TECHTRONIC INDUSTRIES CO. LTD.
創 科 實 業 有 限 公 司
(incorporated in Hong Kong with limited liability)
(Stock code: 669)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012

Highlights

	2012 USD' million	2011 USD' million (Restated)	**Changes**
Turnover	**3,852**	3,667	**+5.1%**
EBITDA	**389**	339	**+14.8%**
EBIT	**260**	219	**+18.6%**
Profit attributable to Owners of the Company	**201**	152	**+32.2%**
Basic earnings per share (US cents)	**11.42**	9.47	**+20.6%**
Dividend per share (approx. US cents)	**2.25**	1.64	**+37.3%**

- **Record Sales**
- **Record Profit**
- **Record Cash Flow**

BUSINESS HIGHLIGHTS

We are pleased to announce that in 2012 TTI delivered record sales, record profit and record cash flow. Our disciplined implementation of the TTI strategic plan is yielding outstanding results across all of our business units and geographic regions. We are particularly pleased with the sustained progress made in new product development and our excellent productivity gains, which are the catalysts for sales and profit growth. These results once again demonstrate the fundamental strengths of TTI's focus on our strategic drivers of Powerful Brands, Innovative Products, Operational Excellence and Exceptional People.

Record Performance

Group sales for the year ended December 31, 2012 rose by 5.1% over 2011 to USD3.9 billion as we delivered organic growth in all geographic regions. Gross profit margin improved for the fourth straight year to 33.5% from 32.6% last year on further productivity gains in our operations, the introduction of new products, and strong growth in our industrial power tools business. 2012 earnings before interest and tax (EBIT) increased by 18.6% to USD260 million, with the margin improving by 80 basis points to 6.8%. Lowered interest expenses as a result of a reduction in debt helped profit attributable to shareholders of the Company rise by 32.2% to USD201 million, with earnings per share increasing by 20.6% over 2011 to US11.42 cents.

Sales of our largest business unit, Power Equipment, rose by 7.6% to USD2.9 billion, accounting for 74.4% of total sales, against 72.6% in 2011. Our own brand Floor Care and Appliance business improved, but our strategic exit of non-profitable OEM business resulted in a slight overall sales decline to USD1.0 billion. Sales in our core North America and Europe businesses increased, while our strategic geographic expansion achieved another year of solid growth with Rest-of-World (ROW) sales up by 8.7%. New products again accounted for about one third of our sales.

Higher revenues and operational efficiency drove positive free cash flow to a record USD275 million. Working capital as a percentage of sales improved from 18.9% in 2011 to 16.2% and gearing reduced to 25.8% at the end of 2012, from 59.3% at the end of 2011.

Innovative products

In 2011 MILWAUKEE® rolled out its state-of-the-art REDLITHIUM™ platform, which transformed the cordless power tools industry. In 2012 we launched FUEL®, a combination of REDLITHIUM™, a revolutionary design of brushless motor and state-of-the-art on-board electronics. FUEL® takes the performance of lithium-ion power tools to yet another level, with longer runtime, improved motor life and increased power. We are now rolling out a range of M12® FUEL sub-compact cordless power tools that will set a new benchmark for professional and industrial end-users. Our MILWAUKEE® accessories and hand tool programs have been highly successful with a series of innovative high performance products targeting new categories that are demanded by professional and industrial users.

The RYOBI® outdoor business experienced exceptional growth with our broad line of innovative lithium-ion powered outdoor products leading the way. Lithium-ion powered outdoor products offer clear advantages to the end-user and we plan to invest further in this exciting space. RYOBI® ONE+ System® is a world leader in the consumer segment of cordless power tools, the fastest growing segment in the industry. We have built on our broad installed user base by continuing to roll out upgraded lithium-ion batteries and innovative tools powered by the RYOBI® ONE+ System®. We are excited about our potential to further increase household penetration and provide more highly innovative products to our loyal end-users.

We are delighted with our progress on the revitalization of our global floor care business. We are in the process of rolling out a new generation of HOOVER®, DIRT DEVIL® and VAX® products that will drive market share gains while continuing to improve the profitability of the business. We are very encouraged with the support from our Floor Care retail partners worldwide and the positive response from end-users for our new products.

Successful productivity efforts

The improvement in gross margin was driven in large part by our relentless focus on cost management, continued emphasis on value engineering and higher productivity throughout our operations, as we benefit increasingly from our global purchasing initiatives and the efficiencies of our Asia Industrial Park. Our success in these areas has been a major contributor to our gross margin improvement in 2012 and will continue to be in the years to come.

Focused geographic expansion

We announced a strategic initiative to expand our businesses into under-represented geographic markets. We are pleased to report that the results have been encouraging and we have expanded and established our presence with talented leadership in high potential markets around the world. Our teams in Canada, Western Europe, Central Europe, the Middle East, Latin America, Australia and Asia all made progress in 2012. These markets are benefiting from our focused marketing strategies and global new product development process.

DIVIDEND

The Directors have recommended a final dividend of HK10.75 cents (approximately US1.38 cents) per share for the year ended December 31, 2012 (2011: HK7.75 cents (approximately US1.00 cent)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 31, 2013. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 28, 2013. This payment, together with the interim dividend of HK6.75 cents (approximately US0.87 cent) per share (2011: HK5.00 cents (approximately US0.64 cent)) paid on September 28, 2012, makes a total payment of HK17.50 cents (approximately US2.25 cents) per share for 2012 (2011: HK12.75 cents (approximately US1.64 cents)).

REVIEW OF OPERATIONS

Power Equipment

The Power Equipment business comprises power tools, hand tools, outdoor products and accessories. In 2012, sales at this business rose by 7.6% to USD2.9 billion, supported by growth in all geographic markets and the strong global expansion of MILWAUKEE®. We have solid momentum behind the MILWAUKEE® REDLITHIUM™ cordless platforms and there has been further growth in Hand Tools and Power Tool Accessories. RYOBI® cordless lithium-ion power tools and outdoor products continue to make impressive gains with consumers. The business accounted for 74.4% of Group turnover, against 72.6% in 2011. We generated approximately one third of sales from new products, in line with our plans.

Industrial

MILWAUKEE® had a strong year, delivering double-digit sales growth globally, driven by the introduction of innovative new products, execution of targeted field initiatives and continued market penetration. With the consistent execution of new products in the M12® and M18® Lithium-Ion Systems, the global penetration of MILWAUKEE® cordless continues to build momentum, achieving significant market share gains. The launch of the M18® FUEL® cordless range has further established MILWAUKEE® as a global leader in advanced power tools technology. FUEL® offers heavy duty users a potent combination of unbeatable battery performance with the most advanced on-board electronics and brushless motor, to maximize efficiency, power, life and compactness. Innovative trade-specific solutions such as the M12® 600 MCM Cable Cutter and the M12® and M18® Force Logic™ Press Tool Systems also highlighted the focus on delivering cordless productivity solutions for the skilled trades. Hand Tools experienced rapid growth through game-changing solutions in snips and pliers targeted at the core professional trades, while Power Tool Accessories built on the Shockwave™ franchise with an expanded range. In addition, sales of Test and Measurement tools doubled through entry into the Thermal Imaging category and the introduction of the world's first Fluorescent Lighting Tester.

Consumer and Professional

In 2012, the North American Consumer Power Tools business posted strong gains within the home improvement market, despite continued economic pressures. The majority of growth for RYOBI® and our OEM brands came from strong cordless sales, new product introductions and robust promotional activity. The industry leading RYOBI® ONE+® 18V cordless system of tools benefited from a major advertising campaign in collaboration with our retail partner and the second-half launch of next generation lithium-ion batteries. The enhanced lithium-ion battery options include Lithium+™ high-performance 4 amp hour cells, which deliver up to four times more run-time than previous lithium-ion batteries, are lighter in weight and offer extreme weather performance. The batteries can also be purchased individually to improve the performance of any RYOBI® ONE+ System® tool. RYOBI® lithium-ion batteries received the "ECO-Options" certification seal, certifying them as a better environmental choice than the traditional battery chemistry, Nickel Cadmium. These new programs further cement RYOBI®'s leadership position in the consumer power tool market.

The consumer markets across Europe experienced tough trading conditions with many retailers reporting lower sales than expected. Hyper-green RYOBI® lithium-ion power tools and new products have delivered significant margin improvement. We achieved double-digit sales growth in Australia and New Zealand driven by further penetration of the RYOBI® ONE+ System® and introduction of new generation tools. Power Tool Accessories have also performed well due to winning additional retail space with our key retail partner. RYOBI® continues to substantially outperform the market due to exciting new products and marketing initiatives.

Outdoor Products

Outdoor products delivered a solid performance. Improved profitability came from an expanded range of RYOBI® lithium-ion cordless products that offer long run time and easy starting, an increase in sales of accessories and markedly higher generator sales.

The success of the RYOBI® 18-volt ONE+ System® has continued from power tools into outdoor products and we continue to benefit from the large installed base of RYOBI® ONE+ System® users. We launched a new 40-volt lithium-ion product range comprising a trimmer, blower, chain saw, mower and hedge trimmer, which has proven very successful with end users. These outstanding products are winning consumer acceptance owing to their competition-beating run time and reliability, as well as sleek ergonomic design. Sales were further supported by a significant advertising effort to communicate the benefits of the RYOBI® 18-volt ONE+ System® and the expansion of on-line marketing for both RYOBI® and HOMELITE®.

Outdoor products in Europe benefited from the introduction of 36-volt lithium-ion products and further development of key customers. However, overall growth in Europe was slow due to poor weather and the impact of weak consumer spending. In Australia and New Zealand, Outdoor products produced positive retail results. The introduction of the 36-volt range of products, which has been well received by consumers, and the RYOBI® ONE+ System®, were the key growth drivers.

Floor care and Appliances

Floor care and Appliances margins improved significantly, but sales fell slightly by 1.6% over 2011 to USD1.0 billion following a rationalization of the business which has seen non-performing operations cut and expenses reduced in North America. Our global product development process and centralized purchasing initiatives are bringing benefits. Key gains were made in Europe, with double-digit revenue growth, while global new products sales were maintained at one third of total sales. The business accounted for 25.6% of Group turnover against 27.4% in 2011.

In North America, we improved our profitability and are undertaking further rationalization of the product ranges to invest in developing consumer-driven innovative products and simplification of operations to lower costs. We are also increasing the focus on sales and marketing to drive both the HOOVER® and DIRT DEVIL® brands. During the year HOOVER® continued to grow its highly regarded range of MaxExtract® deep cleaning carpet washers, which use proprietary technology to offer an increasing array of cleaning solutions to consumers. The brand’s upright vacuum category is being strengthened by the introduction of new products such as the WindTunnel® Air3® Bagless Upright. This latest example of our floor care technology has a multi-cyclonic filtration system that cleans the air by moving it through the filter to ensure no loss of suction, resulting in superior performance. Both MaxExtract® and WindTunnel® Air3® were supported by television advertising campaigns, boosting their profile in the market.

Sales of VAX® and DIRT DEVIL® increased steadily in Europe, the Middle East and Africa, led by a very strong performance from VAX® in the UK. VAX® delivered double-digit growth built on its leadership in the steam cleaning market, the launch of the Air3® uprights, and significant investment in advertising. We had penetration gains in the key markets of Germany and France on the back of new product launches and increased distribution. Our Australian Floor Care and Appliances business achieved solid momentum on the back of new steam products and strong consumer demand for new bag-less cylinders. These factors, along with ongoing promotion programs, helped the VAX® brand to outperform the category as a whole, and to increase market share significantly despite a challenging retail environment.

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's turnover for the year amounted to USD3.9 billion, an increase of 5.1% as compared to USD3.7 billion in 2011. Profit attributable to Owners of the Company amounted to USD201 million as compared to USD152 million in 2011. Basic earnings per share for the year improved to US11.42 cents as compared to US9.47 cents in 2011.

EBITDA amounted to USD389 million, an increase of 14.8% as compared to USD339 million in 2011.

EBIT amounted to USD260 million, an increase of 18.6% as compared to USD219 million in 2011.

Gross Margin

Gross margin improved to 33.5% as compared to 32.6% last year. The margin improvement was the result of new product introduction, category expansion, all with higher margin, efficient production in the new PRC facility, effective supply chain management and volume leverage on our economies of scale.

Operating Expenses

Total operating expenses for the year amounted to USD1,033 million as compared to USD983 million in 2011, representing 26.8% of turnover (2011: 26.8%).

Investments in product design and development amounted to USD80 million, representing 2.1% of turnover (2011: 1.9%) reflecting our continuous investment in R&D even in times of economic challenge. With our new innovation centre in full operation in 2013, efficiency and cost effectiveness are expected to be further improved in the coming years.

Net interest expenses for the year amounted to USD37 million as compared to USD58 million in 2011. Interest coverage, expressed as a multiple of EBITDA to total interest was 8.7 times (2011: 5.5 times).

The effective tax rate, being tax charged for the year to before tax profits was at 10.0%. The Group will continue to leverage its global operations to further improve the overall tax efficiencies.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to USD1.5 billion as compared to USD1.2 billion in 2011. Book value per share was at USD0.85 as compared to USD0.78 last year, an increase of 9.0%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2012, the Group's cash and cash equivalents amounted to USD618 million, of which 42.5%, 31.9%, 10.3%, 7.0%, 5.9% and 2.4% were denominated in USD, RMB, HKD, AUD, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 25.8% as compared to 59.3% last year. The gearing improvement is the result of our business growth and all the convertible bonds being converted into shares during the year. The Group remains confident that gearing will improve further after the successful implementation of key initiatives to deliver focused and stringent working capital management.

Bank Borrowings

Long term borrowings accounted for 34.3% of total debts (33.1% at December 31, 2011).

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

During the year, the Group repaid USD30 million of fixed interest rate notes, refinanced by other bank facilities with lower interest rates. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory decreased from USD704 million in 2011 to USD689 million in 2012. Days inventory improved from 70 days to 65 days. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 61 days as compared to 60 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 54 days as compared to 53 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were extended by 5 days from 62 days in 2011 to 67 days in 2012.

The Group's current ratio improved from 1.23 times in 2011 to 1.37 times and the quick ratio also improved to 0.93 from 0.79 in 2011.

Working capital as a percentage of sales was at 16.2% as compared to 18.9% last year.

Capital Expenditure

Total capital expenditures for the year amounted to USD103 million (2011: USD95 million).

Capital Commitments and Contingent Liabilities

As at December 31, 2012, total capital commitments amounted to USD18 million (2011: USD16 million) and there were no material contingent liabilities or off balance sheet obligations.

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2012

(i) the Group's largest customer and five largest customers accounted for approximately 37.9% and 52.8% respectively of the Group's total turnover; and
(ii) the Group's largest supplier and five largest suppliers accounted for approximately 3.6% and 14.2% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

According to the knowledge of the Directors, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

HUMAN RESOURCES

The Group employed a total of 18,068 employees as at December 31, 2012 (17,818 employees at December 31, 2011) in Hong Kong and overseas. Total staff cost for the year under review amounted to USD538 million (2011: USD493 million).

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

CORPORATE STRATEGY AND BUSINESS MODEL

The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floor care for consumers, professional and industrial users in the home improvement, infrastructure and construction industries. We are committed to implementing our long term strategic plan that focuses on "Powerful brands, Innovative Products, Operational Excellence and Exceptional People".

We continue to strengthen our portfolio of powerful brands with a focused marketing approach. Brands extension into new product categories and under-represented markets enable us to generate outstanding growth. Geographic expansion will be a highlight of TTI's future, our long term strategy is to aggressively build our business outside the U.S. and we have spent relentless efforts to expand or establish presence in high potential markets around the world.

Introducing innovative new products is the centerpiece of our long term strategy. We continue to invest in building a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

Our strategy in operational excellence will continue, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2012. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (effective until March 31, 2012) and the Corporate Governance Code (effective from April 1, 2012) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Corporate Governance Code") throughout the year ended December 31, 2012, save that:-

1. none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one-third of the Board must retire by rotation at each general meeting of the Company and if eligible, offer themselves for re-election.

2. Mr Christopher Patrick Langley OBE (an Independent Non-executive Director) was unable to attend the annual general meeting of the Company held on May 18, 2012 as he had to attend another annual general meeting of which he is the chairman of the audit committee.

3. the Board is provided with quarterly updates instead of monthly updates. After the Board's consideration, it was agreed that quarterly updates give a balanced and understandable assessment of the performance, position and prospects of the Company in supporting the Directors to discharge their responsibilities.

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

A total of 5,630,000 ordinary shares of HKD0.10 each were repurchased by the Company during the year at prices ranging from HKD7.93 to HKD14.68 per share. Among these repurchased shares, 4,330,000 shares were settled and cancelled during 2012 and 1,300,000 shares were settled and were cancelled in January 2013. The aggregate amount paid by the Company for such repurchases cancelled during 2012 amounting to USD5,653,000 was charged to the retained earnings.

The repurchased shares were cancelled and the issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value thereof.

The repurchase of the Company's shares during the year were effected by the Directors pursuant to the mandate received from shareholders at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

To ascertain members' eligibility to attend and vote at the 2013 Annual General Meeting, the register of members of the Company will be closed from May 23, 2013 to May 24, 2013, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2013 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on May 22, 2013.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed from May 30, 2013 to May 31, 2013, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on May 29, 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 24, 2013 and the notice of the annual general meeting will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

OUTSTANDING PROSPECTS

We believe that TTI, with its powerful brand portfolio, continues to have outstanding prospects for 2013 and beyond. Our new product programs, productivity improvement initiatives and cash management efforts all have solid momentum, supported by disciplined processes and rigorous management.

We would like to thank our customers, shareholders, passionate employees, supply chain partners and our fellow directors for their dedication and continued support.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, March 21, 2013

As at the date of this announcement, the Board comprises five group Executive Directors, namely Mr Horst Julius Pudwill (Chairman), Mr Joseph Galli Jr (Chief Executive Officer), Mr Patrick Kin Wah Chan, Mr Frank Chi Chung Chan and Mr Stephan Horst Pudwill, one Non-executive Director, namely Prof Roy Chi Ping Chung BBS JP, and five Independent Non-executive Directors, namely Mr Joel Arthur Schleicher, Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Peter David Sullivan and Mr Vincent Ting Kau Cheung.

This results announcement is published on the websites of the Company (www.ttigroup.com) and the HKExnews (www.hkexnews.hk).

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

	Notes	**2012 USD'000**	2011 USD'000 (Restated)
Turnover	*2*	**3,852,418**	3,667,058
Cost of sales		**(2,563,176)**	(2,473,407)
Gross profit		**1,289,242**	1,193,651
Other income	*3*	**3,391**	9,419
Interest income		**8,629**	5,055
Selling, distribution, advertising and warranty expenses		**(532,534)**	(510,357)
Administrative expenses		**(421,340)**	(403,812)
Research and development costs		**(79,515)**	(69,159)
Finance costs	*4*	**(45,627)**	(63,093)
Profit before share of results of associates and taxation		**222,246**	161,704
Share of results of associates		-	(347)
Profit before taxation		**222,246**	161,357
Taxation charge	*5*	**(22,139)**	(9,242)
Profit for the year	*6*	**200,107**	152,115
Other comprehensive (loss) income			
Remeasurement of defined benefit obligations		**(9,629)**	(1,183)
Fair value loss on foreign currency forward contracts in hedge accounting		**(1,254)**	-
Exchange differences on translation of foreign operations		**4,209**	5,643
Other comprehensive (loss) income for the year		**(6,674)**	4,460
Total comprehensive income for the year		**193,433**	156,575

	Note	2012 USD'000	2011 USD'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**200,991**	152,009
Non-controlling interests		**(884)**	106
		200,107	152,115
Total comprehensive income attributable to:			
Owners of the Company		**194,340**	156,414
Non-controlling interests		**(907)**	161
		193,433	156,575
Earnings per share (US cents)	*7*		
Basic		**11.42**	9.47
Diluted		**11.26**	9.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	Notes	**2012 USD'000**	2011 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8 & 12*	**384,154**	360,082
Lease prepayments		**36,133**	36,432
Goodwill		**531,160**	530,856
Intangible assets		**399,067**	371,275
Interests in associates		**17,724**	20,165
Available-for-sale investments		**1,270**	1,269
Deferred tax assets		**73,892**	73,633
		1,443,400	1,393,712
Current assets			
Inventories		**688,576**	704,419
Trade and other receivables	*9*	**688,923**	673,457
Deposits and prepayments		**73,621**	72,897
Bills receivable		**48,644**	35,760
Tax recoverable		**8,534**	12,361
Trade receivables from associates		**46**	205
Derivative financial instruments		**5,706**	8,867
Held-for-trading investments		**5,980**	8,288
Bank balances, deposits and cash		**617,648**	459,650
		2,137,678	1,975,904
Current liabilities			
Trade and other payables	*10*	**710,491**	618,863
Bills payable		**39,222**	42,991
Warranty provision		**42,395**	44,748
Trade payable to an associate		-	4,037
Tax payable		**18,698**	10,937
Derivative financial instruments		**11,697**	9,002
Restructuring provision		**527**	3,743
Obligations under finance leases - due within one year		**1,154**	1,730
Discounted bills with recourse		**432,633**	518,897
Unsecured borrowings - due within one year		**298,890**	194,025
Convertible bonds		-	134,001
Bank overdrafts		**7,087**	19,972
		1,562,794	1,602,946
Net current assets		**574,884**	372,958
Total assets less current liabilities		**2,018,284**	1,766,670

	Note	2012 USD'000	2011 USD'000
Capital and Reserves			
Share capital	*11*	**23,461**	20,533
Reserves		**1,525,416**	1,225,043
Equity attributable to Owners of the Company		**1,548,877**	1,245,576
Non-controlling interests		**7,645**	8,552
Total equity		**1,556,522**	1,254,128
Non-current Liabilities			
Obligations under finance leases - due after one year		**4,071**	4,755
Unsecured borrowings - due after one year		**348,692**	396,877
Retirement benefit obligations		**93,322**	82,937
Deferred tax liabilities		**15,677**	27,973
		461,762	512,542
Total equity and non-current liabilities		**2,018,284**	1,766,670

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In the current year, the Group and the Company have applied the following revised and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets;
HKAS 19 (as revised in 2011)	Employee Benefits;
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012.

Except as described below, the application of the revised and amendments to HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

The Group has early adopted HKAS 19 (as revised in 2011) in advance of its effective date of January 1, 2013. The amendments to HKAS 19 change the accounting for defined benefit plans and plan assets. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 require retrospective application with certain exceptions. The comparative figures presented in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow were restated with the application of the amendments to HKAS 19. The application to the amendment to HKAS 19 has had no impact on the consolidated statement of financial position for the current and prior years.

Amendments to HKFRS 7 Disclosures - Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures - Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with banks to transfer to the banks its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through discounting to the banks on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash on the transfer as secured borrowings.

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after January 1, 2013.

In the current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after January 1, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification, to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the HKAS 19 (as revised in 2011) Employee Benefits for the first time, which has resulted in no material effect on the information in the consolidated statement of financial position as at January 1, 2011. In accordance with the amendments to HKAS 1, the Group therefore did not present a third statement of financial position as at January 1, 2011.

The effects of changes in accounting policies described above on the results for the prior year by line items are as follows:

Summary of the effects of the above changes in accounting policies

	2011 (Originally stated)	Adjustments	2011 (Restated)
	USD'000	USD'000	USD'000
Administrative expenses	(404,995)	1,183	(403,812)
Profit for the year	150,932	1,183	152,115
Other comprehensive income for the year	5,643	(1,183)	4,460
Total comprehensive income for the year	156,575	-	156,575

The effect of the above changes in accounting policies on the consolidated statement of changes in equity of the Group as at January 1, 2012 is as follows:

	As at January 1, 2012 (Originally stated)	Adjustments	As at January 1, 2012 (Restated)
	USD'000	USD'000	USD'000
Retained profits	752,216	(13,841)	738,375
Defined benefit obligations remeasurement reserve	-	13,841	13,841
	752,216	-	752,216

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share	Impact on diluted earnings per share
	2011	2011
	US cents	US cents
Figures before adjustments	9.39	9.21
Adjustments arising from changes in the Group's accounting policies in relation to:		
- early application of HKAS 19 (as revised in 2011) in respect of retirement benefits	0.08	0.07
Figures after adjustments	9.47	9.28

New and revised HKFRSs issued but not yet effective

The Group have not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at January 1, 2012:

Amendments to HKFRS	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10 HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]

[1] Effective for annual periods beginning on or after January 1, 2013
[2] Effective for annual periods beginning on or after January 1, 2014
[3] Effective for annual periods beginning on or after January 1, 2015
[4] Effective for annual periods beginning on or after July 1, 2012

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- With regards to financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. The adoption of HKFRS 9 will require the Group's and the Company's available-for-sale investments that are currently measured at cost less impairment to be measured at fair value instead of being measured at cost.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The directors anticipate that the application of these Standards will have no material impact on the financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group’s annual period beginning on January 1, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group’s financial performance and financial position for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

2. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision maker, 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 "Floor Care and Appliances". The Group's operating segment 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®, AEG®, RYOBI® and HOMELITE® brand, plus original equipment manufacturer ("OEM") customers.

2. Floor Care and Appliances – sales of floor care products and floor care accessories under the HOOVER®, DIRT DEVIL® and VAX® brand, plus OEM customers.

Information regarding the above segments is reported below.

Segment turnover and results

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

For the year ended December 31, 2012

	Power Equipment USD'000	Floor Care and Appliances USD'000	Eliminations USD'000	Consolidated USD'000
Segment turnover				
External sales	**2,864,586**	**987,832**	**-**	**3,852,418**
Inter-segment sales	**13,977**	**854**	**(14,831)**	**-**
Total segment turnover	**2,878,563**	**988,686**	**(14,831)**	**3,852,418**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results before finance costs	**228,783**	**39,090**	**-**	**267,873**
Finance costs				**(45,627)**
Profit before taxation				**222,246**
Taxation charge				**(22,139)**
Profit for the year				**200,107**

Segment profit represents the profit earned by each segment without allocation of the share of results of associates and finance costs. This is the measure reported to the Group's executive directors, for the purposes of resource allocation and performance assessment.

Segment turnover and results

For the year ended December 31, 2011

	Power Equipment USD'000	Floor Care and Appliances USD'000	Eliminations USD'000	Consolidated USD'000
Segment turnover				
External sales	2,662,739	1,004,319	-	3,667,058
Inter-segment sales	18,314	4,389	(22,703)	-
Total segment turnover	2,681,053	1,008,708	(22,703)	3,667,058

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results before finance costs and share of results of associates (Restated)	188,293	36,504	-	224,797
Finance costs				(63,093)
Share of results of associates				(347)
Profit before taxation (Restated)				161,357
Taxation charge				(9,242)
Profit for the year (Restated)				152,115

Turnover from major products

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

	2012 **USD'000**	2011 USD'000
Power Equipment	**2,864,586**	2,662,739
Floor Care and Appliances	**987,832**	1,004,319
Total	**3,852,418**	3,667,058

Geographical information

The Group's turnover from external customers by geographical location, determined based on the location of the customer by geographical location are detailed below:

	2012 USD'000	2011 USD'000
North America	**2,806,909**	2,648,233
Europe	**767,967**	763,501
Other countries	**277,542**	255,324
Total	**3,852,418**	3,667,058

Information about major customer

During the years ended December 31, 2012 and 2011, the Group's largest customer contributed total turnover of USD1,459,450,000 (2011: USD1,384,093,000), of which USD1,425,259,000 (2011: USD1,345,788,000) was under the Power Equipment segment and USD34,191,000 (2011: USD38,305,000) was under the Floor Care and Appliances segment. There is no other customer contributing more than 10% of total turnover.

3. Other Income

Other income in 2012 mainly comprises of gain on disposal of an associate, sales of scrap materials and claims and reimbursements from customers and vendors.

Other income in 2011 mainly comprises of the gain on disposal of property, plant and equipment, sales of scrap materials and claims and reimbursements from customers and vendors.

4. Finance Costs

	2012 USD'000	2011 USD'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**28,973**	27,535
Obligations under finance leases	**449**	585
Fixed interest rate notes	**10,867**	16,257
Effective interest expense on convertible bonds	**5,338**	19,059
Total borrowing costs	**45,627**	63,436
Less: amounts capitalised	**-**	(343)
	45,627	63,093

5. Taxation Charge

	2012 USD'000	2011 USD'000
The total tax charge comprises:		
Hong Kong profits tax	**(745)**	(2,715)
Overseas tax	**(27,176)**	(6,123)
Deferred tax	**5,782**	(404)
	(22,139)	(9,242)

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

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

6. Profit for the Year

	2012 USD'000	2011 USD'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**73,115**	69,897
Amortisation of lease prepayments	**783**	765
Amortisation of intangible assets	**55,188**	49,084
Staff costs	**460,776**	425,713

Staff costs disclosed above do not include an amount of USD77,584,000 (2011: USD67,434,000) relating to research and development activities.

7. 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:

	2012	2011
	USD'000	USD'000
		(Restated)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to Owners of the Company	**200,991**	152,009
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	**5,128**	18,040
Earnings for the purpose of diluted earnings per share	**206,119**	170,049
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,760,169,540**	1,605,594,626
Effect of dilutive potential ordinary shares:		
Share options	**5,390,842**	3,391,650
Convertible bonds	**64,489,800**	223,557,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,830,050,182**	1,832,543,276

8. Additions of Property, Plant and Equipment

During the year, the Group spent approximately USD103 million (2011: USD95 million) on the acquisition of property, plant and equipment.

9. Trade and Other Receivables

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

	2012	2011
	USD'000	USD'000
0 to 60 days	**604,671**	569,695
61 to 120 days	**24,127**	17,145
121 days or above	**16,144**	19,806
Total trade receivables	**644,942**	606,646
Other receivables	**43,981**	66,811
	688,923	673,457

10. Trade and Other Payables

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

	2012 **USD'000**	2011 USD'000
0 to 60 days	**309,719**	259,435
61 to 120 days	**80,517**	93,376
121 days or above	**1,557**	7,048
Total trade payables	**391,793**	359,859
Other payables	**318,698**	259,004
	710,491	618,863

The credit period on the purchase of goods ranges from 30 days to 120 days (2011: 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.

11. Share Capital

	2012 Number of shares	2011 Number of shares	**2012 USD'000**	2011 USD'000
Ordinary shares				
Authorised:				
Shares of HKD0.10 each	**2,400,000,000**	2,400,000,000	**30,769**	30,769
Issued and fully paid:				
At the beginning of the year	**1,601,564,252**	1,606,625,752	**20,533**	20,598
Issue of shares upon exercise of share options	**8,289,000**	455,000	**107**	6
Repurchase of shares	**(4,330,000)**	(5,516,500)	**(56)**	(71)
Conversion of convertible bonds	**223,557,689**	-	**2,877**	-
At the end of the year	**1,829,080,941**	1,601,564,252	**23,461**	20,533

During the year, the Company repurchased and cancelled its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares at HKD0.10 each	Price per share Highest HKD	Price per share Lowest HKD	Aggregate consideration paid USD'000
January 2012	200,000	8.01	7.93	205
May 2012	1,980,000	9.85	8.59	2,316
June 2012	1,150,000	9.40	8.75	1,349
December 2012	1,000,000	13.90	13.72	1,783
	4,330,000			5,653

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of USD56,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately USD5,653,000 was charged to retained profits.

12. Capital Commitments

	2012 USD'000	2011 USD'000
Capital expenditure in respect of the purchase of property, plant and equipment and a licence:		
Contracted for but not provided	**16,669**	15,484
Authorised but not contracted for	**1,297**	287

13. Contingent Liabilities

	2012 USD'000	2011 USD'000
Guarantees given to banks in respect of credit facilities utilised by associates	**12,691**	10,858