

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

TO THE BOARD OF DIRECTORS OF
TECHTRONIC INDUSTRIES COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

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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 11 to 27, which comprise the consolidated statement of financial position as of June 30, 2023 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 9, 2023

Condensed Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended June 30, 2023

	Notes	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Revenue	3 & 4	6,879,464	7,033,606
Cost of sales		(4,177,800)	(4,286,861)
Gross profit		2,701,664	2,746,745
Other income		7,797	6,944
Interest income		29,336	12,796
Selling, distribution and advertising expenses		(1,186,948)	(1,152,943)
Administrative expenses		(719,058)	(737,078)
Research and development costs		(243,483)	(231,780)
Finance costs		(78,519)	(24,118)
Profit before share of result of an associate and taxation		510,789	620,566
Share of result of an associate		235	901
Profit before taxation		511,024	621,467
Taxation charge	5	(35,245)	(43,479)
Profit for the period attributable to Owners of the Company	6	475,779	577,988
Other comprehensive income (loss):			
Item that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		1,120	14,359
Items that may be reclassified subsequently to profit or loss, net of related income tax:			
Fair value (loss) gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting		(5,755)	36,297
Exchange differences on translation of foreign operations		(13,986)	(98,840)
Other comprehensive loss for the period		(18,621)	(48,184)
Total comprehensive income for the period		457,158	529,804
Total comprehensive income attributable to:			
Owners of the Company		457,158	529,804
Earnings per share (US cents)	8		
Basic		26.00	31.59
Diluted		25.92	31.47

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Consolidated Statement of Financial Position

As at June 30, 2023

	Notes	June 30 2023 US\$'000 (Unaudited)	December 31 2022 US\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9 & 17	2,226,366	2,085,871
Right of use assets	9	723,667	683,289
Goodwill		604,047	598,674
Intangible assets	9	1,234,028	1,124,013
Interest in an associate		2,264	2,029
Financial assets at fair value through profit or loss		9,745	9,744
Deposits		112,000	177,300
Finance lease receivables		7,151	8,487
Derivative financial instruments		8,002	8,002
Deferred tax assets		70,123	81,082
		4,997,393	4,778,491
Current assets			
Inventories		4,580,813	5,084,951
Right to returned goods asset		17,949	10,563
Trade and other receivables	10	2,013,536	1,639,563
Deposits and prepayments		214,111	232,127
Bills receivable	10	16,158	6,887
Finance lease receivables		2,646	2,589
Tax recoverable		12,142	36,231
Trade receivables from an associate	11	12,419	5,026
Derivative financial instruments		57,807	76,774
Financial assets at fair value through profit or loss		20,177	13,466
Bank balances, deposits and cash		1,485,066	1,428,930
		8,432,824	8,537,107
Current liabilities			
Trade and other payables	12	3,545,765	3,777,427
Bills payable	12	18,491	20,267
Warranty provision		222,535	205,350
Tax payable		38,153	56,750
Derivative financial instruments		42,021	50,474
Lease liabilities		143,160	139,520
Discounted bills with recourse		5,029	2,003
Unsecured borrowings – due within one year	13	1,853,709	1,952,947
Refund liabilities from right of return		30,091	17,577
		5,898,954	6,222,315
Net current assets		2,533,870	2,314,792
Total assets less current liabilities		7,531,263	7,093,283

	Notes	June 30 2023 US\$'000 (Unaudited)	December 31 2022 US\$'000 (Audited)
Capital and reserves			
Share capital	14	685,392	684,710
Reserves		5,008,351	4,520,771
Equity attributable to Owners of the Company and total equity		5,693,743	5,205,481
Non-current liabilities			
Lease liabilities		594,296	565,561
Unsecured borrowings – due after one year	13	1,132,269	1,198,002
Retirement benefit obligations		49,229	47,671
Other payables	12	45,699	60,346
Deferred tax liabilities		16,027	16,222
		1,837,520	1,887,802
Total equity and non-current liabilities		7,531,263	7,093,283

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Consolidated Statement of Changes in Equity

For the six-month period ended June 30, 2023

	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	Total US\$'000
At January 1, 2022 (audited)	683,395	(105,740)	(103,714)	31,341	(11,781)	81,900	4,147,117	4,722,518
Profit for the period	—	—	—	—	—	—	577,988	577,988
Remeasurement of defined benefit obligations	—	—	—	—	14,359	—	—	14,359
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	—	—	—	36,297	—	36,297
Exchange differences on translation of foreign operations	—	—	(98,840)	—	—	—	—	(98,840)
Other comprehensive (loss) income for the period	—	—	(98,840)	—	14,359	36,297	—	(48,184)
Total comprehensive (loss) income for the period	—	—	(98,840)	—	14,359	36,297	577,988	529,804
Shares issued on exercise of options	1,212	—	—	(238)	—	—	—	974
Vesting of awarded shares	—	19,666	—	(19,666)	—	—	—	—
Shares for share award scheme	—	(6,158)	—	—	—	—	—	(6,158)
Recognition of share-based payments	—	—	—	38,051	—	—	—	38,051
Final dividend – 2021	—	—	—	—	—	—	(236,104)	(236,104)
At June 30, 2022 (unaudited)	684,607	(92,232)	(202,554)	49,488	2,578	118,197	4,489,001	5,049,085
Profit for the period	—	—	—	—	—	—	499,162	499,162
Remeasurement of defined benefit obligations	—	—	—	—	7,648	—	—	7,648
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	—	—	—	(99,968)	—	(99,968)
Deferred tax liability on remeasurement of defined benefit obligations	—	—	—	—	(2,631)	—	—	(2,631)
Deferred tax asset on hedging reserve	—	—	—	—	—	304	—	304
Exchange differences on translation of foreign operations	—	—	(29,542)	—	—	—	—	(29,542)
Other comprehensive (loss) income for the period	—	—	(29,542)	—	5,017	(99,664)	—	(124,189)
Total comprehensive (loss) income for the period	—	—	(29,542)	—	5,017	(99,664)	499,162	374,973
Shares issued on exercise of options	103	—	—	(20)	—	—	—	83
Vesting of awarded shares	—	1,985	—	(1,985)	—	—	—	—
Shares for share award scheme	—	(3,638)	—	—	—	—	—	(3,638)
Recognition of share-based payments	—	—	—	9,295	—	—	—	9,295
Interim dividend – 2022	—	—	—	—	—	—	(224,317)	(224,317)
At December 31, 2022 (audited)	684,710	(93,885)	(232,096)	56,778	7,595	18,533	4,763,846	5,205,481
Profit for the period	—	—	—	—	—	—	475,779	475,779
Remeasurement of defined benefit obligations	—	—	—	—	1,120	—	—	1,120
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	—	—	—	(5,755)	—	(5,755)
Exchange differences on translation of foreign operations	—	—	(13,986)	—	—	—	—	(13,986)
Other comprehensive (loss) income for the period	—	—	(13,986)	—	1,120	(5,755)	—	(18,621)
Total comprehensive (loss) income for the period	—	—	(13,986)	—	1,120	(5,755)	475,779	457,158
Shares issued on exercise of options	682	—	—	(132)	—	—	—	550
Vesting of awarded shares	—	20,146	—	(20,146)	—	—	—	—
Recognition of share-based payments	—	—	—	30,554	—	—	—	30,554
At June 30, 2023 (unaudited)	685,392	(73,739)	(246,082)	67,054	8,715	12,778	5,239,625	5,693,743

Condensed Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the six-month period ended June 30, 2023

	June 30 2023 US\$'000 (Unaudited)	June 30 2022 US\$'000 (Unaudited)
Operating Activities		
Profit before taxation	511,024	621,467
Adjustments for:		
Amortization/write-off of intangible assets	76,747	57,696
Depreciation of property, plant and equipment	129,727	115,339
Depreciation of right of use assets	80,902	69,175
Fair value loss (gain) on foreign currency forward contracts	3,176	(9,097)
Fair value (gain) loss on listed equity securities	(7,816)	4,051
Finance costs	78,519	24,118
Loss on early termination of leases	177	44
Impairment loss (reversal of impairment loss) on trade receivables under expected credit loss model	11,808	(419)
Interest income	(29,336)	(12,796)
Loss on disposal of property, plant and equipment	281	2,225
Gain on disposal of listed equity securities	(271)	—
Share-based payments expense	30,554	38,051
Share of result of an associate	(235)	(901)
Write down of inventories	49,273	51,913
Operating cash flows before movements in working capital	934,530	960,866
Decrease (increase) in inventories	439,319	(487,681)
Increase in trade and other receivables, deposits and prepayments	(358,578)	(392,550)
(Increase) decrease in right to returned goods asset	(7,386)	1,955
Increase in bills receivable	(10,974)	(5,165)
Increase in trade receivables from an associate	(7,393)	(7,584)
(Decrease) increase in trade and other payables	(228,544)	80,577
Increase (decrease) in refund liabilities from right of return	12,514	(1,867)
Decrease in bills payable	(1,776)	(15,871)
Increase in warranty provision	16,693	13,194
Increase (decrease) in retirement benefit obligations	2,678	(6,656)
Net payment for purchase of shares for share award scheme	—	(6,158)
Cash generated from operations	791,083	133,060
Interest paid	(78,519)	(24,118)
Hong Kong Profits Tax paid	(2,184)	(1,306)
Overseas tax paid	(29,765)	(48,021)
Hong Kong Profits Tax refunded	13,082	41
Overseas tax refunded	77	709
Net Cash from Operating Activities	693,774	60,365

	Note	June 30 2023 US\$'000 (Unaudited)	June 30 2022 US\$'000 (Unaudited)
Investing Activities			
Acquisition of a subsidiary	16	(4,524)	(37,060)
Additions to intangible assets		(186,680)	(179,916)
Interest received		29,336	12,796
(Payment for) proceeds from early termination of leases		(125)	1
Proceeds from disposal of listed equity securities		1,376	—
Proceeds from disposal of property, plant and equipment		3,182	873
Purchase of unlisted equity securities		—	(4,800)
Purchase of property, plant and equipment		(209,579)	(229,397)
Repayment in finance lease receivables		1,277	—
Net Cash used in Investing Activities		(365,737)	(437,503)
Financing Activities			
Increase in discounted bills with recourse		3,026	97
Dividends paid		—	(236,104)
New unsecured borrowings obtained		3,378,940	2,256,109
Proceeds from issue of shares		550	974
Repayment of unsecured borrowings		(3,549,424)	(2,137,061)
Repayment of lease liabilities		(78,229)	(66,911)
Net Cash used in Financing Activities		(245,137)	(182,896)
Net Increase (Decrease) in Cash and Cash Equivalents		82,900	(560,034)
Cash and Cash Equivalents at Beginning of the Period		1,428,930	1,874,401
Effect of Foreign Exchange Rate Changes		(26,764)	(40,189)
Cash and Cash Equivalents at End of the Period		1,485,066	1,274,178
Analysis of the Balances of Cash and Cash Equivalents			
Represented by:			
Bank balances, deposits and cash		1,485,066	1,274,178
		1,485,066	1,274,178

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 financial information relating to the year ended December 31, 2022 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, 2022 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 values, as appropriate.

Other than additional/change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard (“HKFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended June 30, 2023 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual periods beginning on January 1, 2023 for the preparation of the Group’s condensed consolidated financial statements:

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

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

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

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

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

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

2. Significant accounting policies (continued)**2.2 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates**

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities and for provisions for decommissioning and restoration in which the tax deductions are attributable to ultimate costs incurred, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

As disclosed in the Group’s annual financial statements for the year ended December 31, 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognized as part of the cost of the related asset.

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

2. Significant accounting policies (continued)**2.4 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies**

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the Group’s consolidated financial statements for the year ending December 31, 2023.

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

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

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

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group’s accounting policies in the Group’s annual consolidated financial statements for the year ending December 31, 2023.

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

HKAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date the Pillar Two legislation is enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements for the year ending December 31, 2023.

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 six-month period ended June 30, 2023

	Power Equipment US\$'000	Floorcare & Cleaning US\$'000	Eliminations US\$'000	Consolidated US\$'000
Segment revenue				
External sales	6,450,231	429,233	—	6,879,464
Inter-segment sales	—	15,099	(15,099)	—
Total segment revenue	6,450,231	444,332	(15,099)	6,879,464

For the six-month period ended June 30, 2022

	Power Equipment US\$'000	Floorcare & Cleaning US\$'000	Eliminations US\$'000	Consolidated US\$'000
Segment revenue				
External sales	6,561,632	471,974	—	7,033,606
Inter-segment sales	—	23,601	(23,601)	—
Total segment revenue	6,561,632	495,575	(23,601)	7,033,606

Inter-segment sales are charged at prevailing market rates.

	Six-month period ended June 30					
	2023			2022		
	Power Equipment US\$'000	Floorcare & Cleaning US\$'000	Consolidated US\$'000	Power Equipment US\$'000	Floorcare & Cleaning US\$'000	Consolidated US\$'000
Segment results	559,985	222	560,207	646,060	(13,271)	632,789
Interest income			29,336			12,796
Finance costs			(78,519)			(24,118)
Profit before taxation			511,024			621,467

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

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

4. Revenue

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

	Six-month period ended June 30	
	2023 US\$'000	2022 US\$'000
Sales of goods	6,874,422	7,027,920
Commission and royalty income	5,042	5,686
	6,879,464	7,033,606

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 customers is as follows:

	Six-month period ended June 30	
	2023 US\$'000	2022 US\$'000
North America	5,167,421	5,396,694
Europe	1,151,765	1,073,687
Other countries	560,278	563,225
	6,879,464	7,033,606

5. Taxation charge

	Six-month period ended June 30	
	2023 US\$'000	2022 US\$'000
Current tax:		
Hong Kong Profits Tax	1,084	(986)
Overseas taxation	(25,882)	(39,952)
Deferred tax	(10,447)	(2,541)
	(35,245)	(43,479)

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	
	2023 US\$'000	2022 US\$'000
Profit for the period has been arrived at after charging (crediting):		
Amortization of intangible assets	72,417	54,057
Depreciation of property, plant and equipment	129,727	115,339
Depreciation of right of use assets	80,902	69,175
Total depreciation and amortization	283,046	238,571
Fair value (gain) loss on listed equity securities	(7,816)	4,051
Impairment loss (reversal of impairment loss) on trade receivables under expected credit loss model	11,808	(419)
Net exchange loss (gain)	18,996	(8,220)
Write down of inventories	49,273	51,913
Staff costs	903,834	1,032,196

Staff costs disclosed above do not include an amount of US\$236,754,000 (2022: US\$227,457,000) of staff cost incurred relating to research and development activities.

7. Dividends

A dividend of HK90.00 cents (approximately US11.58 cents) per share with a total of approximately US\$212,525,000 (2022: HK1 dollar (approximately US12.87 cents) per share with a total of approximately US\$236,104,000) was paid to shareholders as the final dividend for 2022 (2022: final dividend for 2021) on July 7, 2023.

The directors of the Company have determined that an interim dividend of HK95.00 cents (approximately US12.23 cents) per share with a total of approximately US\$224,334,000 (2022: HK95.00 cents (approximately US12.23 cents) per share with a total of approximately US\$224,317,000) will be paid to the shareholders of the Company whose names appear in the Register of Members on September 1, 2023.

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	
	2023 US\$'000	2022 US\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to Owners of the Company	475,779	577,988
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,829,619,170	1,829,902,444
Effect of dilutive potential ordinary shares:		
Share options	3,352,873	4,719,816
Share awards	2,750,727	2,158,319
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,835,722,770	1,836,780,579

The computation of diluted earnings per share does not assume the exercise of the Company's share options and vesting of Company's share awards which the exercise price of those share options and adjusted exercise price of those share awards were higher than the average market price for shares for both six-month period ended June 30, 2023 and 2022.

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

During the period, the Group spent approximately US\$209,579,000 (for the six-month period ended June 30, 2022: US\$229,397,000) and US\$186,680,000 (for the six-month period ended June 30, 2022: US\$179,916,000) 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\$114,346,000 (for the six-month period ended June 30, 2022: US\$87,233,000) of right of use assets and US\$114,346,000 (for the six-month period ended June 30, 2022: US\$87,233,000) lease liabilities.

10. Trade and other receivables/Bills receivable

	June 30 2023 US\$'000	December 31 2022 US\$'000
Trade receivables	2,012,031	1,559,646
Less: Allowances for credit losses	(67,333)	(58,387)
Other receivables	1,944,698	1,501,259
	68,838	138,304
	2,013,536	1,639,563

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, presented on the basis of the revenue recognition date, which is usually the invoice date, at the end of the reporting period is as follows:

Age	June 30 2023 US\$'000	December 31 2022 US\$'000
0 to 60 days	1,623,065	1,090,446
61 to 120 days	259,553	328,173
121 days or above	62,080	82,640
Total trade receivables	1,944,698	1,501,259
Other receivables	68,838	138,304
	2,013,536	1,639,563

All the Group's bills receivable at June 30, 2023 are aged within 120 days.

11. Trade receivables from an associate

The trade receivables from an associate are aged within 120 days.

12. Trade and other payables/Bills payable

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

Age	June 30	December 31
	2023	2022
	US\$'000	US\$'000
0 to 60 days	1,013,565	1,306,486
61 to 120 days	783,142	533,961
121 days or above	225,115	232,838
Total trade payables	2,021,822	2,073,285
Other payables	1,569,642	1,764,488
Total trade and other payables	3,591,464	3,837,773
Non-current portion of other payables	(45,699)	(60,346)
	3,545,765	3,777,427

All the Group's bills payable at June 30, 2023 are aged within 120 days based on the invoice date.

The other payables mainly represents accruals of various selling, general and administrative expenses of US\$1,405,173,000 (At December 31, 2022: US\$1,554,656,000). The non-current other payables mainly represents accruals of long-term incentive benefits offered to certain management executives of the Group.

13. Unsecured borrowings

During the period, the Group obtained new unsecured borrowings of US\$3,378,940,000 (2022: US\$2,256,109,000) which mainly carry interest at SOFR. The Group also repaid unsecured borrowings of US\$3,549,424,000 (2022: US\$2,137,061,000).

14. Share capital

	Number of shares		Share capital	
	June 30	December 31	June 30	December 31
	2023	2022	US\$'000	US\$'000
Ordinary shares				
Issued and fully paid:				
At the beginning of the period/year	1,834,697,941	1,834,484,441	684,710	683,395
Issue of shares upon exercise of share options	120,000	213,500	682	1,315
At the end of the period/year	1,834,817,941	1,834,697,941	685,392	684,710

15. Fair value measurements of financial instruments

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

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

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	June 30, 2023	December 31, 2022		
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the consolidated statement of financial position	Acquisition right of certain property, plant and equipment: US\$8,002,000	Acquisition right of certain property, plant and equipment: US\$8,002,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	Assets – US\$46,648,000; and Liabilities – US\$42,021,000	Assets – US\$59,710,000; and Liabilities – US\$50,474,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as financial assets at fair value through profit or loss ("FVTPL") in the consolidated statement of financial position	Listed shares: US\$20,177,000	Listed shares: US\$13,466,000	Level 1	Quoted bid prices in an active market.
4) Other financial assets classified as financial assets at FVTPL in the consolidated statement of financial position	Club membership debentures: US\$4,900,000 Unlisted equity securities: US\$4,800,000 Other: US\$45,000	Club membership debentures: US\$4,899,000 Unlisted equity securities: US\$4,800,000 Other: US\$45,000	Level 2 Level 2 Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics. The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market. The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
5) Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	Assets – US\$11,159,000; and Liabilities – Nil	Assets – US\$17,064,000; and Liabilities – Nil	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US\$ and EUR, which is observable at the end of the reporting period.

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.

16. Acquisition of a subsidiary

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

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

Goodwill of US\$3,964,000 arose on the acquisition of Green Planet's business from cost savings within the Power Equipment segment.

The fair value and contractual amounts of trade and other receivables at the date of acquisition amounted to US\$6,033,000. All amounts are expected to be collected.

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

The business acquired has no contribution to the Group's revenue, and approximately US\$1,231,000 decrease in the Group's profit before taxation for the period between the date of acquisition and the reporting date as at June 30, 2023.

16. Acquisition of a subsidiary (continued)

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

	2022 Fair value US\$'000
Net Assets Acquired	
Property, plant and equipment	3,200
Right of use assets	1,712
Intangible assets	2,015
Inventories	4,797
Trade and other receivables	7,639
Bank balances and cash	2,529
Trade and other payables	(5,034)
Lease liabilities	(1,876)
Tax payable	(122)
Deferred tax liabilities	(376)
Goodwill arising on acquisition	25,105
Total consideration	39,589
Net cash outflow arising on acquisition:	
Total consideration	39,589
Less: Bank balances and cash acquired	(2,529)
Net outflow of cash and cash equivalents in respect of the acquisition	37,060

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

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

The acquisition-related costs were insignificant. They had been excluded from the consideration transferred and had been recognized as an expense in the prior year.

The business acquired approximately US\$9,575,000 to the Group's revenue, and approximately US\$129,000 increased in the Group's profit before taxation for the period between the date of acquisition and the reporting date as at June 30, 2022.

17. Capital commitments

	June 30 2023 US\$'000	December 31 2022 US\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment and equity interests in subsidiaries contracted for but not provided in the condensed consolidated financial statements	166,523	328,364