139) | — | (22,139) | |
| At January 1, 2019 (restated) | 654,991 | (25,115) | (143,231) | 11,032 | (20,532) | 21,448 | 2,537,039 | 3,035,632 | (430) | 3,035,202 | |
| Profit for the period | — | — | — | — | — | — | 285,004 | 285,004 | 59 | 285,063 | |
| Remeasurement of defined benefit obligations | — | — | — | — | (3,114) | — | — | (3,114) | — | (3,114) | |
| Fair value loss on foreign currency forward contracts in hedge accounting | — | — | — | — | — | (994) | — | (994) | — | (994) | |
| Exchange differences on translation of foreign operations | — | — | (2,934) | — | — | — | — | (2,934) | — | (2,934) | |
| Other comprehensive income (loss) for the period | — | — | (2,934) | — | (3,114) | (994) | — | (7,042) | — | (7,042) | |
| Total comprehensive income (loss) for the period | — | — | (2,934) | — | (3,114) | (994) | 285,004 | 277,962 | 59 | 278,021 | |
| Shares issued at premium on exercise of options | 4,554 | — | — | (906) | — | — | — | 3,648 | — | 3,648 | |
| Buy-back of shares | — | — | — | — | — | — | (12,644) | (12,644) | — | (12,644) | |
| Vesting of awarded shares | — | 1,766 | — | (1,766) | — | — | — | — | — | — | |
| Shares for share award scheme | — | (8,477) | — | — | — | — | — | (8,477) | — | (8,477) | |
| Recognition of equity-settled share-based payments | — | — | — | 2,431 | — | — | — | 2,431 | — | 2,431 | |
| Final dividend – 2018 | — | — | — | — | — | — | (117,621) | (117,621) | — | (117,621) | |
| At June 30, 2019 (unaudited) | 659,545 | (31,826) | (146,165) | 10,791 | (23,646) | 20,454 | 2,691,778 | 3,180,931 | (371) | 3,180,560 | |

Condensed Consolidated Financial Statements

Consolidated Statement of Cash Flows (Unaudited)

For the six-month period ended June 30, 2019

| | June 30 2019 US\$'000 (Unaudited) | June 30 2018 US\$'000 (Unaudited) |
|---|--|--|
| Operating Activities | | |
| Profit before taxation | 306,750 | 275,433 |
| Adjustments for: | | |
| Amortization/write-off of intangible assets | 55,411 | 55,134 |
| Amortization of lease prepayments | — | 182 |
| Depreciation of right of use assets | 30,808 | — |
| Depreciation on property, plant and equipment | 69,611 | 62,962 |
| Derecognition of right of use assets | (3,487) | — |
| Employee share-based payments expense | 2,431 | 2,346 |
| Fair value loss (gain) on foreign currency forward contracts | 6,871 | (7,399) |
| Fair value loss (gain) on listed equity securities | 7,065 | (6,647) |
| Finance costs | 25,166 | 18,470 |
| Gain on disposal of listed equity securities | — | (120) |
| Impairment loss on trade receivables, net of reversal | 8,945 | 6,568 |
| Interest income | (17,817) | (13,156) |
| Loss on disposal of property, plant and equipment | 2,639 | 5,447 |
| Write down of inventories | 19,157 | 18,346 |
| Share of results of associates | (27) | — |
| Operating cash flows before movements in working capital | 513,523 | 417,566 |
| Increase in inventories | (214,873) | (140,085) |
| Increase in trade and other receivables, deposits and prepayments | (261,104) | (124,226) |
| Increase in right to returned goods assets | (2,982) | — |
| Increase in bills receivable | (1,461) | (7,041) |
| (Increase) decrease in trade receivables from associates | (8,477) | 1,410 |
| (Decrease) increase in trade and other payables | (36,396) | 96,749 |
| Increase in refund liabilities from right of return | 3,203 | — |
| Decrease in bills payable | (14,768) | (9,927) |
| Increase in warranty provision | 3,477 | 3,388 |
| Increase in retirement benefit obligations | 2,776 | 1,289 |
| Net payment for purchase of shares for share award scheme | (8,477) | (4,673) |
| Cash (used in) generated from operations | (25,559) | 234,450 |
| Interest paid | (25,166) | (18,470) |
| Hong Kong Profits Tax paid | (3,568) | (6,152) |
| Overseas tax paid | (18,605) | (26,186) |
| Overseas tax refund | 1,192 | 7,972 |
| Net Cash (used in) from Operating Activities | (71,706) | 191,614 |

| | June 30 2019 US\$'000 (Unaudited) | June 30 2018 US\$'000 (Unaudited) |
|--|--|--|
| Investing Activities | | |
| Additions to intangible assets | (75,690) | (62,511) |
| Interest received | 17,817 | 13,156 |
| Proceeds from disposal of listed equity securities | — | 2,108 |
| Proceeds from disposal of property, plant and equipment | 5,472 | 1,669 |
| Purchase of listed equity securities | — | (8,536) |
| Purchase of property, plant and equipment | (253,033) | (85,407) |
| Purchase of unlisted equity securities | (301) | — |
| Advances to associates | — | (126) |
| Net Cash used in Investing Activities | (305,735) | (139,647) |
| Financing Activities | | |
| Increase in discounted bills with recourse | 14,803 | 134,465 |
| Dividends paid | (117,621) | (93,827) |
| New bank loans obtained | 1,552,007 | 1,140,933 |
| Proceeds from issue of shares | 3,648 | 558 |
| Repayment of bank loans | (923,556) | (1,211,517) |
| Repayment of lease liabilities | (31,188) | — |
| Repayment of obligations under finance leases | — | (1,491) |
| Buy-back of shares | (12,644) | (12,764) |
| Net Cash from (used in) Financing Activities | 485,449 | (43,643) |
| Net Increase in Cash and Cash Equivalents | 108,008 | 8,324 |
| Cash and Cash Equivalents at Beginning of the Period | 1,103,880 | 863,515 |
| Effect of Foreign Exchange Rate Changes | (6,324) | (8,712) |
| Cash and Cash Equivalents at End of the Period | 1,205,564 | 863,127 |
| Analysis of the Balances of Cash and Cash Equivalents | | |
| Represented by: | | |
| Bank balances, deposits and cash | 1,205,564 | 863,127 |
| | 1,205,564 | 863,127 |

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Basis of preparation

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

The financial information relating to the year ended December 31, 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standard (“HKFRS”), the accounting policies and method of computation used in the condensed consolidated financial statements for the six-month ended June 30, 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. Significant accounting policies (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

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.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

Excludes non-lease components

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and building, furniture and fixtures, plant and machinery and motor vehicles 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 over the lease term.

Right of use assets

Except for short-term leases and leases of low value assets, the Group recognizes right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right of use asset 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.

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

The Group presents right of use 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 Financial Instruments (“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 right of use assets.

2. Significant accounting policies (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

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;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right of use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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 stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone 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.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right of use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right of use 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 right of use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right of use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

2. Significant accounting policies (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognize right of use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right of use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at January 1, 2019, the Group recognized additional lease liabilities and measured right of use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16. C8(b)(i) transition.

2. Significant accounting policies (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is approximately 2.8%.

| | At January 1, 2019 US\$'000 |
|--|--------------------------------|
| Operating lease commitments disclosed as at December 31, 2018 | 316,373 |
| Lease liabilities discounted at relevant incremental borrowing rates | 287,180 |
| Add: Extension options reasonably certain to be exercised | 1,863 |
| Less: Recognition exemption – short-term leases | (585) |
| Recognition exemption – low value assets | (4,580) |
| Leases not yet commenced to which the entity is committed | (5,301) |
| Non-lease components to be excluded from the lease liability | (880) |
| Lease liabilities relating to operating leases recognized upon application of HKFRS 16 | 277,697 |
| Add: Obligations under finance leases recognized at December 31, 2018 (note b) | 1,013 |
| Lease liabilities as at January 1, 2019 | 278,710 |
| Analyzed as | |
| Current | 55,559 |
| Non-current | 223,151 |
| | 278,710 |

The carrying amount of right of use assets as at January 1, 2019 comprises the following:

| | Right of use assets US\$'000 |
|--|---------------------------------|
| Right of use assets relating to operating leases recognized upon application of HKFRS 16 | 255,558 |
| Reclassification from lease prepayments (note a) | 28,475 |
| Amounts included in property, plant and equipment under HKAS 17 | |
| – Assets previously under finance leases (note b) | 715 |
| | 284,748 |
| By class: | |
| Leasehold land (lease prepayments) | 28,475 |
| Land and buildings | 210,715 |
| Office equipment, furniture and fixtures | 2,528 |
| Plant and machinery | 2,930 |
| Motor vehicles | 40,100 |
| | 284,748 |

Note a: Upfront payments for leasehold lands were classified as lease prepayments as at December 31, 2018. Upon application of HKFRS 16, the lease prepayments amounting to US\$28,475,000 were reclassified to right of use assets.

Note b: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at January 1, 2019 amounting to US\$715,000 as right of use assets. In addition, the Group reclassified the obligations under finance leases of US\$288,000 and US\$725,000 to lease liabilities as current and non-current liabilities respectively at January 1, 2019.

2. Significant accounting policies (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following table summarizes the impact of transition to HKFRS 16 on retained profits at January 1, 2019.

| | Impact of adopting HKFRS 16 at January 1, 2019 US\$'000 |
|--|--|
| Retained profits | |
| Recognition of the differences between right of use assets and lease liabilities | 22,139 |

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at December 31, 2018 US\$'000 | Reclassifications US\$'000 | Adjustments US\$'000 | Carrying amounts under HKFRS 16 at January 1, 2019 US\$'000 |
|----------------------------------|--|-------------------------------|-------------------------|--|
| Non-current Assets | | | | |
| Property, plant and equipment | 790,936 | (715) | — | 790,221 |
| Lease prepayments | 28,475 | (28,475) | — | — |
| Right of use assets | — | 29,190 | 255,558 | 284,748 |
| Current Liabilities | | | | |
| Lease liabilities | — | 288 | 55,271 | 55,559 |
| Obligations under finance leases | 288 | (288) | — | — |
| Non-current Liabilities | | | | |
| Lease liabilities | — | 725 | 222,426 | 223,151 |
| Obligations under finance leases | 725 | (725) | — | — |
| Capital and Reserves | | | | |
| Retained profits | 2,559,178 | — | (22,139) | 2,537,039 |

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six-month ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

3. Segment information

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

For the period ended June 30, 2019

| | Power Equipment US\$'000 | Floor Care and Appliances US\$'000 | Eliminations US\$'000 | Consolidated US\$'000 |
|-----------------------|--------------------------------|--|--------------------------|--------------------------|
| Segment revenue | | | | |
| External sales | 3,321,761 | 406,486 | — | 3,728,247 |
| Inter-segment sales | — | 112 | (112) | — |
| Total segment revenue | 3,321,761 | 406,598 | (112) | 3,728,247 |

For the period ended June 30, 2018

| | Power Equipment US\$'000 | Floor Care and Appliances US\$'000 | Eliminations US\$'000 | Consolidated US\$'000 |
|-----------------------|--------------------------------|--|--------------------------|--------------------------|
| Segment revenue | | | | |
| External sales | 2,962,123 | 468,705 | — | 3,430,828 |
| Inter-segment sales | — | 727 | (727) | — |
| Total segment revenue | 2,962,123 | 469,432 | (727) | 3,430,828 |

Inter-segment sales are charged at prevailing market rates.

Six-month period ended June 30

| | 2019 | | | 2018 | | |
|--------------------------------|--------------------------------|---|--------------------------|--------------------------------|---|--------------------------|
| | Power Equipment US\$'000 | Floor Care and Appliances US\$'000 | Consolidated US\$'000 | Power Equipment US\$'000 | Floor Care and Appliances US\$'000 | Consolidated US\$'000 |
| Segment results | 313,928 | 144 | 314,072 | 280,176 | 571 | 280,747 |
| Interest income | | | 17,817 | | | 13,156 |
| Finance costs | | | (25,166) | | | (18,470) |
| Share of results of associates | | | 27 | | | — |
| Profit before taxation | | | 306,750 | | | 275,433 |
| Taxation charge | | | (21,687) | | | (20,657) |
| Profit for the period | | | 285,063 | | | 254,776 |

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

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

4. Revenue

An analysis of the Group's revenue is as follows:

| | Six-month period ended June 30 | |
|-------------------------------|--------------------------------|------------------|
| | 2019 US\$'000 | 2018 US\$'000 |
| Sales of goods | 3,706,835 | 3,422,054 |
| Commission and royalty income | 21,412 | 8,774 |
| | 3,728,247 | 3,430,828 |

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

The Group's revenue from external customers by geographical location, determined based on the location of the customer is as follows:

| | Six-month period ended June 30 | |
|-----------------|--------------------------------|------------------|
| | 2019 US\$'000 | 2018 US\$'000 |
| North America | 2,845,008 | 2,599,475 |
| Europe | 595,198 | 554,785 |
| Other countries | 288,041 | 276,568 |
| | 3,728,247 | 3,430,828 |

5. Taxation charge

| | Six-month period ended June 30 | |
|---------------|--------------------------------|------------------|
| | 2019 US\$'000 | 2018 US\$'000 |
| Current tax: | | |
| Hong Kong Tax | (874) | (754) |
| Overseas Tax | (22,837) | (13,385) |
| Deferred Tax | 2,024 | (6,518) |
| | (21,687) | (20,657) |

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

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

6. Profit for the period

| | Six-month period ended June 30 | |
|---|--------------------------------|------------------|
| | 2019 US\$'000 | 2018 US\$'000 |
| Profit for the period has been arrived at after charging (crediting): | | |
| Amortization of intangible assets | 54,551 | 53,956 |
| Amortization of lease prepayments | — | 182 |
| Depreciation of property, plant and equipment | 69,611 | 62,962 |
| Depreciation of right of use assets | 30,808 | — |
| Total depreciation and amortization | 154,970 | 117,100 |
| Fair value loss (gain) on listed equity securities | 7,065 | (6,647) |
| Impairment loss on trade receivables, net of reversal | 8,945 | 6,568 |
| Net exchange (gain) loss | (1,442) | 509 |
| Write down of inventories | 19,157 | 18,346 |
| Staff costs | 624,869 | 514,050 |

7. Dividends

A dividend of HK50.00 cents (approximately US6.44 cents) per share with a total of approximately US\$117,621,000 (2018: HK39.75 cents (approximately US5.12 cents) per share with a total of approximately US\$93,827,000) was paid to shareholders as the final dividend for 2018 (2018: final dividend for 2017) on June 21, 2019.

The Directors have determined that an interim dividend of HK45.00 cents (approximately US5.79 cents) per share with a total of approximately US\$105,870,000 (2018: HK38.00 cents (approximately US4.89 cents) per share with a total of approximately US\$89,595,000) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 6, 2019.

8. Earnings per share

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

| | Six-month period ended June 30 | |
|--|--------------------------------|------------------|
| | 2019 US\$'000 | 2018 US\$'000 |
| Earnings for the purposes of basic and diluted earnings per share: | | |
| Profit for the period attributable to Owners of the Company | 285,004 | 254,737 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,825,960,944 | 1,833,993,305 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 5,724,117 | 6,028,096 |
| Share awards | 687,353 | 410,094 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,832,372,414 | 1,840,431,495 |

The computation of diluted earnings per share does not assume the exercise of certain Company's share options because exercise price of those options were higher than the average market price of the Company's shares for the period ended June 30, 2019 and 2018.

9. Additions to property, plant and equipment/intangible assets/right of use assets

During the period, the Group spent approximately US\$253 million (for the six-month ended June 30, 2018: US\$86 million) and US\$76 million (for the six-month ended June 30, 2018: US\$63 million) on the acquisition of property, plant and equipment and intangible assets respectively.

During the period, the Group entered into certain new lease agreements for the use of land and buildings, office equipment, furniture and fixtures, plant and machinery and motor vehicles. The Group is required to make periodic payments. On lease commencement, the Group recognized US\$39,141,000 of right of use asset and US\$39,141,000 lease liability.

10. Trade and other receivables/Bills receivable

The Group has a policy of allowing credit periods ranging mainly from 30 days to 120 days. The aging analysis of trade receivables, net of allowances for credit losses, based on invoice date, at the end of the reporting period is as follows:

| Age | June 30 2019 US\$'000 | December 31 2018 US\$'000 |
|-------------------------|-----------------------------|---------------------------------|
| 0 to 60 days | 1,141,082 | 680,424 |
| 61 to 120 days | 140,661 | 346,055 |
| 121 days or above | 36,809 | 62,684 |
| Total trade receivables | 1,318,552 | 1,089,163 |
| Other receivables | 55,060 | 37,635 |
| | 1,373,612 | 1,126,798 |

All the Group's bills receivable at June 30, 2019 are aged within 120 days.

11. Trade receivables from associates

The trade receivables from associates are aged within 120 days.

12. Trade and other payables/Bills payable

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

| Age | June 30 2019 US\$'000 | December 31 2018 US\$'000 |
|----------------------|-----------------------------|---------------------------------|
| 0 to 60 days | 794,959 | 822,557 |
| 61 to 120 days | 203,121 | 248,261 |
| 121 days or above | 11,659 | 15,006 |
| Total trade payables | 1,009,739 | 1,085,824 |
| Other payables | 875,196 | 835,628 |
| | 1,884,935 | 1,921,452 |

All the Group's bills payable at June 30, 2019 are aged within 120 days.

13. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US\$1,552 million (2018: US\$1,141 million) which mainly carry interest at the London Interbank Offered Rate. The Group also repaid bank borrowings of US\$924 million (2018: US\$1,212 million).

14. Share capital

| | Number of shares | | Share capital | |
|--|------------------|---------------------|-----------------------------|---------------------------------|
| | June 30 2019 | December 31 2018 | June 30 2019 US\$'000 | December 31 2018 US\$'000 |
| Ordinary shares | | | | |
| Authorized shares | 2,400,000,000 | 2,400,000,000 | N/A | N/A |
| Issued and fully paid: | | | | |
| At the beginning of the period | 1,828,521,941 | 1,835,021,941 | 654,991 | 653,918 |
| Issue of shares upon exercise of share options | 1,855,000 | 600,000 | 4,554 | 1,073 |
| Buy-back of shares | (2,350,000) | (7,100,000) | — | — |
| At the end of the period | 1,828,026,941 | 1,828,521,941 | 659,545 | 654,991 |

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

| Month of cancellation | No. of ordinary shares | Price per share | | Aggregate consideration paid US\$'000 |
|-----------------------|---------------------------|-----------------|----------------|--|
| | | Highest HK\$ | Lowest HK\$ | |
| January 2019 | 2,350,000 | 43.00 | 40.45 | 12,644 |

The consideration paid on the buy-back of the shares of approximately US\$12,644,000 was charged to retained profits.

15. Contingent liabilities

| | June 30 2019 US\$'000 | December 31 2018 US\$'000 |
|--|-----------------------------|---------------------------------|
| Guarantees given to banks in respect of credit facilities utilized by associates | 8,877 | 8,877 |

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

Condensed Consolidated Financial Statements
Notes to the Condensed Consolidated Financial Statements (Unaudited)

16. Fair value measurements of financial instruments (continued)

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

| Financial assets/financial liabilities | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs |
|--|--|---|----------------------|---|
| | June 30, 2019 | December 31, 2018 | | |
| 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\$9,441,000 | Acquisition right of certain property, plant and equipment: US\$9,441,000 | Level 2 | Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3 rd 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\$28,202,000; and Liabilities – US\$1,046,000 | Assets – US\$33,788,000; and Liabilities – US\$712,000 | Level 2 | Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates 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\$25,762,000 | Listed shares: US\$32,828,000 | 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\$2,317,000 | Club membership debentures: US\$2,316,000 | Level 2 | The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics. |
| | Unlisted equity securities: US\$3,301,000 | Unlisted equity securities: US\$3,000,000 | Level 3 | 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. |

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

17. Capital commitments

| | June 30 2019 US\$'000 | December 31 2018 US\$'000 |
|---|-----------------------|---------------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | 33,801 | 119,350 |

Corporate Governance and Other Information

Directors' and Chief Executive's Interests

As at June 30, 2019, 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”) were as follows:

| Name of directors | Capacity/ Nature of interests | Interests in shares (other than pursuant to equity derivatives) ⁽¹⁾ | Interests in underlying shares pursuant to equity derivatives ⁽¹⁾ | Total interests in shares/ underlying shares | Approximate aggregate percentage of interests |
|------------------------------------|-------------------------------------|--|--|---|--|
| Mr Horst Julius Pudwill | Beneficial owner | 150,743,500 ⁽²⁾ | 650,500 | 368,313,794 | 20.15% |
| | Interests of spouse | 760,000 | — | | |
| | Interests of controlled corporation | 216,159,794 ⁽³⁾ | — | | |
| Mr Stephan Horst Pudwill | Beneficial owner | 5,009,500 ⁽⁴⁾ | 3,000,000 | 42,017,000 | 2.30% |
| | Beneficiary of a trust | 34,007,500 ⁽⁵⁾ | — | | |
| Mr Joseph Galli Jr | Beneficial owner | 8,806,000 ⁽⁶⁾ | 1,000,000 | 9,806,000 | 0.54% |
| Mr Kin Wah Chan | Beneficial owner | 37,500 ⁽⁷⁾ | 2,500,000 | 2,537,500 | 0.14% |
| Mr Chi Chung Chan | Beneficial owner | 450,000 ⁽⁸⁾ | 2,100,000 | 2,550,000 | 0.14% |
| Prof Roy Chi Ping Chung GBS BBS JP | Beneficial owner | 49,005,948 | 497,000 | 86,577,978 | 4.74% |
| | Interests of controlled corporation | 37,075,030 ⁽⁹⁾ | — | | |
| Mr Camille Jojo | Beneficial owner | 182,000 ⁽¹⁰⁾ | 447,000 | 629,000 | 0.03% |
| Mr Christopher Patrick Langley OBE | Beneficial owner | 200,000 | 347,000 | 547,000 | 0.03% |
| Mr Peter David Sullivan | Beneficial owner | — | 497,000 | 497,000 | 0.03% |
| Mr Vincent Ting Kau Cheung | Beneficial owner | 4,240,000 | 147,000 | 4,387,000 | 0.24% |
| Mr Johannes-Gerhard Hesse | Beneficial owner | — | 332,000 | 332,000 | 0.02% |

Directors' and Chief Executive's Interests (continued)

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 included Mr Horst Julius Pudwill's interests in 675,000 awarded shares which remained unvested under the share award schemes of the Company as of June 30, 2019. Details of Mr Horst Julius Pudwill's awarded shares are set out in the section headed "Share Award Scheme" below.

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

| | No. of shares |
|--------------------------------------|---------------|
| Sunning Inc. | 179,084,764 |
| Cordless Industries Company Limited* | 37,075,030 |
| | 216,159,794 |

- (4) These included Mr Stephan Horst Pudwill's interests in 37,500 awarded shares which remained unvested under the share award schemes of the Company as of June 30, 2019. Details of Mr Stephan Horst Pudwill's awarded shares are set out in the section headed "Share Award Scheme" below.

- (5) These shares were held by a trust of which Mr Stephan Horst Pudwill is one of the beneficiaries.

- (6) These included Mr Joseph Galli Jr's interests in 385,500 awarded shares which remained unvested under the share award schemes of the Company as of June 30, 2019 and 5,000,000 shares agreed to be granted to Mr Galli in the following 5 years (1,000,000 shares each year) provided the Company meets certain performance criteria each year. Details of Mr Joseph Galli Jr's awarded shares are set out in the section headed "Share Award Scheme" below.

- (7) These included Mr Kin Wah Chan's interests in 37,500 awarded shares which remained unvested under the share award schemes of the Company as of June 30, 2019. Details of Mr Kin Wah Chan's awarded shares are set out in the section headed "Share Award Scheme" below.

- (8) These included Mr Chi Chung Chan's interests in 37,500 awarded shares which remained unvested under the share award schemes of the Company as of June 30, 2019. Details of Mr Chi Chung Chan's awarded shares are set out in the section headed "Share Award Scheme" below.

- (9) These shares were held by Cordless Industries Company Limited* in which Prof Roy Chi Ping Chung GBS 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 GBS BBS JP.

- (10) These included Mr Camille Jojo's interests in 150,000 awarded shares which remained unvested under the share award schemes of the Company as of June 30, 2019. Details of Mr Camille Jojo's awarded shares are set out in the section headed "Share Award Scheme" below.

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, 2019.

Share Options

The following tables disclose movements in the Company's share options during the six-month period ended June 30, 2019:

| 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 HK\$ | Exercise period |
|--|-------------------------------|------------------------------|--|---------------------------|-----------------------------|--------------------------|----------------------------------|-------------------------|-------------------------|
| Directors | | | | | | | | | |
| Mr Horst Julius Pudwill | 20.3.2014 | D | 230,000 | — | — | — | 230,000 | 21.600 | 20.3.2015 – 19.3.2024 |
| | 11.9.2015 | D | 168,000 | — | — | — | 168,000 | 29.650 | 11.9.2016 – 10.9.2025 |
| | 17.3.2017 | D | 155,500 | — | — | — | 155,500 | 32.100 | 17.3.2018 – 16.3.2027 |
| Mr Stephan Horst Pudwill | 20.5.2019 | E | — | 97,000 | — | — | 97,000 | 51.080 | 20.5.2020 – 19.5.2029 |
| | 21.5.2012 | D | 1,000,000 | — | (500,000) | — | 500,000 | 8.742 | 21.5.2013 – 20.5.2022 |
| | 20.3.2014 | D | 1,000,000 | — | — | — | 1,000,000 | 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 |
| Mr Joseph Galli Jr | 16.11.2009 | D | 1,000,000 | — | — | — | 1,000,000 | 6.770 | 16.11.2010 – 15.11.2019 |
| Mr Kin Wah Chan | 20.3.2014 | D | 1,000,000 | — | — | — | 1,000,000 | 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 |
| Mr Chi Chung Chan | 20.3.2014 | D | 1,000,000 | — | (400,000) | — | 600,000 | 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 |
| 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 |
| Mr Camille Jojo | 17.3.2017 | D | 250,000 | — | — | — | 250,000 | 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 |
| Mr Christopher Patrick Langley OBE | 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 |
| Mr Manfred Kuhlmann <small>(retired after the conclusion of the annual general meeting of the Company held on May 17, 2019)</small> | 17.3.2017 | D | 75,000 | — | (75,000) | — | — | 32.100 | 17.3.2018 – 16.3.2027 |
| | 14.3.2018 | E | 100,000 | — | — | — | 100,000 | 47.900 | 14.3.2019 – 13.3.2028 |
| Mr Peter David Sullivan | 16.11.2009 | D | 200,000 | — | (200,000) | — | — | 6.770 | 16.11.2010 – 15.11.2019 |
| | 23.5.2011 | D | 200,000 | — | (200,000) | — | — | 9.872 | 23.5.2012 – 22.5.2021 |
| | 21.5.2012 | D | 250,000 | — | (250,000) | — | — | 8.742 | 21.5.2013 – 20.5.2022 |
| | 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 |
| Mr Vincent Ting Kau Cheung | 17.3.2017 | D | 150,000 | — | (150,000) | — | — | 32.100 | 17.3.2018 – 16.3.2027 |
| | 14.3.2018 | E | 100,000 | — | (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 |
| 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 |
| Total for directors | | | 11,263,500 | 2,179,000 | (1,825,000) | — | 11,617,500 | | |

Share Options (continued)

| 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 HK\$ | Exercise period |
|---------------------------------|-------------------------------|------------------------------|--|---------------------------|-----------------------------|--------------------------|----------------------------------|-------------------------|-------------------------|
| Employees | 16.11.2009 | D | 300,000 | — | (30,000) | — | 270,000 | 6.770 | 16.11.2010 – 15.11.2019 |
| | 28.12.2009 | D | 30,000 | — | — | — | 30,000 | 6.390 | 28.12.2010 – 27.12.2019 |
| | 17.1.2011 | D | 20,000 | — | — | — | 20,000 | 10.436 | 17.1.2012 – 16.1.2021 |
| | 23.3.2017 | D | 200,000 | — | — | — | 200,000 | 32.150 | 23.3.2018 – 22.3.2027 |
| | 19.6.2017 | E | 350,000 | — | — | — | 350,000 | 36.300 | 19.6.2018 – 18.6.2027 |
| Total for employees | | | 900,000 | — | (30,000) | — | 870,000 | | |
| Total for all categories | | | 12,163,500 | 2,179,000 | (1,855,000) | — | 12,487,500 | | |

Notes:

- Scheme D was the share option scheme adopted by the Company 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 will expire on May 18, 2027.
- No option was cancelled during the period.
- 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 period ended June 30, 2019 | | | | | |
| 20.5.2019 | 51.080 | 3 years | 38% | 1.678% | 1.5% |

The share options are vested in parts over 1 to 2 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 behavioral 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 date on which the share options were granted was HK\$50.15.

The closing price of the Company's shares immediately before the date on which the share options were grant was HK\$50.15.

The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK\$56.18.

The fair value of the share options granted in the period measured at the date on which the share options were granted was HK\$12.69. The weighted average fair value of the share options granted in the period was HK\$12.69 per option.

- The Group recognized a total expense of US\$1,023,000 for the six-month period ended June 30, 2019 in relation to share options granted by the Company.
- The Company had 12,487,500 share options outstanding, which represented approximately 0.68% of the issued share capital of the Company as at June 30, 2019.
- Total securities available for issue under Scheme D are 150,505,065 shares, which represented approximately 8.23% of the issued shares of the Company as at June 30, 2019. Total securities available for issue under Scheme E are 183,299,194 shares, which represented approximately 10.03% of the issued shares of the Company as at June 30, 2019.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in this Interim Report), 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.

Director's Interests in Transactions, Arrangements and Contracts of Significance

No transactions, arrangements and contracts of significance, to which the Company, or any of its subsidiaries, was a party and in which a director or a connected entity of 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.

Directors' Indemnities

Pursuant to the Company's Articles of Association, every director of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance) which he/she may sustain or incur in or about the execution of the duties of his/her office. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the period.

Equity-linked Agreements

During the period, the Group has not entered into any equity-linked agreements.

Share Award Scheme

The Company has two share award schemes in place, namely the 2008 Share Award Scheme and 2018 Share Award Scheme. The 2008 Share Award Scheme was adopted on January 9, 2008 (the "2008 Adoption Date") and expired from January 9, 2018, though its provisions shall remain in full force and effect in all other respects. Following the expiry of the 2008 Share Award Scheme, the 2018 Share Award Scheme was adopted with effect from January 17, 2018 (the "2018 Adoption Date").

The scheme rules of both the 2008 Share Award Scheme and the 2018 Share Award Scheme are substantially identical and below are the summary of the principal terms of both schemes:

Any employee or Director (including, without limitation, any Executive, Non-executive or Independent Non-executive Director) of any member of the Group (the "Eligible Person") will be entitled to participate the schemes. Unless terminated earlier by the Board in accordance with the respective scheme rules, the effective term of each scheme is 10 years commencing on the adoption date of the relevant scheme provided that no contribution to the trust will be made by the Company on or after the 10th anniversary date of the adoption date of the relevant scheme. Details of both schemes were announced by the Company on the respective adoption date of each scheme.

The Board may, from time to time, at their absolute discretion select any Eligible Person for participation in any scheme as a selected grantee (the "Selected Grantee") and determine the number of shares to be awarded or make reference to a nominal amount. The relevant number of shares awarded will be purchased by the trustee of the schemes from the market or new shares will be subscribed for by the trustee at the cost of the Company and be held in trust until they are vested. When the Selected Grantee has satisfied all vesting conditions specified by the Board, the trustee will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the Selected Grantee.

The maximum number of shares which can be awarded under each scheme is 10% of the issued share capital of the Company as at the adoption date thereof, and the maximum number of shares which can be awarded under each scheme to a Selected Grantee, at any one time, shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date thereof. The total issued share capital of the Company as at the 2008 Adoption Date and the 2018 Adoption Date are 1,501,252,152 shares and 1,835,021,941 shares, respectively.

Share Award Scheme (continued)

Since the 2008 Adoption Date and up to June 30, 2019, a total of 3,946,000 shares had been awarded under the 2008 Share Award Scheme, representing 0.26% of the issued share capital of the Company as at the 2008 Adoption Date. Recognition of share-based payment expenses under the 2008 Share Award Scheme during the period was US\$66,000. During the period ended June 30, 2019, 150,000 shares were transferred to the Selected Grantees upon vesting under the 2008 Share Award Scheme. The total payout, including related expenses, amounted to US\$595,000.

Since the 2018 Adoption Date and up to June 30, 2019, a total of 2,724,000 shares had been awarded under the 2018 Share Award Scheme, representing 0.15% of the issued share capital of the Company as at the 2018 Adoption Date. Recognition of share-based payment expenses under the 2018 Share Award Scheme during the period was US\$1,342,000. During the period ended June 30, 2019, a total of 1,560,000 shares had been awarded under the 2018 Share Award Scheme to two Directors and certain Selected Grantees of the Company, representing 0.09% of the issued share capital of the Company as at the 2018 Adoption Date. The total payout, including related expenses, amounted to US\$8,276,000. In addition, during the period ended June 30, 2019, 301,000 shares were transferred to the Selected Grantees upon vesting under the 2018 Share Award Scheme. As at June 30, 2019, details of the awarded shares granted to the Directors of the Company under the 2008 Share Award Scheme and the 2018 Share Award Scheme were as follows:

| Name of Directors | Date of Award | Share award scheme category | Number of awarded shares | Number of shares | | | | | As at June 30, 2019 | Vesting Period | Closing price at the Date of Award |
|-----------------------------------|---------------|-----------------------------|--------------------------|-----------------------|---------------------------|--------------------------|--------------------------|---------------------|-------------------------|----------------|------------------------------------|
| | | | | As at January 1, 2019 | Awarded during the period | Vested during the period | Lapsed during the period | As at June 30, 2019 | | | |
| Mr Horst Julius Pudwill | 18.9.2014 | 2008 | 350,000 | — | — | — | — | — | 18.9.2015 – 18.9.2017 | HK\$22.50 | |
| | 26.9.2014 | 2008 | 174,000 | — | — | — | — | — | 26.9.2015 – 26.9.2017 | HK\$22.10 | |
| | 15.10.2015 | 2008 | 500,000 | — | — | — | — | — | 15.10.2016 – 15.10.2017 | HK\$27.10 | |
| | 23.3.2017 | 2008 | 300,000 | 150,000 | — | (150,000) | — | — | 23.3.2018 – 23.3.2019 | HK\$32.15 | |
| | 21.3.2018 | 2018 | 500,000 | 500,000 | — | (125,000) | — | 375,000 | 15.3.2019 – 15.3.2022 | HK\$47.00 | |
| | 20.5.2019 | 2018 | 300,000 | — | 300,000 | — | — | 300,000 | 20.5.2020 – 20.5.2022 | HK\$50.20 | |
| Mr Stephan Horst Pudwill | 15.10.2015 | 2008 | 100,000 | — | — | — | — | — | 15.10.2016 | HK\$27.10 | |
| | 21.3.2018 | 2018 | 50,000 | 50,000 | — | (12,500) | — | 37,500 | 15.3.2019 – 15.3.2022 | HK\$47.00 | |
| Mr Joseph Galli Jr ⁽⁴⁾ | 17.12.2014 | 2008 | 300,000 | — | — | — | — | — | 17.12.2015 – 17.12.2017 | HK\$25.85 | |
| | 15.10.2015 | 2008 | 1,000,000 | — | — | — | — | — | 15.10.2016 – 15.10.2017 | HK\$27.10 | |
| | 19.8.2016 | 2008 | 1,000,000 | — | — | — | — | — | 31.8.2016 | HK\$30.50 | |
| | 21.3.2018 | 2018 | 514,000 | 514,000 | — | (128,500) | — | 385,500 | 15.3.2019 – 15.3.2022 | HK\$47.00 | |
| Mr Kin Wah Chan | 15.10.2015 | 2008 | 100,000 | — | — | — | — | — | 15.10.2016 | HK\$27.10 | |
| | 21.3.2018 | 2018 | 50,000 | 50,000 | — | (12,500) | — | 37,500 | 15.3.2019 – 15.3.2022 | HK\$47.00 | |
| Mr Chi Chung Chan | 15.10.2015 | 2008 | 100,000 | — | — | — | — | — | 15.10.2016 | HK\$27.10 | |
| | 21.3.2018 | 2018 | 50,000 | 50,000 | — | (12,500) | — | 37,500 | 15.3.2019 – 15.3.2022 | HK\$47.00 | |
| Mr Camille Jojo | 4.1.2017 | 2008 | 11,500 | — | — | — | — | — | 4.1.2017 | HK\$28.00 | |
| | 8.1.2018 | 2008 | 10,500 | — | — | — | — | — | 8.1.2018 | HK\$51.50 | |
| | 2.1.2019 | 2018 | 10,000 | — | 10,000 | (10,000) | — | — | 2.1.2019 | HK\$41.10 | |
| | 20.5.2019 | 2018 | 150,000 | — | 150,000 | — | — | 150,000 | 20.5.2020 – 20.5.2022 | HK\$50.20 | |
| Total | | | 5,570,000 | 1,314,000 | 460,000 | (451,000) | — | 1,323,000 | | | |

Notes:

- (1) All the awarded shares are purchased from the market.
- (2) At the end of the period, the average fair value per share is HK\$41.22. The average fair value of the awarded shares is based on the average purchase cost.
- (3) During the reporting period, a total of 1,300,000 shares were purchased at an aggregate consideration of US\$8,477,000 for satisfying the awards granted pursuant to the 2008 Share Award Scheme and the 2018 Share Award Scheme.
- (4) Details of the agreement of the separate 5,000,000 awarded shares to be granted to Mr Joseph Galli Jr in the following 5 years (i.e. 1,000,000 awarded shares each year) provided the Company meets certain performance criteria each year as disclosed above are not included.

Substantial Shareholders' Interests

As at June 30, 2019, 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 |
|--|------------------------------|-----------|--|
| Artisan Partners Asset Management Inc. ⁽¹⁾ | 94,073,945 | (L) | 5.15% |
| JPMorgan Chase & Co. ⁽²⁾ | 113,991,888 | (L) | 6.24% |
| | 3,809,662 | (S) | 0.21% |
| | 42,228,333 | (LP) | 2.31% |
| Schroders Plc ⁽³⁾ | 109,260,332 | (L) | 5.98% |
| The Bank of New York Mellon Corporation ⁽⁴⁾ | 110,463,292 | (L) | 6.04% |
| | 33,253,095 | (S) | 1.82% |
| | 71,411,848 | (LP) | 3.91% |

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

Notes:

(1) The following is a breakdown of the interest in shares in the Company held by Artisan Partners Asset Management Inc.:

| Name | Remarks | Total interests in shares | | | | Approximate percentage of interests |
|--|---------|---------------------------|-----------|---------------------|-----------|---|
| | | Direct interests | (L/S/LP)* | Deemed interests | (L/S/LP)* | |
| Artisan Partners Asset Management Inc. | (1a) | — | — | 94,073,945 | (L) | 5.15% |
| Artisan Partners Holdings LP | (1b) | — | — | 94,073,945 | (L) | 5.15% |
| Artisan Investments GP LLC | (1b) | — | — | 94,073,945 | (L) | 5.15% |
| Artisan Partners Limited Partnership | (1b) | 94,073,945 | (L) | — | — | 5.15% |

Remarks:

(1a) Artisan Partners Asset Management Inc. is listed on The New York Stock Exchange. The capacity of Artisan Partners Asset Management Inc. in holding the 94,073,945 shares of long position was as controlled corporation.

(1b) Artisan Partners Holdings LP, Artisan Investments GP LLC and Artisan Partners Limited Partnership were all directly or indirectly owned by Artisan Partners Asset Management Inc. and by virtue of the SFO, Artisan Partners Asset Management Inc. was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholders' Interests (continued)

Notes: (continued)

(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/LP)* | Deemed interests | (L/S/LP)* | |
| JPMorgan Chase & Co. | (2a) | — | — | 113,991,888 | (L) | 6.24% |
| | | — | — | 3,809,662 | (S) | 0.21% |
| | | — | — | 42,228,333 | (LP) | 2.31% |
| J.P. Morgan Bank Luxembourg S.A. – Amsterdam Branch | (2b) | 112,459 | (L) | — | — | 0.01% |
| J.P. Morgan Securities LLC | (2b) | 828,000 | (L) | — | — | 0.05% |
| | | 525,000 | (S) | — | — | 0.03% |
| JPMORGAN ASSET MANAGEMENT (UK) LIMITED | (2b) | 1,599,000 | (L) | — | — | 0.09% |
| J.P. Morgan Bank (Ireland) Public Limited Company | (2b) | 1,000 | (L) | — | — | 0.00% |
| JPMorgan Asset Management (Japan) Limited | (2b) | 811,772 | (L) | — | — | 0.04% |
| JPMorgan Chase Bank, National Association | (2b) | 19,210,038 | (L) | — | — | 1.05% |
| JF Asset Management Limited | (2b) | 7,333,000 | (L) | — | — | 0.40% |
| China International Fund Management Co., Ltd. | (2b) | 20,500 | (L) | — | — | 0.00% |
| JPMorgan Asset Management (Taiwan) Limited | (2b) | 365,000 | (L) | — | — | 0.02% |
| J.P. Morgan AG | (2b) | 86,000 | (L) | — | — | 0.00% |
| J.P. Morgan Bank Luxembourg S.A. – Stockholm Bankfilial | (2b) | 639,500 | (L) | — | — | 0.03% |
| Highbridge Capital Management, LLC | (2b) | 100,000 | (S) | — | — | 0.01% |
| JPMORGAN CHASE BANK, N.A. – LONDON BRANCH | (2b) | 9,433,534 | (L) | — | — | 0.52% |
| J.P. Morgan Investment Management Inc. | (2b) | 51,159,500 | (L) | — | — | 2.80% |
| J.P. Morgan Prime Inc. | (2b) | 21,000 | (L) | — | — | 0.00% |
| | | 21,000 | (S) | — | — | 0.00% |
| J.P. Morgan Structured Products B.V. | (2b) | 6 | (S) | — | — | 0.00% |
| J.P. Morgan Bank Luxembourg, Copenhagen Br, filial af J.P. Morgan Bank Luxembourg S.A. | (2b) | 97,000 | (L) | — | — | 0.01% |
| JPMorgan Chase Bank, N.A. – Sydney Branch | (2b) | 6,062,803 | (L) | — | — | 0.33% |
| J.P. Morgan Bank Luxembourg S.A. – Oslo Branch | (2b) | 30,500 | (L) | — | — | 0.00% |
| J.P. Morgan Bank Luxembourg S.A. | (2b) | 5,044,500 | (L) | — | — | 0.28% |
| J.P. Morgan Trust Company of Delaware | (2b) | 49,175 | (L) | — | — | 0.00% |
| JPMorgan Chase Bank, N.A. – Hong Kong Branch | (2b) | 2,734,752 | (L) | — | — | 0.15% |
| J.P. Morgan (Suisse) SA | (2b) | 616,818 | (L) | — | — | 0.03% |
| J.P. MORGAN SECURITIES PLC | (2b) | 7,736,037 | (L) | — | — | 0.42% |
| | | 3,163,656 | (S) | — | — | 0.17% |

Substantial Shareholders' Interests (continued)

Notes: (continued)

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

| Name | Remarks | Total interests in shares | | | | Approximate percentage of interests |
|---|---------|---------------------------|-----------|------------------|-----------|-------------------------------------|
| | | Direct interests | (L/S/LP)* | Deemed interests | (L/S/LP)* | |
| J.P. Morgan Bank Luxembourg S.A. | (2b) | — | — | 879,459 | (L) | 0.05% |
| J.P. Morgan International Finance Limited | (2b) | — | — | 14,363,814 | (L) | 0.79% |
| | | — | — | 3,163,662 | (S) | 0.17% |
| JPMorgan Chase Bank, National Association | (2b) | — | — | 32,594,903 | (L) | 1.78% |
| | | — | — | 3,163,662 | (S) | 0.17% |
| J.P. Morgan Broker-Dealer Holdings Inc. | (2b) | — | — | 849,000 | (L) | 0.05% |
| | | — | — | 546,000 | (S) | 0.03% |
| JPMorgan Chase Holdings LLC | (2b) | — | — | 62,186,947 | (L) | 3.40% |
| | | — | — | 646,000 | (S) | 0.04% |
| JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED | (2b) | — | — | 1,619,500 | (L) | 0.09% |
| JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED | (2b) | — | — | 1,619,500 | (L) | 0.09% |
| JPMorgan Asset Management Holdings Inc. | (2b) | — | — | 61,288,772 | (L) | 3.35% |
| | | — | — | 100,000 | (S) | 0.01% |
| JPMorgan Asset Management (Asia) Inc. | (2b) | — | — | 8,509,772 | (L) | 0.47% |
| JPMORGAN ASSET MANAGEMENT (UK) LIMITED | (2b) | — | — | 20,500 | (L) | 0.00% |
| J.P. Morgan Securities LLC | (2b) | — | — | 21,000 | (L) | 0.00% |
| | | — | — | 21,000 | (S) | 0.00% |
| J.P. Morgan Equity Holdings, Inc. | (2b) | — | — | 49,175 | (L) | 0.00% |
| J.P. MORGAN CAPITAL HOLDINGS LIMITED | (2b) | — | — | 7,736,037 | (L) | 0.42% |
| | | — | — | 3,163,656 | (S) | 0.17% |

Remarks:

- (2a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 113,991,888 shares of long position, 3,809,662 shares of short position and 42,228,333 shares of lending pool respectively was as controlled corporation.
- (2b) J.P. Morgan Bank Luxembourg S.A. – Amsterdam Branch, J.P. Morgan Securities LLC, JPMORGAN ASSET MANAGEMENT (UK) LIMITED, J.P. Morgan Bank (Ireland) Public Limited Company, JPMorgan Asset Management (Japan) Limited, JPMorgan Chase Bank, National Association, JF Asset Management Limited, China International Fund Management Co., Ltd., JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan AG, J.P. Morgan Bank Luxembourg S.A. – Stockholm Bankfilial, Highbridge Capital Management, LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, J.P. Morgan Investment Management Inc., J.P. Morgan Prime Inc., J.P. Morgan Structured Products B.V., J.P. Morgan Bank Luxembourg, Copenhagen Br, filial af J.P. Morgan Bank Luxembourg S.A., JPMorgan Chase Bank, N.A. – Sydney Branch, J.P. Morgan Bank Luxembourg S.A. – Oslo Branch, J.P. Morgan Bank Luxembourg S.A., J.P. Morgan Trust Company of Delaware, JPMorgan Chase Bank, N.A. – Hong Kong Branch, J.P. Morgan (Suisse) SA, J.P. MORGAN SECURITIES PLC, J.P. Morgan Bank Luxembourg S.A., J.P. Morgan International Finance Limited, JPMorgan Chase Bank, National Association, J.P. Morgan Broker-Dealer Holdings Inc., JPMorgan Chase Holdings LLC, JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED, JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management (Asia) Inc., JPMORGAN ASSET MANAGEMENT (UK) LIMITED, J.P. Morgan Securities LLC, J.P. Morgan Equity Holdings, Inc. and J.P. MORGAN CAPITAL HOLDINGS LIMITED were all directly or indirectly 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 interests in shares in the Company held by Schroders Plc:

| Name | Remarks | Total interests in shares | | | | Approximate percentage of interests |
|--|---------|---------------------------|-----------|------------------|-----------|-------------------------------------|
| | | Direct interests | (L/S/LP)* | Deemed interests | (L/S/LP)* | |
| Schroders Plc | (3a) | — | — | 109,260,332 | (L) | 5.98% |
| Schroder Administration Limited | (3b) | — | — | 109,260,332 | (L) | 5.98% |
| Schroder International Holdings Limited | (3b) | — | — | 108,653,228 | (L) | 5.94% |
| Schroder Investment Management (Hong Kong) Limited | (3b) | 27,279,500 | (L) | — | — | 1.49% |
| Schroder Investment Management Limited | (3b) | 8,617,000 | (L) | — | — | 0.47% |
| | (3b) | — | — | 6,452,728 | (L) | 0.35% |
| Schroder Investment Management North America Limited | (3b) | 6,452,728 | (L) | — | — | 0.35% |
| Schroder Investment Management (Singapore) Ltd | (3b) | 66,304,000 | (L) | — | — | 3.63% |
| Schroder Wealth Holdings Limited | (3b) | — | — | 607,104 | (L) | 0.03% |
| Schroder & Co Bank AG | (3b) | 254,030 | (L) | — | — | 0.01% |
| Schroder & Co. Limited | (3b) | — | — | 353,074 | (L) | 0.02% |
| Schroder & Co (Asia) Limited | (3b) | 353,074 | (L) | — | — | 0.02% |

Remarks:

- (3a) Schroders Plc is listed on London Stock Exchange. The capacity of Schroders Plc in holding the 109,260,332 shares of long position was as investment manager.
- (3b) Schroder Administration Limited, Schroder International Holdings Limited, Schroder Investment Management (Hong Kong) Limited, Schroder Investment Management Limited, Schroder Investment Management North America Limited, Schroder Investment Management (Singapore) Ltd, Schroder Wealth Holdings Limited, Schroder & Co Bank AG, Schroder & Co. Limited and Schroder & Co (Asia) Limited were all directly or indirectly owned by Schroders Plc and by virtue of the SFO, Schroders Plc was deemed to be interested in the shares held by these subsidiaries.
- (4) The following is a breakdown of the interest in shares in the Company held by The Bank of New York Mellon Corporation:

| Name | Remarks | Total interests in shares | | | | Approximate percentage of interests |
|---|---------|---------------------------|-----------|------------------|-----------|-------------------------------------|
| | | Direct interests | (L/S/LP)* | Deemed interests | (L/S/LP)* | |
| The Bank of New York Mellon Corporation | (4a) | — | — | 110,463,292 | (L) | 6.04% |
| | | — | — | 33,253,095 | (S) | 1.82% |
| | | — | — | 71,411,848 | (LP) | 3.91% |
| The Bank of New York Mellon | (4b) | 110,413,062 | (L) | — | — | 6.04% |
| | | 33,253,095 | (S) | — | — | 1.82% |
| BNY Mellon, National Association | (4b) | 50,230 | (L) | — | — | 0.00% |

Remarks:

- (4a) The Bank of New York Mellon Corporation is listed on New York Stock Exchange. The capacity of The Bank of New York Mellon Corporation in holding the 110,463,292 shares of long position, 33,253,095 shares of short position and 71,411,848 shares of lending pool respectively was as controlled corporation.
- (4b) The Bank of New York Mellon and BNY Mellon, National Association were directly or indirectly owned by The Bank of New York Mellon Corporation and by virtue of the SFO, The Bank of New York Mellon Corporation was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, 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, 2019.

Compliance with the Corporate Governance Code of the Listing Rules

The Board has reviewed the Company's corporate governance practices and is satisfied that 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-month period ended June 30, 2019, save that none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 107(A) of the Articles of Association of the Company, one-third of the Board must retire by rotation at each annual general meeting of the Company, and if eligible, offer themselves for re-election.

The Company has also voluntarily complied with a number of recommended best practices set out in the Corporate Governance Code, aimed at further enhancement of the Company's corporate governance standard as well as promotion of the best interests of the Company and its shareholders as a whole.

Compliance with the Model Code of the Listing Rules

The 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") has been adopted by the Board. In response to specific enquiries made, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code during the six-month period ended June 30, 2019.

The Company 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"). During the period, no incident of non-compliance was noted by the Company.

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

Review of Accounts

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

Purchase, Sales or Redemption of Securities

A total of 2,350,000 ordinary shares were cancelled by the Company during the period. Among these shares cancelled by the Company during the period, 850,000 shares were bought back and settled during the period at prices ranging from HK\$40.45 to HK\$41.50 and 1,500,000 shares were bought back in December 2018 and cancelled in January 2019 at prices ranging from HK\$41.25 to HK\$43.00. The aggregate amount paid by the Company for such buy-backs cancelled during the period amounting to US\$12,644,000 was charged to the retained earnings.

The shares bought back were cancelled and accordingly the issued share capital of the Company was reduced. The buy-backs of the Company's shares during the period were effected by the Directors pursuant to the mandate granted by shareholders at the previous annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong

August 14, 2019

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Stephan Horst Pudwill
Vice Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan

Non-executive Directors

Prof Roy Chi Ping Chung GBS BBS JP
Mr Camille Jojo

Independent Non-executive Directors

Mr Christopher Patrick Langley OBE
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung
Mr Johannes-Gerhard Hesse

Financial Calendar 2019

| | | |
|---------------|---|--|
| June 21 | : | Final dividend payment for 2018 |
| June 30 | : | Six-month interim period end |
| August 14 | : | Announcement of 2019 interim results |
| September 4 | : | Last day to register for 2019 interim dividend |
| September 5-6 | : | Book closure for 2019 interim dividend |
| September 20 | : | Interim dividend payment for 2019 |
| December 31 | : | Financial year end |

Investor Relations Contact

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Kowloon Commerce Centre
51 Kwai Cheong Road
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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
Level 54, Hopewell Centre
183 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
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Citibank N.A.
MUFG Bank, Ltd.
Mizuho Bank, Ltd., Hong Kong Branch

Solicitors

Vincent T.K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Ms Veronica Ka Po Ng

Trademarks

All trademarks and trade names listed other than AEG and RYOBI are owned by the Group.

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

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



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AEG



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HART



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