Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. General Information

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

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

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

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The Group has floating rate debt, linked to London Interbank Offered Rate ("LIBOR"), which it cash flow hedges using cross-currency interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

The Group retained the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The application of the amendments has no impact on the Group's consolidated financial statements.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after January 1, 2022.

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

4 Effective for annual periods beginning on or after June 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2021.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at December 31, 2020, the Group had several LIBOR bank loans which will be subject to the interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change and the Group is in the process of assessing the impact of the application which may have a potential impact on the hedge accounting and related disclosures made in the consolidated financial statements of the Group resulting from the reform on application of the amendments.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at December 31, 2020, the application of the amendments will not result in a reclassification of the Group's liabilities.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statements

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

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Basis of Preparation of Consolidated Financial Statements (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant Accounting Policies

Basis of Consolidation

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

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

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

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

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Business Combinations or Asset Acquisitions

Optional concentration test

Effective from January 1, 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business Combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right of use assets ("ROU assets") are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Business Combinations or Asset Acquisitions (continued)

Business Combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

Goodwill

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

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of associates is disclosed below.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Business Combinations or Asset Acquisitions (continued)

Interests in Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of loss of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associates is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in associates but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Intangible Assets

Intangible Assets Acquired Separately

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

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially measured at their fair value at the acquisition date. The cost of these intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Internally-Generated Intangible Assets – Research and Development Expenditure

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

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

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Leases

Definition of a Lease

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

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

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

The Group as a Lessee

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 standalone price of the lease component and the aggregate standalone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term Leases and Leases of Low-value Assets

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

ROU Assets

The cost of ROU assets includes:

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Leases (continued)

The Group as a Lessee (continued)

Refundable Rental Deposits

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

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

Lease Modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant ROU asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

Property, Plant & Equipment ("PP&E")

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Property, Plant & Equipment ("PP&E") (continued)

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

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

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

Impairment PP&E, ROU Assets and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its PP&E, ROU assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of PP&E, ROU assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments

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

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

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

Financial Assets

Classification and Subsequent Measurement of Financial Assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except for derivatives designated as cash flow hedge relationship and, that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Amortized Cost and Interest Income

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

Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL except for derivatives designated as cash flow hedge relationship.

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

Impairment of Financial Assets and Other Item

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

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

The Group always recognizes lifetime ECL for trade receivables.

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

(i) Significant Increase in Credit Risk

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item (continued)

(i) Significant Increase in Credit Risk (continued)

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

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

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

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of Default

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item (continued)

(iii) Credit-impaired Financial Assets

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

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

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

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

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

(iv) Write-off Policy

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

(v) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

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

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item (continued)

(v) Measurement and Recognition of ECL (continued)

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

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

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

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

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

Financial Liabilities and Equity

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

Equity Instrument

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

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

Financial Liabilities at Amortized Cost

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

Financial Liabilities at FVTPL

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

A financial liability is held for trading if:

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Liabilities and Equity (continued)

Financial Liabilities at FVTPL (continued)

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

Derivative Financial Instruments

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

Hedge Accounting

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

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

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based, is not altered as a result of interest rate benchmark reform.

Assessment of Hedging Relationship and Effectiveness

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

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

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

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Liabilities and Equity (continued)

Cash Flow Hedges

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

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based, is not altered as a result of interest rate benchmark reform.

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

Discontinuation of Hedge Accounting

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

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

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance determined in accordance with HKFRS 9; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

Derecognition of Financial Assets and Liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Provisions

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Revenue from Contracts with Customers

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

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

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

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

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

Over time Revenue Recognition (Commission and Royalty Income): Measurement of Progress towards Complete Satisfaction of a Performance Obligation

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

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

Refund Liabilities

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Sale with a Right of Return/Exchange

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

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

(b) a refund liability; and

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Taxation (continued)

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

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

Foreign Currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal or partial disposal of the foreign operation.

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

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

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Equity-Settled Share-Based Payment Transactions

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

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

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

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

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

Government Grants

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Retirement Benefit Schemes

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

For defined benefit retirement benefits plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in reserves and will not be reclassified to profit or loss.

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

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

Defined benefit costs are categorized as follows:

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

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

Short-term and other Long-term Employee Benefits

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

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

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

4. Key Sources of Accounting Estimates

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

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

Key Sources of Estimation Uncertainty

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

Estimated Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of their recoverable amounts, which is the higher of the value in use and fair value less costs of disposal of the cash-generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward version of discount rate, a material impairment loss or further impairment loss may arise. As at December 31, 2020, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately US$578,461,000 (2019: US$580,866,000) and approximately US$224,440,000 (2019: US$227,640,000) respectively. Details of the recoverable amount calculation are disclosed in Note 20. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

Capitalization, Useful Lives and Estimated Impairment of Deferred Development Costs

Determining the development costs, including the time and costs for individual projects, to be capitalized requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life. As at December 31, 2020, the carrying amounts of deferred development costs of the Group are US$394,144,000 (2019: US$388,018,000). The estimation of their useful lives impacts the level of annual amortization recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material impairment loss may arise and need to be recognized. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

Income Taxes

As at December 31, 2020, deferred tax assets of US$25,362,000 (2019: US$28,165,000) in relation to unused tax losses and US$39,452,000 (2019: US$31,984,000) in relation to employee related provisions has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax assets mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of the deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal or further recognition takes place. During the year, deferred tax assets of approximately US$6,703,000 (2019: US$2,563,000) in relation to unused tax losses were utilized.

5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods sold.

The principal categories of goods supplied are "Power Equipment" and "Floorcare". The Group's operating segments under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE, EMPIRE, AEG, RYOBI, HOMELITE and HART brands plus original equipment manufacturer ("OEM") customers.

2. Floorcare – sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

Information regarding the above segments is reported below.

Segment Revenue and Results

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

For the year ended December 31, 2020

	Power Equipment US$'000	Floorcare US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	8,729,841	1,082,100	—	9,811,941
Inter-segment sales	—	4,018	(4,018)	—
Total segment revenue	8,729,841	1,086,118	(4,018)	9,811,941

Inter-segment sales are charged at prevailing market rates.

	Power Equipment US$'000	Floorcare US$'000	Eliminations US$'000	Consolidated US$'000
Result				
Segment results	843,831	24,622	—	868,453
Interest income				36,787
Finance costs				(44,222)
Profit before tax				861,018

5. Segment Information (continued)

Segment Revenue and Results (continued)

For the year ended December 31, 2019

	Power Equipment US$'000	Floorcare US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	6,791,514	875,207	—	7,666,721
Inter-segment sales	—	205	(205)	—
Total segment revenue	6,791,514	875,412	(205)	7,666,721

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	662,954	10,344	—	673,298
Interest income				40,215
Finance costs				(52,323)
Profit before tax				661,190

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned by each segment without the allocation of interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

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

Other Segment Information

For the year ended December 31, 2020

Amounts included in the measure of segment results:

	Power Equipment US$'000	**Floorcare US$'000**	**Consolidated US$'000**
Loss on disposal of property, plant and equipment	**55,070**	**7,366**	**62,436**
Write down of inventories	**29,974**	**2,165**	**32,139**
Impairment loss on trade receivables under expected credit loss model	**16,222**	**6,267**	**22,489**
Write-off of intangible assets	**43,320**	**5,481**	**48,801**
Depreciation and amortization	**308,564**	**46,783**	**355,347**
Gain on early termination of leases	**(31)**	**—**	**(31)**

5. Segment Information (continued)

Other Segment Information (continued)

For the year ended December 31, 2019

Amounts included in the measure of segment results:

	Power Equipment US$'000	Floorcare US$'000	Consolidated US$'000
Loss on disposal of property, plant and equipment	5,779	551	6,330
Write down of inventories	33,632	823	34,455
(Reversal of impairment loss) impairment loss on trade receivables under expected credit loss model	(1,876)	3,197	1,321
Write-off of intangible assets	3,882	182	4,064
Depreciation and amortization	269,489	51,930	321,419
Gain on early termination of leases	(3,500)	—	(3,500)

Revenue from Major Products

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

	2020 US$'000	2019 US$'000
Power Equipment	**8,729,841**	6,791,514
Floorcare	**1,082,100**	875,207
Total	**9,811,941**	7,666,721

Geographical Information

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

	Revenue from external customers		**Non-Current Assets***	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
North America	**7,650,370**	5,909,781	**1,764,007**	1,456,518
Europe	**1,382,707**	1,160,614	**173,873**	172,451
Other countries	**778,864**	596,326	**1,020,933**	952,305
Total	**9,811,941**	7,666,721	**2,958,813**	2,581,274

* Non-current assets exclude interests in associates, financial assets at FVTPL, derivative financial instruments and deferred tax assets.

Information about Major Customer

During the years ended December 31, 2020 and 2019, the Group's largest customer contributed total revenue of US$4,793,600,000 (2019: US$3,586,339,000), of which US$4,742,534,000 (2019: US$3,530,735,000) was under the Power Equipment segment and US$51,066,000 (2019: US$55,604,000) was under the Floorcare segment. There is no other customer contributing more than 10% of total revenue.

6. Revenue

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

	2020 US$'000	2019 US$'000
Sales of goods	**9,801,240**	7,641,865
Commission and royalty income	**10,701**	24,856
	9,811,941	7,666,721

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

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

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

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

As at December 31, 2020, revenue for unsatisfied contracts to be recognized by the Group over one year is immaterial. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for contracts with period of one year or less is not disclosed.

7. Other Income

Other income in both 2020 and 2019 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2020 US$'000	2019 US$'000
Interest on:		
Bank borrowings	**36,648**	45,620
Lease liabilities	**7,574**	6,703
	44,222	52,323

10. Taxation Charge

	2020 **US$'000**	2019 US$'000
Current tax:		
Hong Kong Profits Tax	**(260)**	(1,309)
Over provision in prior years	**995**	596
	735	(713)
Overseas taxation	**(58,505)**	(32,279)
Under provision in prior years	**(2,033)**	(324)
	(60,538)	(32,603)
Deferred tax (Note 41):		
Current year	**8,075**	4,203
Deferred tax asset impairment	**(8,521)**	(16,653)
Change in tax rates	**(9)**	(524)
	(455)	(12,974)
	(60,258)	(46,290)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The taxation charge for the year is reconciled as follows:

	2020 **US$'000**	**2020** **%**	2019 US$'000	2019 %
Profit before taxation	**861,254**		661,286	
Tax at Hong Kong Profits Tax rate	**(142,107)**	**16.5%**	(109,112)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**111,836**	**(13.0%)**	128,326	(19.4%)
Tax effect of expenses not deductible for tax purposes	**(42,289)**	**4.9%**	(25,431)	3.8%
Tax effect of income not taxable for tax purposes	**2,962**	**(0.3%)**	2,175	(0.3%)
Utilization of deductible temporary differences previously not recognized	**6,703**	**(0.8%)**	2,563	(0.4%)
Tax effect of tax losses and deductible temporary differences not recognized	**12,134**	**(1.4%)**	(28,025)	4.2%
Deferred tax asset impairment	**(8,521)**	**1.0%**	(16,653)	2.5%
(Under) over provision in respect of prior years	**(1,038)**	**0.1%**	272	(0.0%)
Tax effect of changes in tax rates	**(9)**	**0.0%**	(524)	0.1%
Tax effect of share of results of associates	**71**	**(0.0%)**	119	(0.0%)
Taxation charge for the year	**(60,258)**	**7.0%**	(46,290)	7.0%

Details of deferred tax are set out in Note 41.

11. Profit for the Year

	2020 US$'000	2019 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortization of intangible assets	**112,416**	109,037
Auditors' remuneration	**3,027**	3,247
Cost of inventories recognized as an expense	**6,058,859**	4,774,065
Depreciation of right of use assets	**77,038**	67,719
Depreciation of property, plant and equipment	**165,893**	144,663
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps	**3,750**	13,432
Fair value loss on listed equity securities	**8,061**	8,231
Fair value gain on club membership debentures	**—**	(145)
Fair value loss on acquisition right of certain property, plant and equipment	**435**	512
Gain on early termination of leases	**(31)**	(3,500)
Impairment loss on trade receivables under expected credit loss model	**22,489**	1,321
Goodwill written off	**3,861**	—
Loss on disposal of property, plant and equipment	**62,436**	6,330
Net exchange loss (gain)	**1,633**	(3,128)
Operating lease expenses/expenses relating to short-term leases and low-value assets recognized in respect of:		
Motor vehicles	**934**	640
Plant and machinery	**11,522**	10,198
Premises	**9,716**	8,162
Other assets	**510**	601
Share of results of associates	**(432)**	(119)
Unconditional government grants	**(657)**	(322)
Write down of inventories	**32,139**	34,455
Write-off of intangible assets	**48,801**	4,064
Staff costs		
Directors' remuneration		
Fees	**539**	491
Other emoluments	**63,754**	48,663
	64,293	49,154
Other staff costs	**1,293,422**	1,097,733
Contributions to retirement benefits schemes (other than those included in the Directors' emoluments)		
Defined contribution plans	**17,608**	14,155
Defined benefit plans (Note 40)	**808**	1,660
	1,376,131	1,162,702

Staff costs disclosed above do not include an amount of US$207,699,000 (2019: US$174,477,000) of staff costs incurred relating to research and development activities.

12. Directors' Emoluments

The emoluments paid or payable to each of the twelve (2019: twelve) directors, disclosed pursuant to the applicable Listing Rules and the CO, was as follows:

For the year ended December 31, 2020

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,671	2	12,412	3,795	17,880
Mr Stephan Horst Pudwill (Note i)	—	537	2	2,225	1,191	3,955
Mr Joseph Galli Jr (Note i)	—	1,753	383	19,100	7,211	28,447
Mr Kin Wah Chan (Note i)	—	870	2	2,645	1,191	4,708
Mr Chi Chung Chan (Note i)	—	867	—	4,750	1,191	6,808
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	77	—	—	816	81	974
Mr Camille Jojo (Note ii)	77	27	—	—	521	625
Mr Christopher Patrick Langley OBE (Note iii)	77	15	—	—	81	173
Mr Peter David Sullivan (Note iii)	77	37	—	—	81	195
Mr Vincent Ting Kau Cheung (Note iii)	77	40	—	—	81	198
Mr Johannes-Gerhard Hesse (Note iii)	77	27	—	—	81	185
Mr Robert Hinman Getz (Note iii)	77	7	—	—	61	145
Total	539	5,851	389	41,948	15,566	64,293

12. Directors' Emoluments (continued)

For the year ended December 31, 2019

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,671	2	15,066	1,186	17,925
Mr Stephan Horst Pudwill (Note i)	—	390	2	2,057	601	3,050
Mr Joseph Galli Jr (Note i)	—	1,633	180	14,100	648	16,561
Mr Kin Wah Chan (Note i)	—	826	2	2,345	601	3,774
Mr Chi Chung Chan (Note i)	—	823	—	4,585	601	6,009
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	77	—	—	—	135	212
Mr Camille Jojo (Note ii)	77	15	—	—	453	545
Mr Christopher Patrick Langley OBE (Note iii)	77	15	—	—	135	227
Mr Manfred Kuhlmann (Note iii)	29	13	—	—	61	103
Mr Peter David Sullivan (Note iii)	77	37	—	—	135	249
Mr Vincent Ting Kau Cheung (Note iii)	77	40	—	—	135	252
Mr Johannes-Gerhard Hesse (Note iii)	77	26	—	—	144	247
Total	491	5,489	186	38,153	4,835	49,154

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

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

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

The bonuses were based on past performance of the Group.

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option schemes and share award scheme, respectively, as estimated at the date of grant and award. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 43 and 44 respectively.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2019: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2019: one) individuals for the year ended December 31, 2020 were as follows:

	2020 US$'000	2019 US$'000
Basic salaries and allowances	**1,677**	787
Contributions to retirement benefits schemes	**152**	74
Bonus	**10,578**	2,587
Other benefit	**—**	—
Share-based payments	**1,948**	1,635
	14,355	5,083

The emoluments of these two (2019: one) highest paid individuals for the year ended December 31, 2020 were within the following bands:

	No. of persons	
HK$	**2020**	2019
39,000,001 to 39,500,000	**—**	1
51,000,001 to 51,500,000	**1**	—
60,000,001 to 60,500,000	**1**	—

During each of the two years ended December 31, 2020 and 2019, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

14. Dividends

	2020 US$'000	2019 US$'000
Dividends recognized as distributions during the year:		
Final dividend paid:		
2019: HK58.00 cents (approximately US7.46 cents)		
(2018: HK50.00 cents (approximately US6.44 cents) per share	**136,688**	117,621
Interim dividend paid:		
2020: HK53.00 cents (approximately US6.82 cents)		
(2019: HK45.00 cents (approximately US5.79 cents)) per share	**124,949**	105,973
	261,637	223,594

The final dividend of HK82.00 cents (approximately US10.55 cents) per share with a total of approximately US$193,404,000 in respect of the year ended December 31, 2020 (2019: final dividend of HK58.00 cents (approximately US7.46 cents) per share in respect of the year ended December 31, 2019) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

15. Earnings per Share

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

	2020 US$'000	2019 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**800,760**	614,900
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,828,388,789**	1,826,362,982
Effect of dilutive potential ordinary shares:		
Share options	**4,816,658**	5,004,102
Share award	**1,980,218**	1,155,989
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,835,185,665**	1,832,523,073

16. Property, Plant and Equipment

	Freehold land and land and buildings (Note) US$'000	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Vessels US$'000	Aircraft US$'000	Construction in progress US$'000	Total US$'000
Cost										
At January 1, 2019	202,505	89,416	237,617	336,745	5,498	343,625	7,106	31,283	187,791	1,441,586
Currency realignment	1,080	302	(8,305)	1,316	197	(1,108)	—	—	(46)	(6,564)
Additions	31,687	3,989	16,212	31,554	409	4,626	—	312	367,819	456,608
Disposals	(307)	(3,786)	(19,494)	(7,104)	(440)	(28,892)	—	(3,900)	(3,882)	(67,805)
Reclassification	165,256	2,626	21,743	33,078	2,383	71,930	—	—	(297,016)	—
At December 31, 2019	400,221	92,547	247,773	395,589	8,047	390,181	7,106	27,695	254,666	1,823,825
Currency realignment	**3,163**	**2,989**	**5,255**	**16,765**	**142**	**7,142**	**—**	**—**	**2,567**	**38,023**
Additions	**177**	**5,289**	**15,766**	**34,373**	**1,303**	**3,584**	**—**	**—**	**398,436**	**458,928**
Disposals	**(11,478)**	**(17,160)**	**(19,858)**	**(8,641)**	**(1,485)**	**(139,383)**	**—**	**—**	**(17,259)**	**(215,264)**
Reclassification	**67,597**	**6,766**	**36,791**	**43,623**	**657**	**99,119**	**—**	**—**	**(254,553)**	**—**
At December 31, 2020	**459,680**	**90,431**	**285,727**	**481,709**	**8,664**	**360,643**	**7,106**	**27,695**	**383,857**	**2,105,512**
Depreciation and Impairment										
At January 1, 2019	34,350	44,617	160,137	183,611	3,802	221,591	3,023	234	—	651,365
Currency realignment	867	225	(6,021)	1,052	76	(640)	—	—	—	(4,441)
Provided for the year	9,026	7,509	22,579	33,611	1,050	67,789	1,198	1,901	—	144,663
Eliminated on disposals	(216)	(2,595)	(18,935)	(5,763)	(311)	(26,501)	—	—	—	(54,321)
At December 31, 2019	44,027	49,756	157,760	212,511	4,617	262,239	4,221	2,135	—	737,266
Currency realignment	**1,282**	**1,532**	**3,795**	**7,681**	**87**	**5,766**	**—**	**—**	**—**	**20,143**
Provided for the year	**11,295**	**10,269**	**30,543**	**41,610**	**1,410**	**67,662**	**1,198**	**1,906**	**—**	**165,893**
Eliminated on disposals	**(4,110)**	**(12,316)**	**(13,530)**	**(8,364)**	**(1,084)**	**(111,346)**	**—**	**—**	**—**	**(150,750)**
At December 31, 2020	**52,494**	**49,241**	**178,568**	**253,438**	**5,030**	**224,321**	**5,419**	**4,041**	**—**	**772,552**
Carrying amounts										
At December 31, 2020	**407,186**	**41,190**	**107,159**	**228,271**	**3,634**	**136,322**	**1,687**	**23,654**	**383,857**	**1,332,960**
At December 31, 2019	356,194	42,791	90,013	183,078	3,430	127,942	2,885	25,560	254,666	1,086,559

Note: Buildings with a carrying amount of US$15,099,000 (2019: US$16,655,000) are erected on leasehold land that is presented as ROU assets on the consolidated statement of financial position.

16. Property, Plant and Equipment (continued)

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

Freehold land	Nil
Land and buildings	Over the shorter of lease term or useful life of fifteen to fifty years
Leasehold improvements	4% – $37^1/_2$%
Office equipment, furniture and fixtures	10% – $33^1/_3$%
Plant and machinery	9% – 25%
Motor vehicles	10% – $33^1/_3$%
Moulds and tooling	18% – $33^1/_3$%
Vessels	20% – 25%
Aircraft	6% – $16^2/_3$%

The carrying amounts of properties shown above comprise:

	2020 US$'000	2019 US$'000
Properties situated outside Hong Kong are analyzed as follows:		
Freehold land	**329,951**	276,007
Leasehold land and buildings	**15,099**	16,655
	345,050	292,662
Land and buildings situated in Hong Kong	**62,136**	63,532
	407,186	356,194

The cost of the Group's PP&E includes amounts of US$347,619,000 (2019: US$342,522,000) in respect of fully depreciated PP&E that are still in use.

17. Right of Use Assets

	Land and buildings US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Aircraft US$'000	Leasehold land US$'000	Total US$'000
Cost							
At January 1, 2019	352,851	4,313	4,842	64,143	12,582	35,955	474,686
Currency realignment	(992)	32	51	(597)	—	(436)	(1,942)
Additions	52,426	4,075	1,716	30,899	—	—	89,116
Termination of leases	(74,091)	(1,206)	—	(13,028)	—	(34)	(88,359)
At December 31, 2019	330,194	7,214	6,609	81,417	12,582	35,485	473,501
Currency realignment	**12,102**	**(9)**	**269**	**2,759**	**—**	**2,369**	**17,490**
Additions	**175,919**	**1,701**	**176**	**33,636**	**—**	**—**	**211,432**
Early termination/end of leases	**(21,957)**	**(596)**	**(601)**	**(12,954)**	**—**	**—**	**(36,108)**
At December 31, 2020	**496,258**	**8,310**	**6,453**	**104,858**	**12,582**	**37,854**	**666,315**
Depreciation							
At January 1, 2019	142,136	1,785	1,912	29,180	7,445	7,480	189,938
Currency realignment	(842)	3	40	(521)	—	(96)	(1,416)
Provided for the year	43,668	1,392	1,149	19,537	1,258	715	67,719
Elimination on termination of leases	(16,903)	(879)	—	(12,102)	—	—	(29,884)
At December 31, 2019	168,059	2,301	3,101	36,094	8,703	8,099	226,357
Currency realignment	**7,366**	**10**	**180**	**1,548**	**—**	**580**	**9,684**
Provided for the year	**48,979**	**1,756**	**1,576**	**22,753**	**1,258**	**716**	**77,038**
Elimination on early termination/end of leases	**(17,596)**	**(568)**	**(550)**	**(11,768)**	**—**	**—**	**(30,482)**
At December 31, 2020	**206,808**	**3,499**	**4,307**	**48,627**	**9,961**	**9,395**	**282,597**
Carrying amounts							
At December 31, 2020	**289,450**	**4,811**	**2,146**	**56,231**	**2,621**	**28,459**	**383,718**
At December 31, 2019	162,135	4,913	3,508	45,323	3,879	27,386	247,144

	2020 US$'000	2019 US$'000
Expense relating to short-term leases	**12,911**	11,844
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**9,771**	7,757
Total cash outflow for leases	**106,079**	90,534

17. Right of Use Assets (continued)

For both years, the Group leases land and buildings, office equipment, furniture and fixtures, plant and machinery, motor vehicles and aircraft for its operations. Lease contracts are entered into for term of up to 18 years (2019: 18 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

The Group regularly entered into short-term leases for premises, plant and machinery and motor vehicles. As at December 31, 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases Committed

As at December 31, 2020, the Group entered into new leases for certain PP&E that have not yet commenced, with average non-cancellable period that ranges from 1 to 6 years (2019: 1 to 10 years) with extension options, the total future undiscounted cash flows under which amounts to US$7,294,000 (2019: US$33,475,000) over the non-cancellable period.

Details of the lease maturity analysis of the lease liabilities are set out in Note 33.

18. Goodwill

	US$'000
At January 1, 2019	581,215
Currency realignment	(349)
At December 31, 2019	580,866
Currency realignment	**1,456**
Written off during the year	**(3,861)**
At December 31, 2020	**578,461**

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

19. Intangible Assets

	Deferred development costs US$'000	Patents US$'000	Trademarks US$'000	Manufacturing know-how US$'000	Retailer and service relationships US$'000	Non compete agreement US$'000	Total US$'000
Cost							
At January 1, 2019	916,548	99,814	242,412	1,753	16,400	1,300	1,278,227
Currency realignment	53	—	—	—	—	—	53
Additions	151,931	7,040	—	—	—	—	158,971
Written off in the year	(6,075)	(198)	—	—	—	—	(6,273)
At December 31, 2019	1,062,457	106,656	242,412	1,753	16,400	1,300	1,430,978
Currency realignment	**108**	**—**	**—**	**—**	**—**	**—**	**108**
Additions	**145,707**	**12,479**	**—**	**—**	**—**	**—**	**158,186**
Written off in the year	**(444,763)**	**(23,482)**	**(3,200)**	**—**	**(6,500)**	**—**	**(477,945)**
At December 31, 2020	**763,509**	**95,653**	**239,212**	**1,753**	**9,900**	**1,300**	**1,111,327**
Amortization							
At January 1, 2019	578,318	60,070	13,591	486	4,896	65	657,426
Currency realignment	19	—	—	—	—	—	19
Provided for the year	98,311	8,898	453	130	718	527	109,037
Eliminated on write-off	(2,209)	—	—	—	—	—	(2,209)
At December 31, 2019	674,439	68,968	14,044	616	5,614	592	764,273
Currency realignment	**108**	**—**	**—**	**—**	**—**	**—**	**108**
Provided for the year	**102,116**	**8,504**	**453**	**130**	**664**	**549**	**112,416**
Eliminated on write-off	**(407,298)**	**(17,675)**	**—**	**—**	**(4,171)**	**—**	**(429,144)**
At December 31, 2020	**369,365**	**59,797**	**14,497**	**746**	**2,107**	**1,141**	**447,653**
Carrying amounts							
At December 31, 2020	**394,144**	**35,856**	**224,715**	**1,007**	**7,793**	**159**	**663,674**
At December 31, 2019	388,018	37,688	228,368	1,137	10,786	708	666,705

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

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

Included in trademarks of the Group, US$224,440,000 (2019: US$227,640,000) are trademarks considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely. The trademarks will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

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

Deferred development costs	20% – $33\frac{1}{3}$%
Patents	10% – 25%
Trademarks with finite useful lives	$6\frac{2}{3}$%
Manufacturing know-how	10%
Retailer and service relationships	5% – $6\frac{2}{3}$%
Non compete agreement	$6\frac{2}{3}$%

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

As explained in Note 5, the Group uses the types of goods sold for preparing the operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19, the majority of the amounts have been allocated to four major individual cash-generating units ("CGUs"), including three units in the Power Equipment segment and one unit in the Floorcare segment. The carrying amounts of goodwill and trademarks as at December 31, 2020 allocated to these units are as follows:

	Goodwill		**Trademarks**	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Power Equipment – MET	**443,264**	443,264	**126,607**	126,607
Power Equipment – HCP	**16,509**	7,492	**30,648**	30,648
Power Equipment – Drebo	**23,234**	21,779	**—**	—
Power Equipment – Baja	**—**	9,017	**—**	3,200
Floorcare – RAM/Hoover/VAX	**75,748**	75,748	**67,179**	67,179
Others	**19,706**	23,566	**6**	6
	578,461	580,866	**224,440**	227,640

In line with operation changes made during the year, the goodwill and intangible assets included in the Power Equipment – Baja CGU were aggregated to this Power Equipment – HCP as at December 31, 2020.

During the year ended December 31, 2020, management of the Group wrote off goodwill of US$3,861,000 and trademarks of US$3,200,000 pertaining to amounts included in the Others CGU and Power Equipment Baja CGU respectively.

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

Power Equipment – MET ("MET")

The recoverable amounts of MET's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 8.5% (2019: 10.0%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on MET's past performance, management's expectations of the market development, the success of the new products launched, managing the working capital and the continuance of costs controlling strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2019: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of MET's goodwill and intangible assets to exceed the estimated recoverable amounts.

Power Equipment – HCP ("HCP")

The recoverable amounts of HCP's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10.0% (2019: 11.0%) per annum.

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

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

Power Equipment – Drebo ("Drebo")

The recoverable amounts of Drebo's goodwill have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9.0% (2019: 10.0%) per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Drebo's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a 3.0% (2019: 1.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Drebo's goodwill to exceed the estimated recoverable amount.

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

The recoverable amounts of RAM/Hoover/VAX's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 12.5% (2019: 13.5%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimations are based on RAM/Hoover/VAX's past performance, management's expectations of the market development, managing the working capital and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2019: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of RAM/Hoover/VAX's goodwill and intangibles to exceed the estimated aggregate recoverable amounts.

21. Interests in Associates

	2020 **US$'000**	2019 US$'000
Cost of investment in associates	**1,470**	1,470
Share of post-acquisition profits	**551**	119
Share of net assets	**2,021**	1,589
Amounts due from associates	**—**	1,654
	2,021	3,243

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

21. Interests in Associates (continued)

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

	2020 US$'000	2019 US$'000
Non-current assets	**1,875**	1,681
Current assets	**7,034**	7,484
Current liabilities	**4,437**	5,922
Non-current liabilities	**347**	—
Net assets	**4,125**	3,243

	2020 US$'000	2019 US$'000
Revenue	**45,095**	44,386
Profit for the year	**882**	242

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

	2020 US$'000	2019 US$'000
Net assets	**4,125**	3,243
Proportion of the Group's ownership interest	**49.0%**	49.0%
The Group's share of net assets	**2,021**	1,589
Carrying amount of the Group's interest	**2,021**	1,589

Particulars of the principal associates as at December 31, 2020 and 2019 are set out in Note 50.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

22. Financial Assets at FVTPL

	Notes	**2020 US$'000**	2019 US$'000
Club membership debentures	(a)	**3,189**	2,450
Unlisted equity securities	(b)	**3,301**	3,301
Listed equity securities	(c)	**17,763**	24,597
Other		**45**	45
		24,298	30,393
Analyzed for reporting purposes as:			
Current assets		**17,763**	24,597
Non-current assets		**6,535**	5,796
		24,298	30,393

Notes:

(a) As at December 31, 2020 and 2019, the club membership debentures measured at fair value with reference to recent transaction prices for similar comparables with similar characteristic.

(b) As at December 31, 2020 and 2019, the unlisted equity securities represented the interest in a private company incorporated in the United States of America ("US"). The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in a private market.

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

23. Inventories

	2020 US$'000	2019 US$'000
Raw materials	**401,837**	209,495
Work in progress	**53,703**	43,832
Finished goods	**2,768,208**	1,859,604
	3,223,748	2,112,931

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

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's various returns policies. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for the sold products expected to be returned. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

25. Trade and Other Receivables

	2020 US$'000	2019 US$'000
Trade receivables	**1,359,988**	1,195,630
Less: Allowances for credit losses	**(52,932)**	(34,529)
	1,307,056	1,161,101
Other receivables	**60,230**	67,472
	1,367,286	1,228,573

As at January 1, 2019, all trade receivables amounted US$1,140,923,000 are derived from contracts with customers.

The ageing analysis of trade receivables, net of allowances for credit losses, presented on the basis of the revenue recognition date, which is usually the invoice date, at the end of the reporting period is as follows:

	2020 US$'000	2019 US$'000
0 to 60 days	**1,016,581**	966,306
61 to 120 days	**232,640**	137,389
121 days or above	**57,835**	57,406
Total trade receivables	**1,307,056**	1,161,101

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

As at December 31, 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$307,439,000 (2019: US$334,794,000) which are past due as at the reporting date. The past due over 90 days balances that are presumed in default according with the Group's accounting policy of US$254,508,000 (2019: US$303,196,000) are not considered as in default as they are due from a number of independent customers that have a good payment track record with the Group.

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

In accordance with receivables purchase agreements, certain trade receivables have been factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group has continued to recognize the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of US$10,000,000 (2019: US$68,700,000) were recognized as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

26. Bills Receivable

All the Group's bills receivable at December 31, 2020 and 2019 are aged within 120 days based on invoice date.

27. Trade Receivables from Associates

The trade receivables from associates are aged within 120 days based on invoice date.

28. Derivative Financial Instruments

	2020 US$'000	2019 US$'000
Assets		
Acquisition right of certain property, plant and equipment	**8,494**	8,929
Foreign currency forward contracts – under hedge accounting	**9,341**	25,065
	17,835	33,994

	2020 US$'000	2019 US$'000
Liabilities		
Foreign currency forward contracts – under hedge accounting	**51,458**	10,688
Foreign currency forward contracts – not under hedge accounting	**16,400**	4,380
Cross-currency interest rate swaps – under hedge accounting	**28,277**	2,425
	96,135	17,493

Acquisition Right of Certain PP&E

As at December 31, 2020 and 2019, the Group owned a right to acquire certain PP&E which was acquired as part of the acquisition of the Oreck business from the Oreck Bankruptcy Estate. The right is expected to be exercised in 2032. The fair value of the PP&E was US$8,494,000 valued on September 30, 2020 (2019: US$8,929,000 valued on September 30, 2019) by Duff & Phelps, LLC., an independent valuer not related to the Group.

Foreign Currency Forward Contracts

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

Foreign Currency Forward Contracts under Hedge Accounting

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

28. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts under Hedge Accounting (continued)

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

2020

Notional amounts in millions ("M")	Maturity
Sell AUD 537M, Buy US$	**January 28, 2021 to December 30, 2021**
Sell EUR 780.2M, Buy US$	**January 11, 2021 to December 29, 2022**
Sell GBP 90.8M, Buy US$	**January 8, 2021 to March 18, 2022**
Sell US$270.8M, Buy RMB	**July 29, 2021 to December 30, 2021**
Sell US$16M, Buy EUR	**January 5, 2021 to August 24, 2021**
Sell GBP 18M, Buy EUR	**January 14, 2021 to September 16, 2021**
Sell CHF 4.4M, Buy EUR	**January 14, 2021 to December 16, 2021**
Sell SEK 333M, Buy EUR	**January 14, 2021 to December 16, 2021**

2019

Notional amounts in M	Maturity
Sell AUD 430M, Buy US$	January 30, 2020 to December 30, 2020
Sell EUR 589M, Buy US$	January 31, 2020 to December 30, 2021
Sell US$354.3M, Buy RMB	January 31, 2020 to December 30, 2020
Sell US$9M, Buy EUR	January 3, 2020 to May 22, 2020
Sell GBP 36.5M, Buy EUR	January 16, 2020 to December 10, 2020
Sell CHF 3M, Buy EUR	January 16, 2020 to December 10, 2020
Sell SEK 285M, Buy EUR	January 16, 2020 to December 10, 2020
Buy US$95.9M, Sell GBP	January 3, 2020 to June 11, 2021

As at December 31, 2020, a fair value loss of US$75,838,000 (December 31, 2019: fair value loss of US$9,681,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

During the year, a fair value gain of US$12,896,000 (2019: fair value gain of US$21,448,000) was reclassified from reserves to profit or loss.

28. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts not under Hedge Accounting

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

2020

Notional amounts in M	**Maturity**
Buy EUR 4.8M, Sell AUD	**January 13, 2021 to December 13, 2021**
Buy US$27M, Sell AUD	**January 20, 2021 to December 20, 2021**
Buy US$33.5M, Sell NZD	**January 20, 2021 to December 20, 2021**
Buy US$381.7M, Sell CAD	**January 29, 2021 to October 8, 2021**

2019

Notional amounts in M	Maturity
Buy EUR 4.8M, Sell AUD	January 21, 2020 to December 18, 2020
Buy US$21M, Sell AUD	January 21, 2020 to December 18, 2020
Buy US$35.9M, Sell NZD	January 17, 2020 to December 18, 2020
Buy US$308.4M, Sell CAD	January 31, 2020 to August 21, 2020

Cross-currency Interest Rate Swaps

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

The cross-currency interest rate swaps with notional amount of US$210,300,000 (2019: US$165,300,000) have fixed currency payments in EUR at exchange rate of EUR to US$ at 1.102 and 1.077 (2019: at 1.102), fixed interest payments monthly in EUR at 0.305% and 0.520% per annum (2019: 0.305% per annum) for periods up until October 2023, October 2024, April 2024 and April 2025 (2019: October 2023 and October 2024).

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

As at December 31, 2020, a fair value loss of US$28,277,000 (December 31, 2019: fair value loss of US$2,425,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to the reclassified to profit or loss.

The fair value of the cross-currency interest swaps is determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between US$ and EUR estimated at the end of the reporting period.

The Group is exposed to the LIBOR within its hedge accounting relationships, which are subject to interest rate benchmark reform. As disclosed above, the hedged item is the variable-rate US$ unsecured borrowings.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators regarding the transition away from LIBOR. In response to the announcements, the Group has set up an LIBOR transition programme comprised of the following work streams: tax, treasury, legal, accounting and systems. The aim of the programme is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates.

None of the Group's current LIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different LIBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's cross-currency interest rate swaps, the International Swaps and Derivatives Association's ("ISDA") fall back clauses were made available at the end of 2019 and the Group will begin discussion with its banks with the aim to implement this language into its ISDA agreements within 2021.

28. Derivative Financial Instruments (continued)

Cross-currency Interest Rate Swaps (continued)

For the Group's variable-rate US$ unsecured borrowings, the Group has started discussions with the lenders to amend the US$ LIBOR unsecured borrowings so that the reference benchmark interest rate will change to Secured Overnight Financing Rate. The Group aims to finalise this amendment within 2021.

The Group will continue to apply the amendments to HKFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's LIBOR contracts are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders.

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

2020

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

2019

Notional amounts	Maturity	Receive floating	Pay fixed
US$66,120,000	October 16, 2023	LIBOR +0.85%	0.305%
US$99,180,000	October 9, 2024	LIBOR +0.85%	0.305%

29. Bank Balances, Deposits and Cash

Bank balances carry interest at market rates which ranged from 0.001% to 1.75% (2019: 0.001% to 3.95%) per annum.

30. Trade and other Payables

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

	2020 US$'000	2019 US$'000
0 to 60 days	**1,315,379**	908,313
61 to 120 days	**389,775**	217,144
121 days or above	**17,988**	5,829
Total trade payables	**1,723,142**	1,131,286
Other payables	**1,583,190**	1,081,625
Total trade and other payables	**3,306,332**	2,212,911
Non-current portion of other payables	**(58,524)**	(35,494)
	3,247,808	2,177,417

The credit period on the purchase of goods ranges from 30 days to 120 days (2019: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The other payables mainly represents accruals of various selling, general and administrative expenses of US$1,385,793,000 (2019: US$980,404,000) and non-trading nature payables to vendors US$138,873,000 (2019: US$65,727,000). The non-current other payables mainly represents accruals of long-term incentive benefit offered to certain management executives of the Group.

31. Bills Payable

All the Group's bills payable at December 31, 2020 and 2019 are aged within 120 days based on invoice date.

32. Warranty Provision

	US$'000
At January 1, 2019	105,215
Currency realignment	95
Provision in the year	127,237
Utilization of provision	(117,337)
At December 31, 2019	115,210
Currency realignment	**3,788**
Provision in the year	**141,803**
Utilization of provision	**(104,130)**
At December 31, 2020	**156,671**

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

33. Lease Liabilities

	2020 US$'000	2019 US$'000
Amounts payable under lease liabilities:		
Within one year	**73,331**	63,878
In more than one year but not more than two years	**69,439**	53,152
In more than two years but not more than five years	**111,206**	82,080
More than five years	**120,431**	39,258
	374,407	238,368
Less: Amount due for settlement with 12 months shown under current liabilities	**(73,331)**	(63,878)
Amount due for settlement after 12 months shown under non-current liabilities	**301,076**	174,490

The weighted average incremental borrowing rates applied to lease liabilities ranged from 2.20% to 2.80% (2019: 2.80%).

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

	EUR US$'000	**AUD US$'000**	**VND US$'000**	**GBP US$'000**
As at December 31, 2020	**32,706**	**24,388**	**23,686**	**16,922**
As at December 31, 2019	30,372	20,417	8,589	17,765

34. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 3.88% per annum (2019: 2.93% per annum) have maturity profiles of less than 120 days.

35. Capital Risk Management

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

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

Gearing Ratio

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

The gearing ratio at the year end was as follows:

	2020 US$'000	2019 US$'000
Bank balances, deposits and cash	**1,533,876**	1,411,821
Debt[(i)]	**(1,316,870)**	(1,427,397)
Net cash (debt)	**217,006**	(15,576)
Equity[(ii)]	**3,903,005**	3,394,645
Net debt to equity ratio	**(5.56%)**	0.46%

(i) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from factored trade receivables as detailed in Notes 34, 37 and 25 respectively.

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

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

36. Financial Instruments

36.1 Categories of Financial Instruments

	2020 US$'000	2019 US$'000
Financial assets		
FVTPL		
Financial assets at FVTPL	**24,298**	30,393
	24,298	30,393
Derivative financial instruments		
Acquisition right of certain property, plant and equipment	**8,494**	8,929
Foreign currency forward contracts – under hedge accounting	**9,341**	25,065
	17,835	33,994
Financial assets at amortized cost		
Trade and other receivables	**1,367,286**	1,228,573
Bills receivable	**7,660**	6,076
Trade receivables from associates	**4,240**	6,494
Bank balances, deposits and cash	**1,533,876**	1,411,821
	2,913,062	2,652,964
Financial liabilities		
Derivative financial instruments		
Foreign currency forward contracts – under hedge accounting	**51,458**	10,688
Foreign currency forward contracts – not under hedge accounting	**16,400**	4,380
Cross-currency interest rate swaps – under hedge accounting	**28,277**	2,425
	96,135	17,493
Financial liabilities at amortized cost		
Trade and other payables	**3,306,332**	2,212,911
Bills payable	**61,791**	46,170
Discounted bills with recourse	**1,436**	9,089
Unsecured borrowings	**1,325,434**	1,487,008
	4,694,993	3,755,178

36.2 Financial Risk Management Objectives and Policies

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

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

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 20.4% (2019: 21.0%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 14.4% (2019: 38.2%) of purchases are denominated in the group entity's respective functional currency.

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

	Liabilities		Assets	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Foreign Currency				
EUR	**448,945**	17,754	**676,921**	137,377
US$	**2,974,968**	2,714,382	**1,715,483**	2,017,052

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

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposure. The exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into forward contracts in relation to the foreign currency amounting to US$946,737,000 (2019: US$660,461,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness (see Note 28 for details).

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

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the functional currency against foreign currency without considering the cross-currency interest rate swaps entered at end of the reporting period. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of cross-currency interest rate swaps held at the reporting date. A positive number below indicates an increase in profit for the year where functional currency weakens 5% (2019: 5%) against foreign currency.

	Impact of US$		Impact of EUR	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
(Loss) profit for the year[i]	**(58,567)**	(32,426)	**10,601**	5,562

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

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.2 Interest Rate Risk Management

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note. The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowing (see Note 37 for details of these borrowings), discounted bills with recourse, bank balances and deposits. The Group's cash flow interest rate risk is mainly concentrated on LIBOR arising from the Group's US$ and EUR denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk to be low. The management continuously monitors interest rate fluctuations and will consider further hedging the interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 37 for details of these borrowings) and lease liabilities.

During the year, the Group obtained new bank borrowings of US$3,694 million (2019: US$4,042 million) which are either at a fixed rate or LIBOR based. The proceeds were used for refinancing the Group's borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. The Group is closely monitoring the transition to new benchmark interest rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year without considering the cross-currency interest rate swaps entered at the end of the reporting period. A 50 basis points (2019: 50 basis points) increase or decrease in LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2020 would decrease/increase by US$3,992,000 (2019: decrease/increase by US$6,120,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

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

36.2.3 Other Price Risk

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

Sensitivity analysis

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

If the prices of the listed equity securities had been 10% higher, the profit for the year ended December 31, 2020 of the Group would increase by US$1,776,000 (2019: increase by US$2,460,000) as a result of the changes in the fair values of the listed equity securities.

36.2.4 Credit Risk Management and Impairment Assessment

As at December 31, 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk of US$2,913,062,000 (2019: US$2,652,964,000), the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group is disclosed in Note 42. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 Credit Risk Management and Impairment Assessment (continued)

Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment using an ECL model upon application of HKFRS 9 based on a provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 35.0% (2019: 25.8%) and 53.6% (2019: 42.8%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of Group has delegated a team responsible for determination of credit limits and credit approvals.

Bank balances

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

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

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

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 Credit Risk Management and Impairment Assessment (continued)

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

				2020		2019	
	Notes	Internal credit rating	12-month or lifetime ECL	External credit rating	Gross carrying amount US$'000	External credit rating	Gross carrying amount US$'000
Trade receivables	25	(Note 2)	Lifetime ECL (not credit-impaired)	**N/A**	**1,359,988**	N/A	1,195,630
Other receivables	25	(Note 1)	12m ECL	**N/A**	**60,230**	N/A	67,472
Bills receivable	26	N/A	12m ECL	**A- To A**	**7,660**	A- To A	6,076
Trade receivables from associates	27	(Note 1)	12m ECL	**N/A**	**4,240**	N/A	6,494
Bank balances, deposits and cash	29	N/A	12m ECL	**A To A+**	**1,533,876**	A To AA-	1,411,821
Financial guarantee contracts	42	(Note 3)	12m ECL	**N/A**	**—**	N/A	8,877

Notes:

1. Trade receivables from associates and other receivables amounted to US$4,240,000 and US$60,230,000 (2019: US$6,494,000 and US$67,472,000) respectively have no fixed repayment terms. The Group has assessed these balances on a 12-month ECL basis as there has been no significant increase in the credit risk since initial recognition.
2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix grouped by internal credit rating.
3. For financial guarantee contracts, the gross carrying amount in 2019 represented the maximum amount the Group had guaranteed under the respective contracts.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively as at December 31, 2020.

	2020			2019		
	Average loss rate	Gross carrying amount US$'000	Allowances for credit losses US$'000	Average loss rate	Gross carrying amount US$'000	Allowances for credit losses US$'000
Internal credit rating						
No risk	**Less than 1%**	**380,494**	**—**	Less than 1%	224,368	—
Low risk	**1-5%**	**920,879**	**30,534**	1-5%	904,009	12,777
Medium risk	**6-20%**	**31,255**	**2,624**	6-20%	42,682	4,498
High risk	**Over 20%**	**27,360**	**19,774**	Over 20%	24,571	17,254
		1,359,988	**52,932**		1,195,630	34,529

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

During the year ended December 31, 2020, the Group provided US$52,932,000 (2019: US$34,529,000) for credit losses allowances for trade receivables.

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

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 Credit Risk Management and Impairment Assessment (continued)

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

	Lifetime ECL (not credit-impaired) US$'000
As at January 1, 2019	51,760
Currency realignment	(290)
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,122,661,000	(33,208)
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,195,630,000	34,529
Write-offs	(18,262)
As at December 31, 2019	34,529
Currency realignment	**(581)**
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,192,125,000	**(30,443)**
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,359,988,000	**52,932**
Write-offs	**(3,505)**
As at December 31, 2020	**52,932**

36.2.5 Liquidity Risk Management

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

As at December 31, 2020, the Group has available unutilized overdrafts facilities and short and medium term bank loan facilities of approximately US$351 million (2019: US$345 million) and US$2,220 million (2019: US$1,506 million) respectively.

Liquidity Tables

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

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

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 Liquidity Risk Management (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2020 US$'000
2020								
Non-derivative financial liabilities								
Trade and other payables	—	(2,300,469)	(792,033)	(155,306)	(58,524)	—	(3,306,332)	(3,306,332)
Bills payable	—	(968)	(31,401)	(29,422)	—	—	(61,791)	(61,791)
Lease liabilities	2.20% – 2.80%	(6,111)	(12,273)	(56,029)	(71,175)	(243,219)	(388,807)	(374,407)
Discounted bills with recourse	3.88%	(1,436)	—	—	—	—	(1,436)	(1,436)
Bank borrowings	0.31% – 3.52%	(219,614)	(44,140)	(123,346)	(250,416)	(721,110)	(1,358,626)	(1,325,434)
Refund liabilities from right of return	—	(18,493)	—	(8,219)	(1,202)	—	(27,914)	(26,713)
		(2,547,091)	(879,847)	(372,322)	(381,317)	(964,329)	(5,144,906)	(5,096,113)
2020								
Derivatives – net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	8,494	8,494	8,494
Cross-currency interest rate swaps contracts	—	102	201	887	1,270	(32,117)	(29,657)	(28,277)
Foreign currency forward contracts								
– US$	—	(721)	(1,822)	(9,373)	—	—	(11,916)	(11,916)
	—	(619)	(1,621)	(8,486)	1,270	(23,623)	(33,079)	(31,699)
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	30,161	16,873	44,614	—	—	91,648	91,648
– RMB	—	—	—	281,578	—	—	281,578	281,578
– GBP	—	9,516	18,482	71,366	19,440	—	118,804	118,804
– US$	—	69,698	154,137	733,052	364,074	—	1,320,961	1,320,961
– AUD	—	2,722	5,447	24,505	—	—	32,674	32,674
– NZD	—	2,518	5,000	25,999	—	—	33,517	33,517
	—	114,615	199,939	1,181,114	383,514	—	1,879,182	1,879,182
– outflow								
– EUR	—	(30,793)	(16,941)	(44,598)	—	—	(92,332)	(92,332)
– RMB	—	—	—	(270,378)	—	—	(270,378)	(270,378)
– GBP	—	(9,785)	(18,978)	(74,707)	(20,603)	—	(124,073)	(124,073)
– US$	—	(72,829)	(161,045)	(762,996)	(371,504)	—	(1,368,374)	(1,368,374)
– AUD	—	(2,887)	(5,775)	(25,873)	—	—	(34,535)	(34,535)
– NZD	—	(2,737)	(5,476)	(27,878)	—	—	(36,091)	(36,091)
	—	(119,031)	(208,215)	(1,206,430)	(392,107)	—	(1,925,783)	(1,925,783)
	—	(4,416)	(8,276)	(25,316)	(8,593)	—	(46,601)	(46,601)

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 Liquidity Risk Management (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2019 US$'000
2019								
Non-derivative financial liabilities								
Trade and other payables	—	(1,517,478)	(583,207)	(76,732)	(35,494)	—	(2,212,911)	(2,212,911)
Bills payable	—	(15,835)	(30,335)	—	—	—	(46,170)	(46,170)
Lease liabilities	2.80%	(5,323)	(10,696)	(48,915)	(54,640)	(128,133)	(247,707)	(238,368)
Discounted bills with recourse	2.93%	(7,233)	(1,866)	—	—	—	(9,099)	(9,089)
Bank borrowings	0.31% – 3.52%	(554,957)	(11,951)	(167,887)	(153,885)	(626,753)	(1,515,433)	(1,487,008)
Refund liabilities from right of return	—	(25,640)	—	(10,834)	—	—	(36,474)	(36,474)
Financial guarantee contracts	—	(8,877)	—	—	—	—	(8,877)	—
		(2,135,343)	(638,055)	(304,368)	(244,019)	(754,886)	(4,076,671)	(4,030,020)
2019								
Derivatives – net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	8,929	8,929	8,929
Cross-currency interest rate swaps contracts	—	308	600	2,571	3,333	(9,745)	(2,933)	(2,425)
Foreign currency forward contracts – US$	—	—	(727)	(2,938)	—	—	(3,665)	(3,665)
	—	308	(127)	(367)	3,333	(816)	2,331	2,839
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	8,318	16,233	63,054	—	—	87,605	87,605
– RMB	—	—	94,794	267,196	—	—	361,990	361,990
– GBP	—	5,000	9,987	51,117	29,168	—	95,272	95,272
– US$	—	24,207	125,575	570,623	268,944	—	989,349	989,349
– AUD	—	2,155	4,307	19,347	—	—	25,809	25,809
– NZD	—	14,163	7,003	15,402	—	—	36,568	36,568
	—	53,843	257,899	986,739	298,112	—	1,596,593	1,596,593
– outflow								
– EUR	—	(8,658)	(16,679)	(64,400)	—	—	(89,737)	(89,737)
– RMB	—	—	(92,678)	(261,661)	—	—	(354,339)	(354,339)
– GBP	—	(5,435)	(10,860)	(52,527)	(28,890)	—	(97,712)	(97,712)
– US$	—	(24,603)	(124,389)	(561,240)	(267,820)	—	(978,052)	(978,052)
– AUD	—	(2,200)	(4,401)	(19,798)	—	—	(26,399)	(26,399)
– NZD	—	(14,209)	(6,964)	(15,519)	—	—	(36,692)	(36,692)
	—	(55,105)	(255,971)	(975,145)	(296,710)	—	(1,582,931)	(1,582,931)
	—	(1,262)	1,928	11,594	1,402	—	13,662	13,662

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

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 Liquidity Risk Management (continued)

Liquidity Tables (continued)

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

36.3 Fair Value

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

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

Fair Value Measurements Recognized in the Consolidated Statement of Financial Position

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

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

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

36. Financial Instruments (continued)

36.3 Fair Value (continued)

Fair Value Measurements Recognized in the Consolidated Statement of Financial Position (continued)

	Financial assets/financial liabilities	Fair value as at 2020	Fair value as at 2019	Fair value hierarchy	Valuation techniques and key inputs
1)	Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the consolidated statement of financial position	**Acquisition right of certain property, plant and equipment: US$8,494,000**	Acquisition right of certain property, plant and equipment: US$8,929,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.
2)	Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Assets – US$9,341,000; and Liabilities – US$67,858,000**	Assets – US$25,065,000; and Liabilities – US$15,068,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3)	Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position	**Listed shares: US$17,763,000**	Listed shares: US$24,597,000	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$3,189,000**	Club membership debentures: US$2,450,000	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$3,301,000	Level 2	The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.
		Other: US$45,000	Other: US$45,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
5)	Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	**Liabilities: US$28,277,000**	Liabilities: US$2,425,000	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period.

36. Financial Instruments (continued)

36.3 Fair Value (continued)

Fair Value Measurements Recognized in the Consolidated Statement of Financial Position (continued)

	Level 1 US$'000	Level 2 US$'000	Total US$'000
2020			
Financial assets			
Acquisition right of certain property, plant and equipment	**—**	**8,494**	**8,494**
Foreign currency forward contracts	**—**	**9,341**	**9,341**
Financial assets at FVTPL	**17,763**	**6,535**	**24,298**
Total	**17,763**	**24,370**	**42,133**
Financial liabilities			
Foreign currency forward contracts	**—**	**(67,858)**	**(67,858)**
Cross-currency interest rate swaps	**—**	**(28,277)**	**(28,277)**
Total	**—**	**(96,135)**	**(96,135)**
2019			
Financial assets			
Acquisition right of certain property, plant and equipment	—	8,929	8,929
Foreign currency forward contracts	—	25,065	25,065
Financial assets at FVTPL	24,597	5,796	30,393
Total	24,597	39,790	64,387
Financial liabilities			
Foreign currency forward contracts	—	(15,068)	(15,068)
Cross-currency interest rate swaps	—	(2,425)	(2,425)
Total	—	(17,493)	(17,493)

The Group owns equity interest in a private company incorporated in the US that is classified as financial assets at FVTPL and is measured at fair value at the reporting date.

There were no transfers between level 1 and level 2 during the year.

36.4 Transfers of Financial Assets

The following were the Group's financial assets as at December 31, 2020 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group retained substantially all of the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as discounted bills with recourse (see Note 34) and unsecured borrowings – due within one year (see Note 37). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

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

	2020 US$'000	2019 US$'000
Carrying amount of transferred assets	**11,436**	77,789
Carrying amount of associated liabilities	**(11,436)**	(77,789)
Net position	**—**	—

37. Unsecured Borrowings

	2020 US$'000	2019 US$'000
Bank advance from Factored Trade Receivables	**10,000**	68,700
Bank loans	**1,205,110**	1,418,308
Medium Term Notes	**110,324**	—
Total borrowings	**1,325,434**	1,487,008

The borrowings of the Group are repayable as follows:

	2020 US$'000	2019 US$'000
Fixed-rate		
Within one year	**20,982**	20,977
In more than one year but not more than two years	**62,960**	20,943
In more than two years but not more than five years	**274,154**	137,960
More than five years	**110,324**	—
Variable-rate		
Within one year	**364,232**	711,403
In more than one year but not more than two years	**182,750**	130,051
In more than two years but not more than five years	**310,032**	465,674
	1,325,434	1,487,008
Less: Amount due within one year shown under current liabilities	**(385,214)**	(732,380)
Amount due after one year	**940,220**	754,628

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

	2020	2019
Effective interest rate:		
Fixed-rate borrowings	**0.73% to 3.52%**	2.55% to 3.52%
Variable-rate borrowings	**0.31% to 1.15%**	0.31% to 2.85%

The Group's borrowings that are denominated in EUR are set out below:

	US$'000
As at December 31, 2020	**60,745**
As at December 31, 2019	—

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

38. Share Capital

	2020 Number of shares	2019 Number of shares	**2020 US$'000**	2019 US$'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 year	**1,830,006,941**	1,828,521,941	**662,379**	654,991
Issue of shares upon exercise of share options	**2,613,500**	3,835,000	**10,762**	7,388
Buy-back of shares	**—**	(2,350,000)	**—**	—
At the end of the year	**1,832,620,441**	1,830,006,941	**673,141**	662,379

Details of the share options are set out in Note 43.

During 2019, the Company cancelled its own shares through the Stock Exchange as follows:

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

The shares bought back were settled and cancelled during the year. The consideration paid on the buy-back of the shares of approximately US$12,644,000 was charged to retained profits.

39. Reserves

	Shares held for share award scheme US$'000	Employee share-based compensation reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000
The Company					
At January 1, 2019	(25,115)	11,032	—	718,442	704,359
Profit for the year	—	—	—	23,411,930	23,411,930
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	16,522	—	16,522
Total comprehensive income for the year	—	—	16,522	23,411,930	23,428,452
Shares issued on exercise of options	—	(1,450)	—	—	(1,450)
Buy-back of shares	—	—	—	(12,644)	(12,644)
Vesting of awarded shares	1,765	(1,765)	—	—	—
Shares for share award scheme	(8,477)	—	—	—	(8,477)
Recognition of equity-settled share-based payments	—	6,792	—	—	6,792
Lapse of share options	—	(10)	—	10	—
Final dividend – 2018	—	—	—	(117,621)	(117,621)
Interim dividend – 2019	—	—	—	(105,973)	(105,973)
At December 31, 2019	(31,827)	14,599	16,522	23,894,144	23,893,438
Loss for the year	**—**	**—**	**—**	**(60,272)**	**(60,272)**
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	**—**	**—**	**(81,012)**	**—**	**(81,012)**
Total comprehensive loss for the year	**—**	**—**	**(81,012)**	**(60,272)**	**(141,284)**
Shares issued on exercise of options	**—**	**(2,168)**	**—**	**—**	**(2,168)**
Vesting of awarded shares	**12,798**	**(12,798)**	**—**	**—**	**—**
Shares for share award scheme	**(23,057)**	**—**	**—**	**—**	**(23,057)**
Recognition of equity-settled share-based payments	**—**	**17,778**	**—**	**—**	**17,778**
Final dividend – 2019	**—**	**—**	**—**	**(136,688)**	**(136,688)**
Interim dividend – 2020	**—**	**—**	**—**	**(124,949)**	**(124,949)**
At December 31, 2020	**(42,086)**	**17,411**	**(64,490)**	**23,572,235**	**23,483,070**

As at December 31, 2020, the Company's reserves available for distribution to shareholders comprised the retained profits of US$23,572,235,000 (2019: US$23,894,144,000).

40. Retirement Benefit Obligations

Defined Contribution Plans:

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Schemes Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with a maximum amount of HK$18,000 (2019: HK$18,000) per employee per annum, which contribution is matched by the employee.

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

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

The total expense recognized in profit or loss of US$17,997,000 (2019: US$14,341,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined Benefits Plans:

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

	2020 US$'000	2019 US$'000
Pension plan obligations (Note i)	**90,505**	82,755
Life and medical insurance plan (Note ii)	**1,245**	1,269
Post-employment benefit plan obligations (Note iii)	**—**	2,884
Others	**568**	21,059
	92,318	107,967

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes an unfunded plan that pays retirement benefits based on the term of service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the qualifying employees are entitled to retirement benefits varying between 10% and 20% of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on January 1, 2021, by BDO AG Wirtschaftsprufungsgesellschaft, Germany, an independent valuer not related to the Group.

Note ii: Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 21, 2020 by Willis Towers Watson, an independent valuer not related to the Group.

Note iii: Post-employment benefit plan obligations

The pension plan obligations are provided by Hoover Inc. for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on January 9, 2021 by CBIZ Benefits & Insurance Services, an independent valuer not related to the Group.

40. Retirement Benefit Obligations (continued)

Defined Benefits Plans: (continued)

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

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

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

The main actuarial assumptions used were as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020	2019	**2020**	2019	**2020**	2019
Discount rate	**0.45%**	0.30%	**1.75%**	2.50%	**4.14%**	4.14%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**4.14%**	4.14%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%	**N/A**	N/A

The actuarial valuation showed that the market value of plan assets was US$Nil (2019: US$5,994,000) and that the actuarial value of these assets represented 67.5% of the benefits that had accrued to members in 2019.

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

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Current service cost and interest cost	**N/A**	N/A	**1**	2	**N/A**	N/A
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**80**	82	**N/A**	N/A

40. Retirement Benefit Obligations (continued)

Defined Benefits Plans: (continued)

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

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Service cost:						
Current service cost	**485**	409	**—**	—	**—**	—
Net interest expense on defined benefit liabilities	**263**	1,118	**30**	45	**30**	88
Components of defined benefit costs recognized in profit or loss	**748**	1,527	**30**	45	**30**	88
Remeasurement on the net defined benefit liability:						
Actuarial losses (gains) arising from changes in financial assumptions	**3,283**	8,412	**(40)**	(2)	**(30)**	666
Components of defined benefit costs recognized in other comprehensive income	**3,283**	8,412	**(40)**	(2)	**(30)**	666
Total	**4,031**	9,939	**(10)**	43	**—**	754

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

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

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Present value of funded obligations	**—**	—	**—**	—	**—**	8,878
Fair value of plan assets	**—**	—	**—**	—	**—**	(5,994)
	—	—	**—**	—	**—**	2,884
Present value of unfunded obligations	**90,505**	82,755	**1,245**	1,269	**—**	—
	90,505	82,755	**1,245**	1,269	**—**	2,884

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

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
At January 1	**82,755**	77,619	**1,269**	1,257	**8,878**	17,153
Exchange realignment	**7,429**	(933)	**—**	—	**—**	—
Current service cost	**485**	409	**—**	—	**—**	—
Actuarial losses (gains)	**3,283**	8,412	**(40)**	(2)	**(30)**	245
Interest cost	**263**	1,118	**30**	45	**84**	678
Benefit paid	**(3,710)**	(3,870)	**(14)**	(31)	**(8,932)**	(9,198)
At December 31	**90,505**	82,755	**1,245**	1,269	**—**	8,878

40. Retirement Benefit Obligations (continued)

Defined Benefits Plans: (continued)

Movements in the fair value of the plan assets in the current year in respect of certain major defined benefit plans were as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
At January 1	**N/A**	N/A	**N/A**	N/A	**5,994**	15,024
Exchange realignment	**N/A**	N/A	**N/A**	N/A	**—**	—
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**54**	590
Actuarial losses	**N/A**	N/A	**N/A**	N/A	**—**	(421)
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**4,593**	—
Benefit paid	**N/A**	N/A	**N/A**	N/A	**(10,641)**	(9,199)
At December 31	**N/A**	N/A	**N/A**	N/A	**—**	5,994

The plan assets of the post-employment benefit plan are cash and cash equivalents in a Federated Money Market Fund with an expected return of 4.14% (2019: 4.14%).

The actual return on plan assets was US$54,000 (2019: US$168,000).

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

The Group expects to make a contribution of US$Nil (2019: US$4,700,000) to the defined benefit plans during the next financial year.

41. Deferred Tax Assets (Liabilities)

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

	Accelerated tax depreciation US$'000	Warranty provision US$'000	Employee related provision US$'000	Tax losses US$'000	Inventory provision and LIFO US$'000	Others US$'000	Total US$'000
At January 1, 2019	(28,795)	14,759	23,535	30,608	9,290	19,926	69,323
Adjustment for adoption of HKFRS16	—	—	—	—	—	3,386	3,386
At January 1, 2019 (as restated)	(28,795)	14,759	23,535	30,608	9,290	23,312	72,709
Currency realignment	27	(31)	(2,074)	2,200	(28)	(301)	(207)
Charge to hedging reserve	—	—	—	—	—	1,250	1,250
(Charge) credit to profit or loss	(9,347)	1,547	9,779	(4,125)	5,992	(16,296)	(12,450)
Change in tax rates	211	(5)	29	(518)	(24)	(217)	(524)
Credit to other comprehensive income	—	—	715	—	—	—	715
At December 31, 2019	(37,904)	16,270	31,984	28,165	15,230	7,748	61,493
Currency realignment	**(73)**	**503**	**131**	**369**	**141**	**1,653**	**2,724**
Charge to hedging reserve	**—**	**—**	**—**	**—**	**—**	**322**	**322**
(Charge) credit to profit or loss	**(16,406)**	**4,873**	**10,906**	**(3,277)**	**(14,360)**	**17,818**	**(446)**
Change in tax rates	**36**	**—**	**(64)**	**105**	**4**	**(90)**	**(9)**
Charge to other comprehensive income	**—**	**—**	**(3,505)**	**—**	**—**	**—**	**(3,505)**
At December 31, 2020	**(54,347)**	**21,646**	**39,452**	**25,362**	**1,015**	**27,451**	**60,579**

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

	2020 US$'000	2019 US$'000
Deferred tax assets	**74,501**	74,947
Deferred tax liabilities	**(13,922)**	(13,454)
	60,579	61,493

At the end of the reporting period, the Group has unused tax losses of US$1,916 million (2019: US$1,737 million) available for offset against future taxable profits. Of the US$1,916 million of unused losses approximately US$447 million expire over the next 8 to 17 years with the remaining loss carryforwards having no useful life limitation. No deferred tax asset has been recognized in respect of tax losses of US$1,802 million (2019: US$1,615 million) due to the lack of probable future taxable profits.

In respect of all unrepatriated foreign earnings, the Group has provided deferred taxes of US$13 million (2019: US$13 million) as these unrepatriated foreign earnings are not considered permanently reinvested.

42. Guarantees

	2020 US$'000	2019 US$'000
Guarantees given to banks in respect of credit facilities utilized by associates	—	8,877

In addition, the Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at December 31, 2020 amounted to US$83,227,000 (2019: US$123,959,000).

43. Share Options

Share Option Schemes

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

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. The scheme rules of both Scheme D and Scheme E are substantially identical and below are the summary of the principal terms of both schemes:

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

(i) employees; or

(ii) Directors; or

(iii) secondees; or

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

(v) business partners; or

(vi) suppliers; or

(vii) customers; or

(viii) advisers of the Group.

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

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

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

43. Share Options (continued)

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

2020

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	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
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 - 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030
Mr Stephan Horst Pudwill	20.3.2014	D	1,000,000	—	(250,000)	—	750,000	21.600	20.3.2015 - 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 - 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 - 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 - 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 - 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 - 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 - 21.12.2030
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
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 - 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 - 21.12.2030
Mr Chi Chung Chan	20.3.2014	D	600,000	—	(400,000)	—	200,000	21.600	20.3.2015 - 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 - 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 - 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 - 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 - 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 - 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 - 21.12.2030
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 - 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 - 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 - 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 - 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030
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
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030
Mr Christopher Patrick Langley OBE	17.3.2017	D	150,000	—	(20,000)	—	130,000	32.100	17.3.2018 - 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 - 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 - 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030

43. Share Options (continued)

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

2020

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Peter David Sullivan	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 - 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 - 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 - 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 - 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030
Mr Vincent Ting Kau Cheung	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 - 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 - 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 - 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 - 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 - 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030
Mr Robert Hinman Getz	15.5.2020	E	—	75,000	—	—	75,000	65.250	15.5.2021 - 14.5.2030
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 - 21.12.2030
Total for directors			9,787,500	7,951,000	(2,243,500)	—	15,495,000		
Employees	17.1.2011	D	20,000	—	(20,000)	—	—	10.436	17.1.2012 - 16.1.2021
	23.3.2017	D	200,000	—	(100,000)	—	100,000	32.150	23.3.2018 - 22.3.2027
	19.6.2017	E	350,000	—	(250,000)	—	100,000	36.300	19.6.2018 - 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 - 13.3.2028
Total for employees			670,000	—	(370,000)	—	300,000		
Total for all categories			10,457,500	7,951,000	(2,613,500)	—	15,795,000		
Exercisable at the end of the year							6,754,500		

43. Share Options (continued)

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

2019

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period	
Directors										
Mr Horst Julius Pudwill	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
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 –	19.5.2029
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	(1,000,000)	—	—	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

43. Share Options (continued)

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

2019

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Peter David Sullivan	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
Mr Manfred Kuhlmann	17.3.2017	D	75,000	—	(75,000)	—	—	32.100	17.3.2018 – 16.3.2027
(retired after the conclusion of the annual general meeting of the Company held on May 17, 2019)	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
Total for directors			11,263,500	2,179,000	(3,555,000)	—	9,887,500		
Employees	16.11.2009	D	300,000	—	(250,000)	(50,000)	—	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	—	(280,000)	(50,000)	570,000		
Total for all categories			12,163,500	2,179,000	(3,835,000)	(50,000)	10,457,500		
Exercisable at the end of the year							7,553,500		

43. Share Options (continued)

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

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Yields of Hong Kong Government Bonds	Expected annual dividend yield
For the year ended December 31, 2020					
15.5.2020	**65.250**	**3 years**	**38%**	**0.273%**	**1.5%**
22.12.2020	**105.500**	**3 years**	**38%**	**0.178%**	**1.5%**
For the year ended December 31, 2019					
20.5.2019	51.080	3 years	38%	1.678%	1.5%

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

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and 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 various dates on which the share options were granted during 2020 was HK$98.44 (2019: HK$50.15).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$63.80 to HK$107.00 in 2020 (2019: HK$50.15).

The weighted average closing prices of the Company's shares immediately before various dates during 2020 on which the share options were exercised was HK$83.11 (2019: HK$55.67).

The Group recognized a total expense of US$3,209,000 (2019: US$2,636,000) for the year ended December 31, 2020 in relation to share options granted by the Company.

The fair value of the share options granted in 2020 measured at various dates on which the share options were granted was ranged from HK$15.26 to HK$24.57 (2019: HK$12.69). The weighted average fair value of the share options granted in 2020 was HK$22.73 (2019: HK$12.69) per option.

The Company had 15,795,000 share options outstanding (2019: 10,457,500), which represented approximately 0.86% (2019: 0.57%) of the issued share capital of the Company as at December 31, 2020. No option (2019: Nil) was cancelled and no share options (2019: 50,000) was lapsed during the year.

Total securities available for issue under Scheme D are 150,505,065 shares, which represented approximately 8.21% of the issued shares of the Company as at December 31, 2020. Total securities available for issue under Scheme E are 183,299,194 shares, which represented approximately 10.00% of the issued shares of the Company as at December 31, 2020.

44. Share Award Scheme

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

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

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

Recognition of share-based payment expenses under the share award scheme during the year was US$14,569,000 (2019: US$4,156,000). During the year ended December 31, 2020, 2,364,000 shares (2019: 451,000 shares) were transferred to the awardees upon vesting.

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

	Number	
	2020	2019
At January 1	**2,423,000**	1,314,000
Awarded (Note (a))	**3,393,000**	1,560,000
Vested	**(2,364,000)**	(451,000)
At December 31 (Note (b))	**3,452,000**	2,423,000

Notes:

(a) All the awarded shares were purchased from the market with the average price of HK$44.08.

(b) At the end of the year, the average fair value per share is HK$44.51 (2019: HK$41.22). The average fair value of the awarded shares is based on the average purchase cost.

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

	Number of awarded shares	
	2020	2019
Less than 1 year	**1,376,000**	691,000
More than 1 year	**2,076,000**	1,732,000
	3,452,000	2,423,000

45. Capital Commitments

	2020 US$'000	2019 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**103,957**	58,380

46. Related Party Transactions

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

	2020 US$'000	2019 US$'000
Interest income	**7**	150
Sales income	**40,644**	50,014
Service income	**57**	—
Purchases	**520**	3,067

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

	2020 US$'000	2019 US$'000
Short-term benefits	**97,852**	76,619
Post-employment benefits	**1,316**	1,918
Share-based payments	**17,522**	6,514
	116,690	85,051

Details of the balances and transactions with related parties are set out in the consolidated statements of financial position and Notes 21, 27 and 42.

47. Reconciliation of Liabilities Arising from Financing Activities

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

	Dividend payable US$'000	Unsecured borrowings Note 37 US$'000	Discounted bills with recourse Note 34 US$'000	Lease liabilities Note 33 US$'000	Total US$'000
At January 1, 2019	—	795,442	243,360	278,710	1,317,512
Financing cash flows	(223,594)	691,566	(234,271)	(64,230)	169,471
New leases entered	—	—	—	86,116	86,116
Early termination of leases	—	—	—	(62,228)	(62,228)
Interest expenses	—	45,620	—	6,703	52,323
Interest paid	—	(45,620)	—	(6,703)	(52,323)
Dividends declared	223,594	—	—	—	223,594
At December 31, 2019	—	1,487,008	9,089	238,368	1,734,465
Currency realignment	**—**	**—**	**—**	**6,124**	**6,124**
Financing cash flows	**(261,637)**	**(161,574)**	**(7,653)**	**(75,823)**	**(506,687)**
New leases entered	**—**	**—**	**—**	**211,432**	**211,432**
Early termination of leases	**—**	**—**	**—**	**(5,694)**	**(5,694)**
Interest expenses	**—**	**36,648**	**—**	**7,574**	**44,222**
Interest paid	**—**	**(36,648)**	**—**	**(7,574)**	**(44,222)**
Dividends declared	**261,637**	**—**	**—**	**—**	**261,637**
At December 31, 2020	**—**	**1,325,434**	**1,436**	**374,407**	**1,701,277**

48. Statement of Financial Position of the Company

As at December 31, 2020

	Note	2020 US$'000	2019 US$'000
Non-current assets			
Property, plant and equipment		**3,643**	4,523
Right of use assets		**1,273**	687
Intangible assets		**30**	12
Investments in subsidiaries		**25,672,357**	25,290,888
Loans to subsidiaries		**33,148**	131,180
Interests in associates		**1,470**	1,831
Financial assets at FVTPL		**5,224**	4,485
		25,717,145	25,433,606
Current assets			
Deposits and prepayments		**19,482**	12,641
Financial assets at FVTPL		**17,763**	24,597
Tax recoverable		**6,068**	4,368
Derivative financial instruments		**11,200**	25,665
Amounts due from subsidiaries		**1,256,348**	814,001
Bank balances, deposits and cash		**415,159**	555,486
		1,726,020	1,436,758
Current liabilities			
Trade and other payables		**130,958**	94,562
Derivative financial instruments		**75,691**	9,142
Lease liabilities		**823**	371
Amounts due to subsidiaries		**1,773,617**	791,840
Unsecured borrowings – due within one year		**365,214**	663,680
		2,346,303	1,559,595
Net current liabilities		**(620,283)**	(122,837)
Total assets less current liabilities		**25,096,862**	25,310,769
Capital and Reserves			
Share capital		**673,141**	662,379
Reserves	39	**23,483,070**	23,893,438
Total equity		**24,156,211**	24,555,817
Non-current Liabilities			
Lease liabilities		**431**	324
Unsecured borrowings – due after one year		**940,220**	754,628
Total equity and non-current liabilities		**25,096,862**	25,310,769

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on March 3, 2021 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Vice Chairman

49. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2020 and December 31, 2019 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			2020		2019		
			Directly %	**Indirectly %**	Directly %	Indirectly %	
DreBo Werkzeugfabrik GmbH *	Germany	EUR1,000,000	**—**	**100**	—	100	Trading and manufacture of power equipment products
Homelite Consumer Products, Inc.	US	US$10	**—**	**100**	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	US$1	**—**	**100**	—	100	Trading and manufacture of floorcare products
Hart Consumer Products, Inc.	US	US$10	**—**	**100**	—	100	Trading of power equipment and outdoor power equipment products
Milwaukee Electric Tool Corporation	US	US$50,000,000	**—**	**100**	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	US	US$10	**—**	**100**	—	100	Trading of power equipment products
Royal Appliance Mfg. Co.	US	US$1	**—**	**100**	—	100	Trading and manufacture of floorcare products
Sang Tech Industries Limited	Hong Kong	HK$1,000,000	**100**	**—**	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK$2,000,000	**100**	**—**	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HK$2,000,000	**75.725**	**—**	75.725	—	Manufacture of electronic products
Techtronic Cordless GP	US	US$200	**—**	**100**	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	US$47,000,000	**—**	**100**	—	100	Manufacture of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NTD5,000,000	**100**	**—**	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd	United Kingdom	GBP4,000,000	**—**	**100**	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD25,575,762	**—**	**100**	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR25,600	**—**	**100**	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR25,000	**—**	**100**	—	100	Trading of power equipment products and outdoor power equipment products

49. Particulars of Principal Subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company 2020 Directly %	2020 Indirectly %	2019 Directly %	2019 Indirectly %	Principal activities
Techtronic Industries France SAS	France	EUR14,919,832	**—**	**100**	—	100	Trading of power equipment products
Techtronic Industries GmbH	Germany	EUR20,452,500	**100**	**—**	100	—	Trading and manufacture of power equipment products
Techtronic Industries Korea LLC (Formerly known as Techtronic Industries Korea Limited)	Korea	KRW3,400,000,000	**100**	**—**	100	—	Trading of power equipment products
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN50,000 (Serie I) MXN596,964,358 (2019: MXN362,720,990) (Serie II)	**—**	**100**	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Co. Mexico, S. De R.L. de C.V.	Mexico	MXN458,386,930 (2019: MXN98,646,170)	**99.99**	**0.01**	99.99	0.01	Manufacture of power equipment products
Techtronic Industries N.Z. Limited	New Zealand	NZD4,165,600 (2019: NZD4,165,500)	**100**	**—**	100	—	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries North America, Inc.	US	US$10	**100**	**—**	100	—	Investment holding
Techtronic Industries Vietnam Manufacturing Co Ltd	Vietnam	VND347,895,000,000 (2019: VND324,810,000,000)	**100**	**—**	100	—	Manufacture of power equipment and outdoor power equipment products
Techtronic Product Development Limited	Hong Kong	HK$2	**100**	**—**	100	—	Engage in research and development activities
Techtronic Trading Limited	Hong Kong	HK$2	**100**	**—**	100	—	Trading of power equipment, floorcare and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$2	**100**	**—**	100	—	Investment holding
Vax Limited	United Kingdom	GBP30,000 (Ordinary A shares) GBP2,500 (Ordinary B shares)	**100**	**—**	100	—	Trading of household electrical and floorcare products

* Exempt from the obligation to publish local financial statements.

A wholly foreign owned enterprise.

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

49. Particulars of Principal Subsidiaries (continued)

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

Principal activities	Principal place of business	Number of subsidiaries	
		2020	2019
Manufacture of power equipment, floorcare and outdoor power equipment products	Europe, PRC, US and others	**6**	7
Trading of power equipment, floorcare and outdoor power equipment product	Canada, Europe, Hong Kong, Latin America, PRC, US and others	**44**	38
Investment holding	Australia, BVI, Europe, Hong Kong, US	**22**	25
Dormant	BVI, Europe, Hong Kong, US	**15**	16

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

50. Particulars of Principal Associates

Particulars of the principal associates are as follows:

Name of associates	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company directly		Principal activities
			2020	2019	
			%	%	
Gimelli International (Holdings) Limited	The Cayman Islands	US$6,250	**40.8**	40.8	Investment holding
Wuerth Master Power Tools Limited	Hong Kong	US$3,000,000	**49.0**	49.0	Manufacture and sale of power equipment