POWERFUL BRANDS
INNOVATIVE PRODUCTS
EXCEPTIONAL PEOPLE
OPERATIONAL EXCELLENCE

Annual Report 2012

STRATEGIC DRIVERS

Powerful Brands

Innovative Products

Exceptional People

Operational Excellence

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

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

Founded in 1985 in Hong Kong, TTI has a portfolio of industry leading brands, a worldwide customer reach, and over 18,000 staff. TTI is listed on the Stock Exchange of Hong Kong and in 2012 had worldwide annual sales of USD3.9 billion.

Contents

FINANCIAL HIGHLIGHTS

	2012 USDm	2011 USDm (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%**

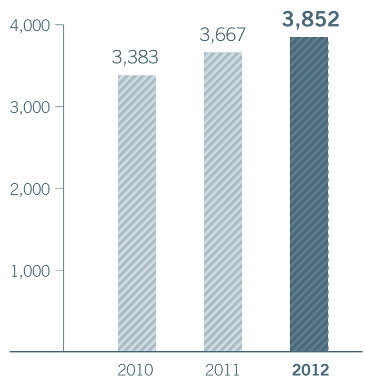
A thoughtful, comprehensive strategy and disciplined execution delivered record results

- ▶ Record sales
- ▶ Record profit
- ▶ Record cash flow

SALES TURNOVER

USDm

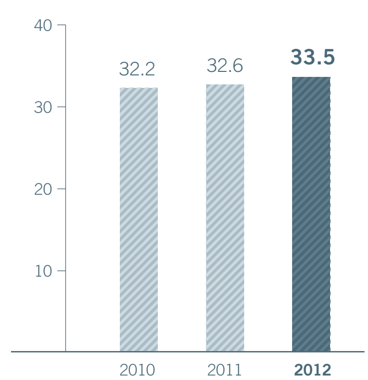
USD3,852m



GROSS MARGIN

%

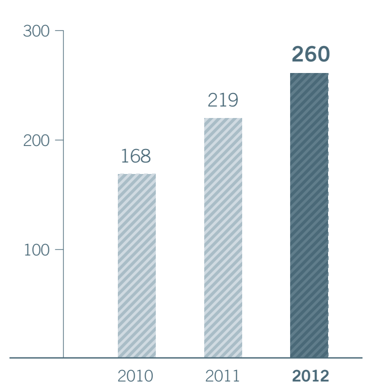
33.5%



EBIT

USDm

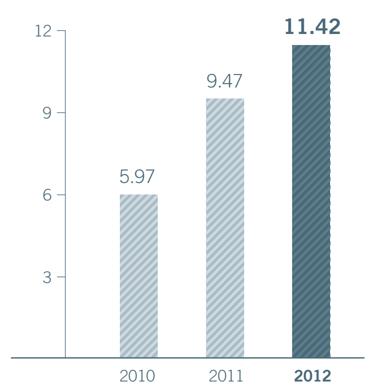
USD260m



BASIC EARNINGS PER SHARE

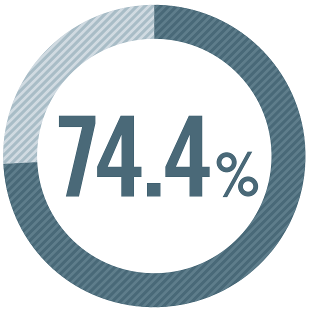
US cents

US11.42 cents



OPERATIONAL HIGHLIGHTS

SALES BY BUSINESS



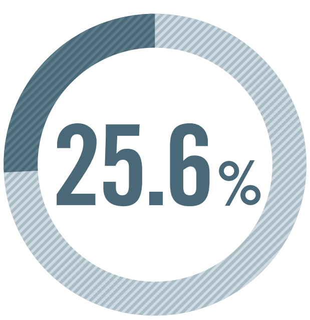
Power Equipment and Accessories

POWER TOOLS AND ACCESSORIES

BRAND	MARKET SEGMENT	MAJOR MARKET
Milwaukee	Industrial	Global
AEG POWERTOOLS	Professional	Global
RYOBI	Consumer	North America, Europe, Australasia

OUTDOOR PRODUCTS AND ACCESSORIES

BRAND	MARKET SEGMENT	MAJOR MARKET
RYOBI	Garden Enthusiasts	North America, Europe, Australasia
Homelite	Consumer	Global

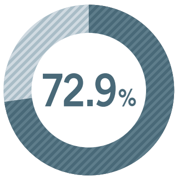


Floor Care and Appliances

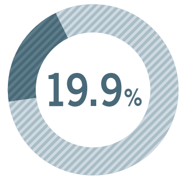
FLOOR CARE AND APPLIANCES

BRAND	MARKET SEGMENT	MAJOR MARKET
Hoover	Premium Cleaning	North America, Australasia, Asia, Middle East & Africa
Vax	High-Performance	Global
Dirt Devil	Consumer	Global

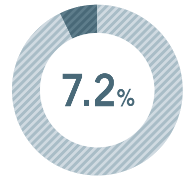
SALES BY LOCATION



NORTH AMERICA



EUROPE

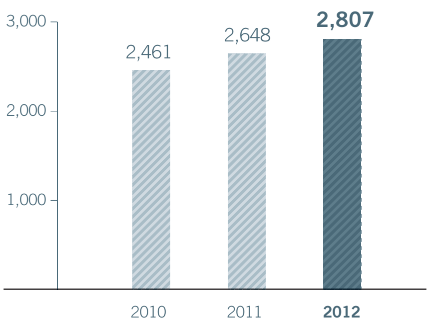


REST OF THE WORLD

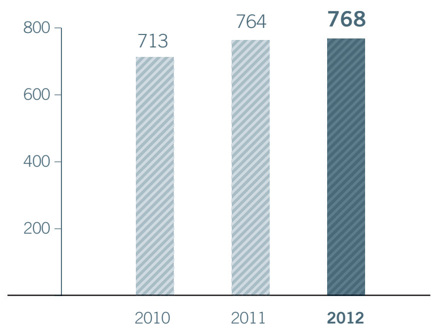
TURNOVER FROM EXTERNAL CUSTOMERS

USDm

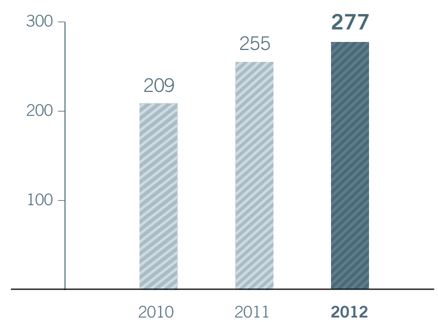
NORTH AMERICA



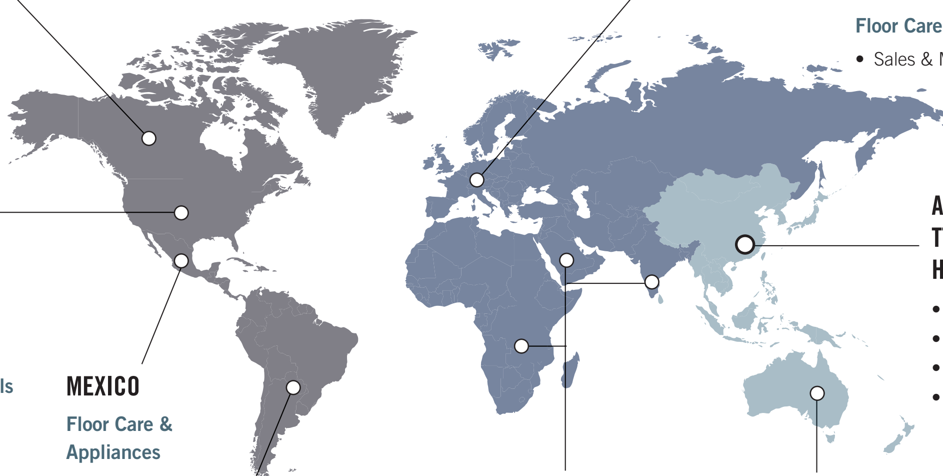
EUROPE



REST OF THE WORLD



GLOBAL OPERATIONS



CANADA

Power Equipment, Floor Care & Appliances

- Sales & Marketing

UNITED STATES

Milwaukee Industrial Tools

- Sales & Marketing
- Research & Development
- Manufacturing

Consumer & Professional Tools

- Sales & Marketing
- Research & Development

Outdoor products

- Sales & Marketing
- Research & Development
- Manufacturing

Floor Care & Appliances

- Sales & Marketing
- Research & Development
- Manufacturing

MEXICO

Floor Care & Appliances

- Manufacturing

LATIN AMERICA

Power Equipment, Floor Care & Appliances

- Sales & Marketing

EUROPE

Power Equipment & Accessories

- Sales & Marketing
- Research & Development
- Manufacturing

Floor Care & Appliances

- Sales & Marketing

ASIA TTI WORLDWIDE HEADQUARTERS

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

MIDDLE EAST, AFRICA, INDIA SUBCONTINENT

Power Equipment, Floor Care & Appliances

- Sales & Marketing

AUSTRALASIA

Power Equipment, Floor Care & Appliances

- Sales & Marketing

WORKFORCE BY LOCATION

4,862	The Americas
1,233	EMEA
11,973	Asia Pacific

I am pleased with the sustained progress made in new product development and our excellent productivity gains, which are the catalysts for sales and profit growth.

I am 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. I am 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.

I am pleased to announce that the Board is recommending a final dividend of HK10.75 cents (approximately US1.38 cents) per share, an increase of 38.7%. Together with the interim dividend of HK6.75 cents (approximately US0.87 cents) per share, this will result in a full-year dividend of HK17.50 cents (approximately US2.25 cents) per share, against HK12.75 cents (approximately US1.64 cents) per share in 2011, an increase of 37.3%.

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.

I am 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®, VAX® and DIRT DEVIL® 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

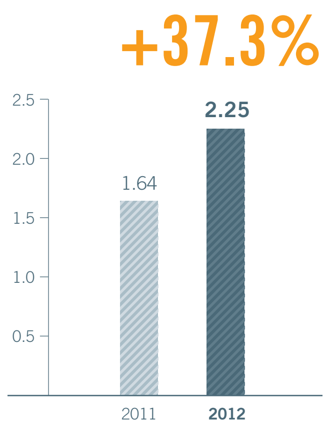
The improvement in gross margin was driven in large part by our relentless focus on cost management, continued emphasis on value engineering and higher productivity throughout our operations, as we benefit increasingly from our global purchasing initiatives and the efficiencies of our Asia Industrial 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.

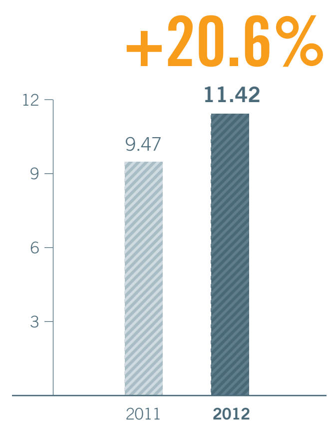
DIVIDEND PER SHARE

US cents



BASIC EARNINGS PER SHARE

US cents



Outstanding Prospects

I 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.

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

Horst Julius Pudwill
Chairman
March 21, 2013

A Bold Vision Driven by a Powerful Strategic Roadmap

TTI has a powerful strategy and a disciplined process to ensure we deliver outstanding performance in any economic environment and across all geographic regions. Our vision is to become the global leader in each of our strategic businesses through the deployment of Powerful Brands, Innovative Products, Operational Excellence and Exceptional People. Over the past few years we have raised the level of performance at TTI by focusing on executing our Strategic Roadmap. The record results in 2012 and our accomplishments over the last three years demonstrate that we are on the right path. We have achieved our record performance by consistently delivering strong organic growth. We have also increased free cash flow while strengthening our balance sheet with efficient use of working capital.

Our Strategic Roadmap focuses on five key initiatives. We are pleased to report significant progress in each of them.

Drive Sales Growth

Based on a combination of our powerful brands and a commitment to product innovation.

Group sales have powered to a 3 year compounded annual growth rate (CAGR) of 7.8% through the successful introduction of new products and geographic expansion across our brand portfolio.

Gross Margin Enhancement

By launching margin enhancing new products and driving lower costs through comprehensive productivity improvement programs.

Our continuous improvement programs in manufacturing productivity, product re-engineering and global purchasing are the foundation for our 3 year CAGR of 10.3% in gross margin dollars that translates into an impressive 130 basis point improvement in gross margin.

Organizational Development

Creating the strongest management team in the industry by combining leading industry talents and actively developing our own human capital.

Our Leadership Development Program (LDP) has proven a highly successful method of developing the next generation of leaders for our globally expanding businesses. Our LDP program has hired over 800 high-potential graduates from more than 50 top universities, with over one third being promoted at least twice.

Operating Cycle Development

Deploying a disciplined and robust review cycle to guide everything from new product innovation and manufacturing productivity to monthly financial reporting across our global organization.

For example, we use a Performance Scorecard process which measures and drives improvements in the supply chain. This has a strong positive impact on our key suppliers by reducing costs, improving quality, and strengthening the mutually beneficial relationships that underpin long-term success.

Generate Free Cash Flow

By improving our working capital management and ensuring the most efficient use of CAPEX in our businesses.

We have driven free cash flow to a record high in 2012 and reduced working capital as a percentage of sales to a very efficient 16.2%, a tremendous improvement from the 2009 level of 20.9%.

What is really exciting here at TTI is that we are just getting started. The next three years will require even more aggressive initiatives to deliver further sales growth, market share gains and better financial performance. With our brands, product platforms, organizational structure and processes already in place, we have a solid foundation from which to unleash the next level of expansion. The industries in which we compete offer opportunities to drive deeper and broader in all product categories, enter closely aligned businesses and continue to expand geographically with our key brands.

At TTI we believe that we still have vast potential for growth. An outstanding team is in place and our vision is clear. I am pleased with the results we have achieved over the past three years. We are poised to achieve even higher levels of success in the years ahead. Our visionary Chairman, Mr Horst Pudwill, has challenged us to be Number One in our markets. This bold vision is driven by a powerful strategic roadmap and a track record of exceeding expectations.

I would like to express my sincere appreciation to all our shareholders, customers, suppliers and the dedicated TTI team for making 2012 another record year.

Joseph Galli Jr
Chief Executive Officer
March 21, 2013

WE HAVE A BOLD VISION OF GROWTH FOR THE NEXT THREE YEARS.

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

1 DELIVER BREAK-THROUGH, DISRUPTIVE TECHNOLOGY

Maximize our investment in R&D to develop break-through technology and bring disruptive new products to the market. We will continue investing in R&D to develop leading edge technologies and innovative new products that perform better and are embraced by end-users. We work closely with targeted end-users to bring to life these innovations and assure their commercial success. For MILWAUKEE® this means continuing the flow of new products that improve the productivity of the skilled trades and disrupt the competition through value-added technology advancements like FUEL®.

2 LITHIUM ION CORDLESS LEADERSHIP

Lithium ion cordless products as the centerpiece of our product strategy. The global market for cordless products in our industries is expanding rapidly and TTI has led the way with game-changing successes like RYOBI® lithium ion cordless outdoor products. We have built industry leading product development and manufacturing competencies to exploit the expansion of lithium ion cordless products. We have established the broadest and most successful lithium ion cordless system platforms in the world and are committed to expanding these franchises with innovative products and services.

3 BROAD-BASED INNOVATIVE PRODUCTS

Broad-based innovative new products and new business development around our key business units and powerful brands. Our high-speed new product teams will launch user-focused innovations that create new business platforms and deliver incremental growth. We are looking at broad categories with vast potential, like the hand tool business under the MILWAUKEE® and HART® brands, the steam cleaning products from HOOVER®, VAX® and DIRT DEVIL®, or the extensive accessories in almost all our product categories.

4 AGGRESSIVE MARKETING, DEMAND CREATION

Aggressive marketing, demand creation for key brands and targeted products. We launch new products with superior innovations, or enter new markets with compelling marketing to generate user demand. We will continue expanding our communications and user conversion programs to deliver brand and product messages that attract new and loyal end-users. We are significantly increasing our store merchandising, marketing, promotions, and other downstream demand generating activities.

5 TARGET GEOGRAPHIC EXPANSION

Continued expansion into under-represented geographies and markets. We are focused on continuing the considerable success in expanding our share of markets like Canada, Western Europe, Australia and New Zealand, as well as the US. Additionally, we are establishing marketing companies and building distribution footholds across Eastern Europe, Middle East and Africa, Latin America and Asia, merging local knowledge and TTI culture to ensure sustainable growth.

6 FLOOR CARE TRANSFORMATION

Floor Care transformation to lead the industry and to be a key contributor to our growth. Our powerful floor care brands; the iconic HOOVER®, VAX® and DIRT DEVIL® are unrivaled. We have initiated a plan to unlock their value through a pipeline of innovative and well designed products, great demand generating marketing, and streamlining operations to boost productivity and lower costs. All these initiatives will be internally funded through cost savings and growth.

7 DRIVE OPERATIONAL PRODUCTIVITY

Operational Excellence will remain at the center of our operating culture and of the commitment we make to our customers. At our core is a relentless search to constantly deliver improvement in everything we do. We have a robust process for delivering productivity and quality in our manufacturing based on lean initiatives, supplier performance enhancement programs, and rigorous project management. We are investing in automation to drive efficiency improvements and better quality in our manufacturing. Our supply chain management will remain highly focused on improving service levels to our customers, one of TTI's key competitive advantages.

8 GLOBAL ORGANIZATIONAL DEVELOPMENT

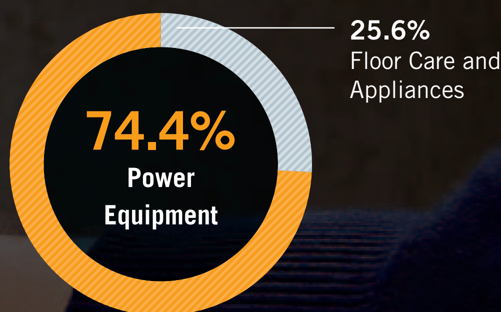
Organizational development will be enhanced to ensure we have the best teams in the industry, both locally and globally. We have an outstanding management team, but are acquiring externally and developing internally the high-caliber talent required to build scale in our core markets and expand geographically. Our flourishing LDP program will be expanded to help serve our growth, extending its reach further outside of North America. We already have LDPs in a number of international markets and our engineering LDP program in China is off to a successful start.

M12® FUEL® 1/2" HAMMER DRILL / DRIVER

The M12® FUEL® 1/2" Hammer Drill/Driver delivers unmatched runtime, power under load and durability. Featuring the MILWAUKEE® POWERSTATE™ brushless motor, REDLITHIUM™ battery technology and REDLINK PLUS™ Intelligence, this lightweight, versatile hammer drill/driver provides up to 10X longer motor life, 2X more power and 4X more runtime.

SALES BY BUSINESS

USD 2.9 billion
74.4% of the total turnover



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 Power Tools and Accessories

MILWAUKEE® is an industry-leading manufacturer and marketer of Heavy-Duty, Portable Electric Power Tools and Accessories. MILWAUKEE® leverages technology and disruptive innovation to deliver trade-based solutions to skilled tradesmen around the world.

Products and Technology

Products

- Cordless Power Tools, Corded Power Tools and Accessories, Solutions based Hand Tools, Test & Measurement diagnostic equipment

Cordless Platforms

- Lithium ion batteries M12®, M18®, M28® REDLITHIUM™

Technology

- State-of-the-art motor technology – POWERSTATE™ Brushless Motor
- Advanced electronics – REDLINK PLUS™

Accessory technology

- Sawzall® blades, SWITCHBLADE® self-feed bits, BIG HAWG® hole cutters, THUNDERBOLT® drill bits, Shockwave Impact Duty™

End-Users

- Mechanical, electrical, plumbing, remodeling and maintenance repair professionals

Distribution

- Home Center channels, Hardware, Industrial MRO, Plumbing, Electrical, Farm and Agriculture, Construction and Automotive channels

North America

International

M18® FUEL® 1/4" HEX IMPACT DRIVER

The M18® FUEL® 1/4" Hex Impact Driver is the most powerful tool in its class. This Hex Impact Driver provides up to 3X longer motor life, 50% more runtime, and proprietary MILWAUKEE® 3-Mode DRIVE CONTROL™ for better control over the power and speed required for specific applications.

M12 FUEL

M12® FUEL® is engineered for the most demanding tradesmen in the world. M12® FUEL® delivers unrivaled performance in a compact structure and features three MILWAUKEE® – exclusive innovations – the POWERSTATE™ Brushless Motor, REDLITHIUM™ Battery Pack and REDLINK PLUS™ Intelligence Hardware and Software – that deliver unmatched power, run-time and durability.

M12® 1/2" SDS PLUS ROTARY HAMMER

Up to 4X Faster
Up to 65% Lighter
Drills Over 55 Holes per Charge

160X120 THERMAL IMAGER

Superior Thermal Image Quality
Wide Temperature Range
(-10° to 350°C) for More Applications
Built-In Visual Camera And Flashlight
for Improved Analysis
Thermal Imager Report Software

SAWZALL®

METAL CUTTING BLADES

Double Duty Upgrade™ is the largest accessory overhaul in the company's history, delivering a complete transformation of the Metal Cutting SAWZALL® Blade line. the new blades are available in both a thin KERF profile for fast, flexible cuts and a DEMO blade profile, known as the TORCH™, for tough, straight cuts. With optimized tooth forms and features such as GRIDIRON™ and TOUGHNECK™, MILWAUKEE® has created new-to-world solutions that strengthen the blade at its weakest points, delivering the longest lasting blade on the market today.

* versus previous SAWZALL® recip blades

Hand Tools

With over 100 new tools in 2013, we're continuously expanding our Hand Tool line. Dedicated to delivering solutions to increase productivity, the Hand Tool group focuses on providing application-specific features to core users in the electrical, mechanical, HVAC, MRO and remodeling trades.

Ultimate Productivity. Superior Performance.

Innovation

Designed, engineered and built by MILWAUKEE® Tool, each Hand Tool provides solutions that help users work faster, smarter and with less tools on their belt.

User Focus

We interact daily with real users on the jobsite to learn about their ideas and frustrations. This focus drives innovative solutions to real jobsite challenges.

Quality

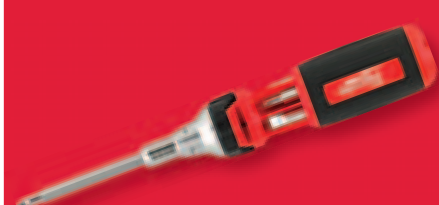
Backed by a limited lifetime warranty, these new Hand Tools confirm MILWAUKEE®'s commitment to best-in-class durability.

FASTBACK II™ FLIP UTILITY KNIFE

One Handed
Quick Change
Gut Hook

HOLLOWCORE™ SAE MAGNETIC NUT DRIVERS

Fits 4X More Fasteners
Magnetic Driver Head
Forged Strength



10-IN-1 RATCHET MULTI-BIT DRIVER

Wire Stripper
Loop Maker

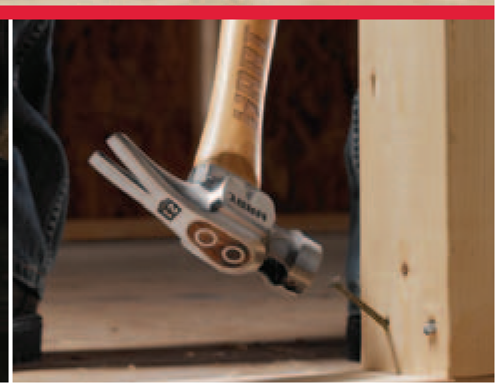
STEEL CAP DEMOLITION SCREWDRIVER

High Impact Metal Core
Wrench-Ready Shaft
Wire Stripper
Loop Maker

STILETTO® tools deliver the highest quality products for professional carpenters. By combining the latest materials technology, design, and balance, STILETTO® has built a strong following of loyal users.

With 45% less weight than steel, while providing the same striking force, titanium tools produce 10 times less recoil shock. These features help reduce carpal tunnel syndrome and tennis elbow which means less down time, more productivity, and most importantly less pain while working.

Make a big impact with less effort. For HART®, the focus has always been delivering innovative Signature Features on hammers, including exceptional weight balance ratio, polished hammer heads, a progressive angled face design, and a side nail pull. Building on the success of its framing hammers, HART® has expanded its tool line to include all-purpose hammers, mattocks, axes, mauls, wedges, sledge hammers, chisels, and struck tools. With HART®'s superior performance and innovative Signature Features, you can be assured that NOTHING HITS HARDER™.



Professional Power Tools and Accessories

AEG
POWERTOOLS

The AEG® power tools brand has been delivering high-performance tools since 1898. 114 years later and nothing has changed, AEG® Power Tools continues to push boundaries and innovate with a current focus on the cordless sector, harnessing lithium ion power as well a myriad of traditional but highly innovative corded tools.

Products and Technology

Products

- Cordless and Corded Power Tools

Cordless Platforms

- Pro Lithium ion™ Cordless System 12-volt 14.4-volt and 18-volt
- Omni Pro® Multitool™ system with interchangeable heads
- Cordless and Corded Power Tools, and support accessories

End-Users

- Professional tradesmen,Contractors

Distribution

- Professional / Traditional trade and wholesale distribution
- Professional section of Modern channels and Home Centers

18-VOLT PRO LITHIUM ION™ GRINDER

Pro Lithium ion™ technology facilitates high performance professional trade applications.

The AEG® POWERTOOLS tradesman range offers professional users high performance at outstanding value.

PRO LiTHIUM ION™ TECHNOLOGY

The second generation cordless technology of AEG® Pro Lithium ion™ technology, guarantees users receive more run-time, longer life and overall more productivity. The triple protection system protects the battery cells from over-heating, over loading, and over/under charging, offering optimum performance at all levels.

TRADESMAN

The tradesman drill drivers and hammer drill drivers have all the features required for todays professional end users. Across 12-volt, 14.4-volt and 18-volt platforms.

OMNIPRO

OMNIPRO® is a revolutionary system allowing users to tailor their system depending on application. All heads and bodies are interchangeable to select the best balance of power base and head for ultimate productivity.

AEG® POWERTOOLS hammers are engineered for outstanding reliability and durability.

Tool-Free interchangeable heads allow users to easily switch between applications.

Consumer and Trade Power Tools and Accessories

RYOBI® brand offers the most extensive award winning and innovative line of consumer focused products and accessories for worldwide use. The RYOBI® power tool range is anchored by the 18-volt ONE+ System® of over 50 products, ranging from drills, drivers, saws and trimmers to sanders. The brand also offers a wide variety of outdoor products that supports end-user needs with extensive lines of energy efficient gas, electric and cordless products.

Products and Technology

Products

- Cordless and Corded Power Tools
- Gas, Electric and Cordless Powered Outdoor Products
- Power Tool and Outdoor Product Accessories

Technology

Power Tools

- 18-volt ONE+ System®
- Lithium ion & Lithium ion+

Outdoor Products

- 2-Cycle & 4-Cycle - Gas
- 4-volt, 18-volt, 24-volt, 36-volt & 40-volt Lithium ion Systems

Accessory Technology

- SpeedLoad+®

End-Users

- Do-It-Yourselfers and Cost Conscious Professionals

Distribution

- Home Centers and Hardware stores

North America | Europe | Australia & New Zealand

RYOBI® 18-VOLT NAILER

Cordless convenience featuring Airstrike Technology, which eliminates the need for noisy compressors, bulky hoses or expensive gas cartridges.

RYOBI® 18-VOLT COMPACT DRILL

Powered by LITHIUM+ batteries, the performance is enhanced by 15% providing up to 35% more runtime, 4X longer charge hold capability and 45% lighter weight.

RYOBI® LITHIUM & LITHIUM+ BATTERIES

Next generation lithium ion technology provides the end-user with the best value and performance proposition in the marketplace.

RYOBI® ACCESSORIES

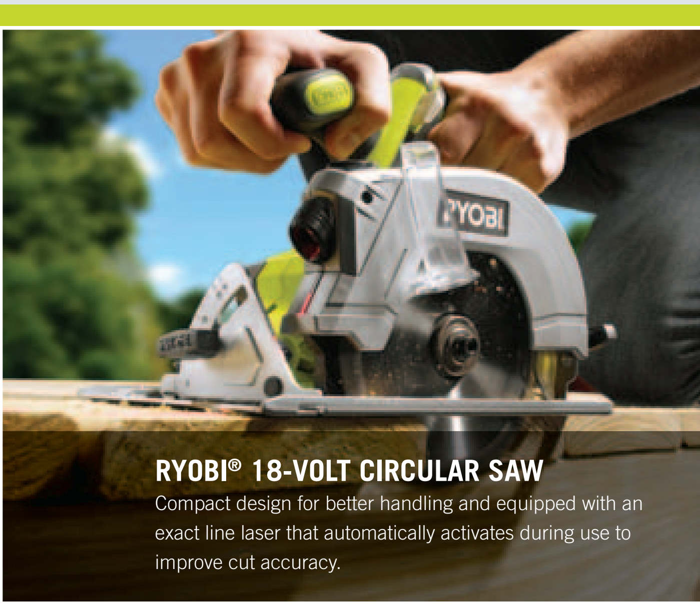
Innovative extended use Impact Driver bits and Universal fit Jigsaw Blades.

RYOBI® ONE+ SYSTEM®

The One+ System® of over 50+ tools lets you buy 18-volt cordless tools, batteries, chargers individually, in any combination and order you choose.

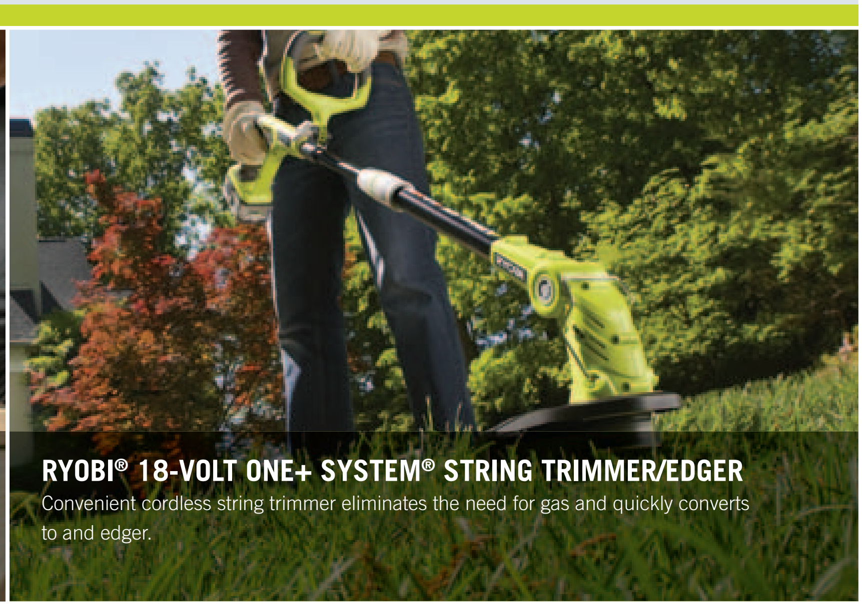
RYOBI® 18-VOLT ONE+ SYSTEM® 6PC LITHIUM ION+ COMBO KIT

The ultimate power tool collection, powered by the next generation of lithium ion performance.



RYOBI® 18-VOLT CIRCULAR SAW

Compact design for better handling and equipped with an exact line laser that automatically activates during use to improve cut accuracy.



RYOBI® 18-VOLT ONE+ SYSTEM® STRING TRIMMER/EDGER

Convenient cordless string trimmer eliminates the need for gas and quickly converts to and edger.

Outdoor Products and Accessories

RYOBI® brand has invested years of research into bringing the high-performance 24-volt, 36-volt and 40-volt Lithium ion Cordless tools to the market. The 24-volt, 36-volt and 40-volt lines include string trimmers, hedge trimmers, edgers, blowers, chain saws, and mowers.

Products and Technology

Products

- Gas and Electric Powered Trimmers, Blowers, Chainsaws, Hedge Trimmers, Lawn Mowers, Log Splitters, Pressure Washers

Cordless Technology

- 4-volt, 18-volt, 24-volt, 36-volt & 40-volt Lithium ion Systems

Gas Technology

- 2-Cycle & 4-Cycle

Accessory Technology

- Expand-it® Attachments

End-Users

- DIY home owners and garden enthusiasts

Distribution

- Home Centers, Garden Centers and Hardware Stores

Lithium 24V

RYOBI® 24-VOLT CORDLESS

The RYOBI® Cordless 24-volt lithium ion system provides tools for medium usage outdoor applications.

Lithium 40V

RYOBI® 40-VOLT CORDLESS

The RYOBI® 40-volt lithium ion system powers over 5 tools using the same 40-volt battery. The lithium ion battery delivers maximum runtime powerful performance and is quiet and convenient.

RYOBI® GAS TRIMMER

RYOBI® Gas Trimmers are built with premium consumer features and are all attachment-capable. Also available in 4-cycle designs with more torque and no mixing gas and oil.

RYOBI® GAS PRESSURE WASHER

The new RYOBI® 3100psi Easy-Start is powered by a 190 cc GCV190 HONDA® Gasoline Engine and delivers a powerful 3100psi of spraying pressure.

RYOBI® BACKPACK BLOWER

The RYOBI® backpack blower is going to revolutionize the market. The unique operation of our 42cc engine provides more performance than ever.

RYOBI® INVERTER GENERATOR

Designed for quiet, clean power, the line of RYOBI® Inverter Generators is ideal for small jobsite needs, and emergency back-up power.

Homelite®

HOMELITE® Consumer Products manufactures a full line of Outdoor Power Equipment including String trimmers, blowers, chainsaws, hedge trimmers, pressure washers, generators and outdoor accessories for the consumer, do-it-yourself and garden enthusiast.

Products and Technology

Products

- Gas and Electric Powered Trimmers, Blowers, Chainsaws, Hedge Trimmers, Lawn Mowers, Log Splitters, Pressure Washers, Generators

Technology

- HOMELITE® products are designed to provide consumers great performance at an incredible value.

End-Users

- Consumers, Do-It-Yourselfers and garden enthusiasts

Distribution

- Home Centers, Garden Centers and Hardware Stores

HOMELITE® chain saws deliver incredible cutting performance in a light weight design for user comfort.

HOMELITE® ELECTRIC TRIMMER

Lightweight design with height adjustment for better handling that also quickly converts from trimmer to edger. The trimmer's 14 inches. wide cutting diameter reduces the amount of passes needed to finish an area to save consumer time.

HOMELITE® 2700PSI PRESSURE WASHER

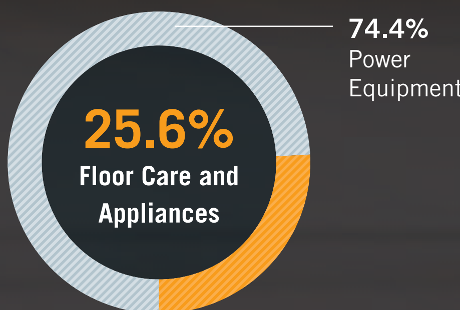
Powered by HONDA® GCV160 (161cc) OHC engine and TTI Axial Pump this washer provides the cleaning power needed for tough jobs.

WINDTUNNEL® 3 HIGH-PERFORMANCE BAGLESS UPRIGHT

The HOOVER® WindTunnel® 3 High-Performance Bagless Upright Vacuum makes cleaning challenges easily with the WindTunnel® 3 High-Performance Technology that lifts and removes deep-down, embedded dirt with 3 channels of suction. It's equipped with a multi-floor brushroll on/off option allowing users to easily move from carpet to hard floors. It also features rubberized pet tools that remove stubborn pet hair and has a 40 foot cord to vacuum for large room extension needs.

SALES BY BUSINESS

USD 1.0 billion
25.6% of the total turnover



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.

Floor Care and Appliances

HOOVER® is creating the future of Floor Care. We recognize that people's homes and lives are constantly evolving, and we're changing with them.

We are proud that each of the 700 patents we currently hold represents a challenge we've overcome in our drive to make new, powerful and desirable cleaning products.

We want to be recognized for making people's lives easier and so we make those that do the cleaning the focus of everything we do.

Products and Technology

Products

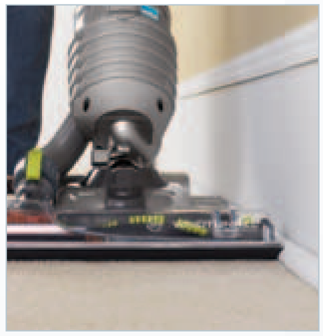
- Upright – Bagged and Bagless
- Canister – Bagged and Bagless
- Stick
- Lithium ion Cordless
- Handheld Vacuums
- Carpet Washers and Solutions
- Hard Floor Cleaners and Solutions
- Steam Cleaners and Cleaning Solutions
- Specialty Garage Utility
- Cleaning Systems and Air Purification

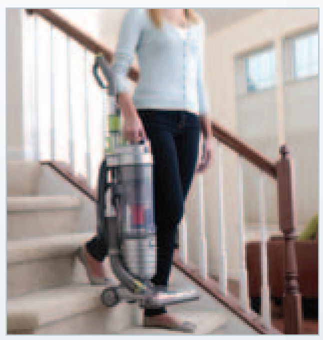
Technology

- WindTunnel® and WindTunnel® Max™, Multipurpose Spinscrub®, MaxExtract®, MaxExtract® Pressure Pro, Bagged, Bagless Cyclonic, Wide Path® Nozzle suction, Dual V® Twin Air Path Suction, Dual Tank Water Filtration and Lithium ion cordless

Distribution

- Leading Home Centers, Mass Merchants, Catalogue, TV Shopping, Online Retailers

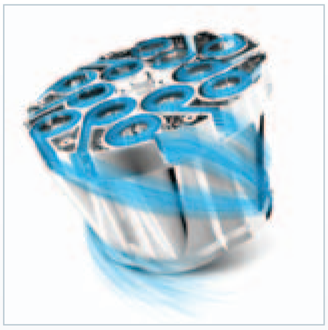




HOOVER® WINDTUNNEL® AIR®

Lightweight. Powerful. Versatile.

Patented WindTunnel® Technology lifts and removes embedded dirt in carpets and minimizes scatter on hard floors.



HOOVER® WINDTUNNEL® HIGH PERFORMANCE

Our best cleaning bagless upright. Air passes through three suction channels and thirteen cyclones to remove unprecedented amounts of dirt and debris with no loss of suction.

HOOVER® POWER SCRUB™ DELUXE

Powerful. Easy to use. Lightweight.

Exclusive SpinScrub® technology surrounds carpet fibers to deliver 360 degree cleaning.

Floor Care and Appliances

Performance is everything. That's why VAX® is the UK's bestselling Floor Care brand. And the only company in the UK to offer cleaning products in every category.

From carpet cleaners, upright and cylinder vacuum cleaners, steam, cordless, and hard floor cleaners – we listen carefully to those who are using our products, so that we can design with their needs in mind.

Products and Technology

Products

- Carpet Cleaners – Rapide®, Dual V®
- Upright/Cylinder Vacuums – AIR®, Power
- Hard Floor Cleaners – Bare Floor Pro, Floormate®
- Lithium ion Cordless – Life®
- VAX® Cleaning Solutions
- VAX® CLEAN WITH NO MACHINE™ solutions

Technology

- Heated Cleaning, Single Cyclonic, Multi-cyclonic, Dual V® Twin Air Path Suction, Spin Scrub® deep cleaning, HEPA H12 Filtration

End-Users

- Domestic and commercial cleaners who are looking for high-performing products that meet quality, service, range and price criteria

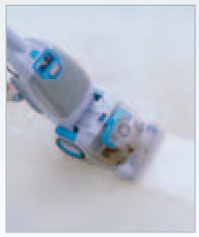
Distribution

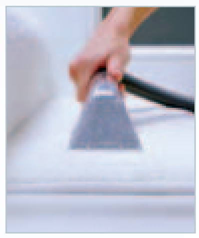
- Mass Merchandisers, Electrical Multiples, Grocery Retailers, DIY Retailers, TV Shopping, Online Retailers and Direct.

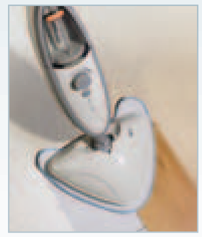
VAX® AIR3®

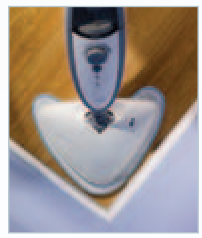
answers the three main requirements from consumers:

it's powerful, lightweight and maneuverable.









VAX® RAPIDE® ULTIMATE

The very latest in deep cleaning and quick drying technologies to provide ease of use and outstanding cleaning performance.

VAX® BARE FLOOR PRO

Twin tanks combine steam and detergent to deliver extraordinary cleaning power and fresh, clean scent.

WHITE BAGLESS CYLINDER

Pared back and stylish – great performance from a Single Cyclonic cylinder that is easy to clean, maintain and afford.

Floor Care and Appliances

DIRT DEVIL® is a vibrant and contemporary brand that addresses every floor care need in one great value, convenient and easy to use package.

Each product is engineered to get a job done well and efficiently. From quick clean-ups to full house cleaning, DIRT DEVIL® has the answer – so busy people can clean up fast and with style.

Products and Technology

Products

- Uprights – Bagged and Bagless
- Canisters – Bagged and Bagless
- Stick Vacs
- Hand Vacs
- Steam Cleaners
- Pressure Washers
- Robotic Vacuums and Accessories

Technology

- Bagged, Bagless, Cyclonic, Corded & Cordless

Distribution

- Leading Home Centres, Mass Merchants, Catalogue, TV Shopping, Online Retailers

FEATHERLITE BAGGED UPRIGHT VACUUM

5 floor settings for whole home cleaning and featuring an Allergen Media Bag that traps 99% of dust and pollen immune triggers.

REBEL CANISTER

Cyclonic cleaning power in a lightweight canister that has a dirt cup large enough to clean your whole house without pausing to empty.

EASY LITE CORDLESS HAND VAC

Quick and easy cordless cleaning featuring a useful Hook-Handle for easy storage and integrated QuickFlip crevice tool to target those hard to reach areas.

BOARD OF DIRECTORS

Horst Julius Pudwill
Chairman

Joseph Galli Jr
Chief Executive Officer

GROUP EXECUTIVE DIRECTORS

Horst Julius Pudwill MSc

Chairman

Mr Horst Julius Pudwill, aged 68, is Chairman of TTI, a position he has held since he jointly founded the Group in 1985. Until 2008, he also served as Chief Executive Officer. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations, with the Chief Executive Officer reporting directly to him. Mr Pudwill has extensive experience in international trade, business and commerce. Mr Pudwill is also a director of Sunning Inc. which has an interest in the equity of the Company.

Mr Pudwill holds a Master of Science Degree in Engineering and a General Commercial Degree.

Mr Pudwill is the father of Mr Stephan Horst Pudwill, Group Executive Director and President of Strategic Planning.

Joseph Galli Jr BSBA, MBA

Chief Executive Officer

Mr Joseph Galli Jr, aged 54, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

Mr Galli joined Black & Decker in 1980 where he worked for over 19 years and held various high level management positions, rising to the position of President of Worldwide Power Tools and Accessories. During his tenure at Black & Decker, he was responsible for highly successful launch of the "DeWalt®" Brand heavy duty power tools in 1992. After leaving Black & Decker, Mr Galli joined Amazon.com where he was President and Chief Operating Officer from 1999 to 2000. From 2001 to 2005, he was a Director and Chief Executive Officer of Newell Rubbermaid Inc.

Mr Galli graduated from the University of North Carolina in 1980 with a Bachelor of Science in Business Administration. In 1987, he obtained an MBA from Loyola College in Baltimore, Maryland.

Patrick Kin Wah Chan
Operations Director

Frank Chi Chung Chan
Group Chief Financial Officer

Stephan Horst Pudwill
President of Strategic Planning

Patrick Kin Wah Chan FCCA, FCPA

Operations Director

Mr Patrick Kin Wah Chan, aged 53, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is currently an Executive Director of Dongguan City Association of Enterprises with Foreign Investment.

Frank Chi Chung Chan ACA, FCCA, FCPA, CPA (Practising)

Group Chief Financial Officer

Mr Frank Chi Chung Chan, aged 59, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in England & Wales, an associate of the Taxation Institute of Hong Kong and qualified to practise as a Certified Public Accountant in Hong Kong.

He is currently an Independent Non-executive Director of Gold Peak Industries (Holdings) Limited, and an Independent Director of Tsit Wing International Holdings Limited, companies listed on the stock exchanges of Hong Kong and Singapore respectively.

Stephan Horst Pudwill

President of Strategic Planning

Mr Stephan Horst Pudwill, aged 36, joined the Group in 2004 and was appointed as Executive Director in 2006. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic business opportunities within the Group.

Prior to joining the Group, Mr Pudwill held managerial positions at Daimler Chrysler AG that included product marketing and strategic planning for the Mercedes-Benz car group.

Mr Pudwill holds a Bachelor of Arts Degree from the University of British Columbia and is Mr Horst Julius Pudwill's son.

Roy Chi Ping Chung BBS JP
Non-executive Director

Joel Arthur Schleicher
Independent Non-executive Director

Christopher Patrick Langley OBE
Independent Non-executive Director

NON-EXECUTIVE DIRECTOR

Roy Chi Ping Chung BBS, JP

Prof Roy Chi Ping Chung BBS JP, aged 60, is a Co-founder of Techtronic Industries Company Limited. Prof Chung, previously the Group Managing Director since 1985, was appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007. He has been re-designated to Non-executive Director of the Company with effect from July 1, 2011.

Prof Chung holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom and Doctor of Business Administration Degree from City University of Macau. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and awarded an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was awarded the Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government on July 1, 2011. He was also appointed as Justice of Peace by the Hong Kong SAR Government on July 1, 2005 and won the Hong Kong Young Industrialists Award in 1997.

Prof Chung is highly dedicated to the advancement of industry and is the Chairman of the Federation of Hong Kong Industries. In addition, Prof Chung holds positions on a number of Hong Kong SAR Government advisory committees and is also an active member of many social committees and associations.

Prof Chung is also an Independent Non-executive Director of Kin Yat Holdings Limited and KFM Kingdom Holdings Limited (with effective from September 22, 2012).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Joel Arthur Schleicher CPA, BSB

Mr Joel Arthur Schleicher, aged 61, was appointed as an Independent Non-executive Director in 1998. He has over 28 years of management experience in the manufacturing and technology/telecom services sectors.

Mr Schleicher was the Founder (2004), Chairman and CEO of Presidio, Inc., the foremost professional and managed services companies in North American, at the forefront of Virtualization/Data Center; Collaboration and other advanced IT infrastructure solution. Since 1989, he has worked with private equity firms as a consultant, advisor, board member and held portfolio management roles including as Chairman and CEO for Interpath Communications, Inc,; CEO of Expanets, Inc. and President and COO for Nextel Communications, Inc. In the past, he has served on the board of directors of various North American domestic and international companies – both public and private.

Christopher Patrick Langley OBE

Mr Christopher Patrick Langley, aged 68, was appointed as an Independent Non-executive Director in May 2001. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Ltd. Mr Langley maintains close ties with the business community in Hong Kong. He is currently an Independent Non-executive Director of Dickson Concepts (International) Limited, listed on the stock exchange of Hong Kong, and a Non-executive Director of Lei Shing Hong Limited which has been delisted from the Stock Exchange of Hong Kong Limited on March 17, 2008. Mr Langley resigned as an Independent Non-executive Director of Winsor Properties Holdings Limited, which is listed on the stock exchange of Hong Kong, with effective from September 1, 2012.

Manfred Kuhlmann
Independent Non-executive Director

Peter David Sullivan
Independent Non-executive Director

Vincent Ting Kau Cheung
Independent Non-executive Director

Manfred Kuhlmann

Mr Manfred Kuhlmann, aged 68, was appointed as an Independent Non-executive Director in 2004. He was General Manager of Dresdner Bank AG Hong Kong Branch between 1994 and 1998 and General Manager of Dresdner Bank AG Dubai before he retired in August 2004. Mr Kuhlmann is a graduate of the Banking Academy, Hamburg and has extensive experience in the finance and banking industry. Since 2005 he serves as "Hamburg Ambassador" in the UAE, to support the economic ties between Hamburg, Germany and the UAE. Since July 2009 Mr Kuhlmann was a Non-executive Director and member of the Board of Avicenna Pharma Development FZLLC in Dubai, he retired from that position on December 31, 2010.

Peter David Sullivan BS

Mr Peter David Sullivan, aged 65, was appointed as Independent Non-executive Director effective February 1, 2008. He was an Executive Director and Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited. Mr Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. He also held a number of other major appointments, including as the Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce.

Mr Sullivan has been appointed as a Non-executive director to the boards of Standard Bank Group and The Standard Bank of South Africa Limited with effect from January 15, 2013. He is the Chairman and Non-executive director of Healthcare Locums plc, company listed on AIM (a market operated by the London Stock Exchange) and a Non-executive director of JPMorgan Indian Investment Trust plc. that is listed on the London Stock Exchange and of the Bankers Investment Trust. Mr Sullivan was an Independent Non-executive director of SmarTone Telecommunications Holdings Limited, a Non-executive director of AXA Asia Pacific Holdings Limited that is listed on the Australian and New Zealand stock exchanges, and the Chairman and Non-executive director of Cenkos Securities plc listed on AIM.

Mr Sullivan holds a Bachelor of Science Degree from the University of New South Wales.

Vincent Ting Kau Cheung

Mr Vincent Ting Kau Cheung, aged 71, was appointed as a Director in 1991 and was re-designated as an Independent Non-executive Director on March 30, 2012. He is a Non-executive Director of Gold Peak Industries (Holdings) Limited, listed on The Stock Exchange of Hong Kong Limited.

Mr Cheung is a graduate in law from University College London and has been a practising solicitor since 1970. He is qualified to practice law in Hong Kong and England and Wales and he is now a Consultant of Vincent T.K. Cheung, Yap & Co. He is also a Fellow of University College London and a Commandeur de l'Ordre du Mérite Agricole from France.

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 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 com actness. 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.

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.

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.

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)).

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.

The Company is committed to maintain a high standard of corporate governance in order to enhance shareholder's interests and promote sustainable development of the Company. The corporate governance principles of the Company emphasize a quality Board for leadership and control of the Company, effective internal controls, transparency and accountability to all shareholders. The codes and practices of corporate governance and the disclosure of this Corporate Governance Report are reviewed from time to time to improve the Company's corporate governance practices with regards to the latest developments on all applicable laws, rules and regulations.

Compliance with the Corporate Governance Code

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 promote the best interests of the Company and shareholders as a whole.

Board of Directors

Roles and Responsibilities

The board of directors (the "Board") is responsible for leading, directing and supervising the Group affairs collectively with an effective corporate governance framework for the long term success of the Company. Principal responsibilities of the Board including, but are not limited to, the following:-

- formulate overall mid-term and long-term strategy and direction of the Company.
- develop and review the Company's policies and practices on corporate governance.
- review and monitor risks and changes in local and international business community in order to enhance shareholders' value.
- decide or consider matters covering major acquisitions and disposals, appointment of Directors, senior management and external auditors, and other significant operational matters.
- oversee and control the Company's operations and financial performance through the determination of the annual budget and continuous review of performance results.

Written procedures have been formally adopted in order to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. The written procedures are reviewed by the Board regularly.

Corporate Governance Policy

In order to maintain sound standard and effective framework of corporate governance, the Board develop and review the corporate governance policies and practices to ensure compliance with the Company's Articles of Association and the laws, rules and regulatory requirements governing the Group. The Board performed the corporate governance function by, but not limited to, the following:-

- review and monitor the training and continuous professional development of directors and senior management.
- review and monitor the compliance on the Model Code, the Code for Securities Transactions by Relevant Employees and other codes of conduct of the Company.
- review the compliance of the Corporate Governance Code as well as the disclosure set out in this Corporate Governance Report.

Board Composition

As at the date of this report, the Board consists of five Group Executive Directors, one Non-executive Director and five Independent Non-executive Directors. The list of Directors and their role and function are published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk). The biographical details and relevant relationships are set out on pages 30 to 33 of this annual report. The composition of the Board of the Company is as follow:-

Group Executive Directors

Mr Horst Julius Pudwill (Chairman)
Mr Joseph Galli Jr (Chief Executive Officer)
Mr Kin Wah Chan (Operations Director)
Mr Chi Chung Chan (Group Chief Financial Officer)
Mr Stephan Horst Pudwill (President of Strategic Planning)

Non-executive Director

Prof Roy Chi Ping Chung BBS JP

Independent Non-executive Directors

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung
(re-designated from Non-executive Director to Independent Non-executive Director with effect from March 30, 2012)

The roles of Chairman and Chief Executive Officer of the Company have been segregated and clearly distinguished in order to promote balance of power and authority.

The roles of Chairman comprises, but are not limited to, the following:-

- provide leadership for the Board to ensure it works effectively.
- ensure that all Directors are properly briefed on issues arising at Board meetings.
- ensure that Directors receive adequate and timely information, which must be accurate, complete and reliable.
- ensure that good corporate governance practices and procedures are established.
- encourage all Directors to make full and active contributions to the Board's affairs and to take the lead to ensure that the Board acts in the best interests of the Company.
- ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

The roles of Chief Executive Officer comprises, but is not limited to, the following:-

- lead the global management team in the Group's daily operations.
- facilitate the integrating acquisitions in North America and Europe.
- enhance the global sales potential of our strong brand portfolio.

Every Director is aware that, before accepting appointment as a director, he must be able to contribute sufficient time and attention to the affairs of the Company. Orientation which details the duties and responsibilities of directors under the Listing Rules, the Company's Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong is provided for every newly appointed director. Presentations are, as necessary, given by senior executives of the Company and external professionals to ensure a proper understanding of the Company's business and operations. Appropriate Directors' and Officers' liability insurance cover has also been arranged to indemnify the Directors and Officers of the Group for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually. All such arrangements aim to assist the relevant Director to discharge his duties to the Company and protect the interests of the Company and the shareholders.

Non-executive Directors and Independent Non-executive Directors play an important role in enhancing objective and independent views to the Board especially on issues of strategy, policy, performance and resources. Active participation of Non-executive Directors and Independent Non-executive Directors in the Board as well as Board Committees is essential in achieving corporate goals and objectives and monitoring corporate governance practices.

All Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association and the Listing Rules. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the next annual general meeting after their appointment. As at the date of this report, Independent Non-executive Directors and Non-executive Director form majority of the Board. The Independent Non-executive Directors representing over one-third of the Board and each of the Independent Non-executive Director possesses professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All the Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules save for Mr Vincent Ting Kau Cheung as disclosed below. The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors and still considers them to be independent.

Mr Vincent Ting Kau Cheung was re-designated from a Non-executive Director to an Independent Non-executive Director of the Company with effect from March 30, 2012. The Company satisfied and has demonstrated to the satisfaction of Stock Exchange that the re-designation of Mr Cheung as an Independent Non-executive Director is justified due to the following reasons:-

(a) although Mr Cheung is a Consultant of Vincent T.K. Cheung, Yap & Co. ("VTKCYC", which is one of the Hong Kong legal advisers to the Group since the Company's listing in 1991) and has rendered certain notarial services to the Group in his capacity as a notary public in the past 12 months prior to his re-designation (the "Notarial Services"), the Board confirms that, to the best of its knowledge, information and belief, having made all reasonable enquiries:

(i) any fees payable by the Group for the Notarial Services were payable to VTKCYC only and not to Mr Cheung personally;

(ii) Mr Cheung does not receive any actual income, commission, monetary compensation or other personal interest or benefit which is directly or indirectly related to the payments made by the Group to VTKCYC in respect of the legal advice and services provided by VTKCYC (including the Notarial Services);

(iii) the Notarial Services are highly standardised and formalised in nature and are not materially related to the Group's principal business activities, namely the manufacturing and trading of electrical and electronic products;

(iv) since his cessation as a partner of VTKCYC with effect from November 2, 2005, Mr Cheung is no longer involved in, or held any executive office or functions, with respect to VTKCYC's day-to-day management and operations, nor does he is involved in any profit sharing arrangement among the partners of VTKCYC; and

(v) Mr Cheung's current capacity as a Consultant of VTKCYC is to solely manage his personal caseload on his own account in the name of VTKCYC (which do not include the Group). He has not entered into any employment agreement with VTKCYC and is not a director, partner, principal or employee of VTKCYC.

(b) the Company has made an undertaking to the Stock Exchange that the Group will only engage the other notary publics of VTKCYC for providing notarial services after the re-designation of Mr Cheung.

(c) neither Mr Cheung nor VTKCYC has provided any services in the past 12 months prior to his re-designation to the Company's connected persons (as defined in the Listing Rules), its holding company and its subsidiaries, or the Company's directors, chief executive or their respective associates (as defined in the Listing Rules).

(d) since the listing of the Company in Hong Kong, Mr Cheung has not had and does not have any executive or management role or functions in the Group, nor has he been employed by the Group.

(e) Mr Cheung himself is not a substantial shareholder (as defined in the Listing Rules) of the Company.

(f) Mr Cheung has been a practising solicitor for over 40 years. The Company believes that he is able to exercise his professional judgment and his long and upstanding professional legal background would enable him to carry out his duties as an Independent Non-executive Director impartially and independently.

(g) the re-designation can further enhance the independent element of the Board, which results in additional independent judgment and oversight over the Company's business and operations with the Board comprising of 5 Independent Non-executive Directors out of a total of 11 Directors. This is consistent with the principle in respect of board composition of the Corporate Governance Code.

(h) save for the disclosure above and one of the factors of independence as set out in Rule 3.13 of the Listing Rules, namely Rule 3.13(7), as a result of him being a Director of the Company during two years immediately prior to the date of his re-designation, Mr Cheung is able to confirm his independence to the Stock Exchange in respect of other factors set out in Rule 3.13 of the Listing Rules that the Stock Exchange takes in account in assessing the independence of a non-executive director.

In light of the above, notwithstanding Mr Cheung's relationship with the Company prior to his re-designation, the Company considers that his current connection with the Company in his capacity as a Consultant of VTKCYC is remote, insignificant and immaterial for assessing his independence as an Independent Non-executive Director of the Company and therefore dose not change the overall conclusion of the Company regarding Mr Cheung's independence as detailed above.

Directors' Continuous Professional Development

Regular training, updates and written materials on relevant laws, rules and regulations are provided to Directors to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. To ensure that the Directors' contribution to the Board remains informed and relevant, the Directors are encouraged to participate in various professional development programmes especially in relation to latest updates on relevant rules, regulations and compliance requirements to develop and refresh their knowledge and skills.

According to the records of training provided by the Directors to the Company, all Directors participated in continuous professional development since code provision A.6.5 of the Corporate Governance Code came into effective on April 1, 2012. A summary of training received by each Director from April 1, 2012 throughout the year ended December 31, 2012 are detailed in the following table:-

	Type of Continuous Professional Development Programme		
	Updates on business operations, laws, rules and regulations or corporate governance matters	**Updates on directors' roles, functions and duties**	**Updates on accounting, financial or other professional skills**
Group Executive Directors			
Mr Horst Julius Pudwill	√	√	
Mr Joseph Galli Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr Chi Chung Chan	√	√	√
Mr Stephan Horst Pudwill	√	√	
Non-executive Director			
Prof Roy Chi Ping Chung BBS JP	√	√	√
Independent Non-executive Directors			
Mr Joel Arthur Schleicher	√	√	
Mr Christopher Patrick Langley OBE	√	√	
Mr Manfred Kuhlmann	√	√	
Mr Peter David Sullivan	√	√	
Mr Vincent Ting Kau Cheung	√	√	√

Compliance with the Codes for Securities Transactions

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 confimed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2012.

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

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

Board Meetings

The Board is strictly committed to at least four scheduled meetings in a year and will meet more frequently as and when required. All Directors are given complete and reliable information in a timely manner on the affairs of the Group, and have access all related materials in relation to the Board's issues to enable informed decisions with sufficient details. Directors receive the support from and access to the Company Secretary of the Company (the "Company Secretary") to ensure board procedures and all applicable law, rules and regulations are followed. Each Director is afforded access, on his request, to senior management of the Group and to independent professional advice on performing their duties at the Company's expenses. All Directors receive briefings and professional development training as necessary to ensure a proper understanding of the business of the Group and their responsibilities under statute and at common law.

Five Board meetings were held in 2012. Attendance records of each Director are set out in the section "Board, Board Committee and General Meetings in 2012" at the end of this report. The meeting agenda is set by the Chairman in consultation with members of the Board to include any other matters raised by Directors in advance. Minutes of the Board and Board Committee meetings with sufficient details of matters and concerns discussed are kept in safe custody by the Company Secretary, are sent to the Directors for comment and records and are open for inspection by the Directors. Proposed Board, Board Committee meeting and Annual General Meeting dates for 2013 have been agreed in the Board meeting held in August 2012 to facilitate maximum attendance of Directors.

Board Committees

Three Board committees have been set up, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of these Board Committees has specific written terms of reference which deal clearly with their authority and duties and have been published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk). Independent Non-executive Directors form the majority of all Board Committees with regular attendance and active participation to ensure independent views and opinions contributed and expressed at the Board Committee meetings. In order to monitor and oversee the delegated authority and responsibilities, the Board received regular reports about the activities and decisions of the Board Committees. Attendance records of each Board Committee are set out in the section "Board, Board Committee and General Meetings in 2012".

Audit Committee

The Audit Committee is comprised of three members, all of them are Independent Non-executive Directors, being Mr Peter David Sullivan, Mr Joel Arthur Schleicher and Mr Manfred Kuhlmann, and is chaired by Mr Peter David Sullivan. Each member of the Audit Committee has professional, financial, or accounting qualifications as required under Rule 3.10 of the Listing Rules.

The major objectives of the Audit Committee are to ensure the effectiveness of internal control system and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations and to oversee the integrity of the financial statements of the Company. The Audit Committee is also directly responsible on behalf of the Board for the selection, oversight and remuneration of the Company's external auditors; the assessment of the independence and qualifications of the external auditors; the oversight of the performance of the Company's external auditors and the maintenance of an appropriate relationship with the external auditors.

The Audit Committee held four meetings during 2012 and performed duties summarized below:-

- review the interim and annual financial statements of the Group before submission to the Board.
- review the Group's significant financial matters, internal controls, the Group's accounting principles and practices, and financial reporting matters.
- review the audit and non-audit services provided by the external auditors, and recommended the re-appointment of the external auditors.
- perform regular update and review on internal audit of the Group.
- review and make recommendations to the Board on the revision of the terms of reference of the Audit Committee.

Nomination Committee

The Nomination Committee is comprised of four members, and is chaired by Mr Horst Julius Pudwill (Chairman), the other members are Independent Non-executive Directors, being Mr Vincent Ting Kau Cheung, Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann.

The main objectives of the Nomination Committee are to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitably qualified candidates and make recommendations for consideration of the Board and shareholders. While considering suitable candidates of directors, the Nomination Committee would consider professional knowledge, industry experience, personal skills, ethics and integrity as well as the ability to contribute sufficient time and attention to the Board.

The Nomination Committee held two meetings during 2012. The work performed by the Nomination Committee during 2012 with sufficient resources provided by the Company and/ or independent professional advice if necessary, included:-

- review of the structure, size and composition of the Board and the existing Nomination Policy on a regular basis.
- review and make recommendations to the Board on the revision of the terms of reference of the Nomination Committee.
- assess the independence of Independent Non-executive Directors.
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2012 Annual General Meeting.

Remuneration Committee

The Remuneration Committee is comprised of five members, and is chaired by Mr Vincent Ting Kau Cheung, the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Joel Arthur Schleicher and Mr Peter David Sullivan. As at the date of this report, all members of the Remuneration Committee are Independent Non-executive Directors.

The Remuneration Committee has been established to assist the Board in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group as well as the remuneration of Directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications, and competence, and having regard to the Company's operating results, individual performance, and comparable market statistics.

The Remuneration Committee makes recommendations to the Board on, the remuneration packages of Executive Directors and senior management, including, without limitation, base salaries, bonuses, benefits in kind and compensation payments. The Remuneration Committee also makes recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee reports directly to the Board on its decisions or recommendations, and consults the Chairman and/or Chief Executive Officer for the proposals of other Executive Directors' remuneration packages with access to sufficient resources and professional advices if necessary.

The Remuneration Committee held three meetings and performed, among other things, the following during 2012:-

- review and make recommendations on the existing remuneration policy, including assess the performance and remuneration package of Executive Directors.
- review and recommend to the Board to approve on the revision of the terms of reference of the Remuneration Committee.
- review the service contract of Directors to ensure compliance with the latest changes in the Corporate Governance Code.

With the recommendation of the Remuneration Committee, the Board has agreed to grant 1,000,000 phantom options to each of Mr Kin Wah Chan and Mr Chi Chung Chan as bonus on August 16, 2012. The grant date was on August 17, 2012 (the "Grant Date"). 50% of the said phantom options will vest at the first anniversary of the Grant Date and the rest 50% will vest at the second anniversary of the Grant Date. No share will be issued and only the difference between the closing price on the Grant Date and the closing price on the related anniversary times the related phantom options would be given to the concerned Directors as bonus.

Company Secretary

All Directors receive the support from and access to the Company Secretary to ensure board procedures and all applicable law, rules and regulations are followed. The Company Secretary is an employee of the Company and is appointed by the Board. During 2012, the Company Secretary received over 15 hours of professional training to develop and refresh her skills and knowledge.

Accountability and Audit

The Board acknowledges its responsibility for overseeing the preparation of the accounts of the Group which give a true and fair view of the Group's state of affairs, results and cash flows for the year.

The Board will present a balanced, clear and understandable assessment of annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

Internal Controls

The Board is responsible for maintaining sound and effective internal control system and approving and reviewing key internal control policies including delegated authorities, policy on market disclosure and investor relations, non-audit services and treasury management policy. The Board conducted an annual review of the effectiveness of the internal control system of the Company during 2012. An internal control system is designed to provide reasonable, but not absolute assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operational systems.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's internal control system that has been put in place. The reviews covering financial, operational, compliance controls as well as risk management performed in 2012 included:

- the organization structure and delegated authorities.
- the performance and adequacy of accounting and financial reporting functions.
- the strategic and annual operating plan.
- the effectiveness of the Company's procedures relating to statutory and regulatory compliance.
- the scope and quality of management's ongoing monitoring of risks and system of internal control.
- the risk management process including formal risk assessment at the enterprise level upon discussions with senior management responsible for day-to-day management of significant risks.

External Auditors

The external auditors of the Group is Deloitte Touche Tohmatsu, and in 2012, Deloitte Touche Tohmatsu provided the following audit and non-audit services to the Group:

Nature of Services	Amount (USD million)
External Audit Services	2.6
Taxation Services	0.1
Other Services	0.0

The other services provided by Deloitte Touche Tohmatsu comprised professional services conducted under the terms of specified engagements.

To ensure the independence of the external auditors, the nature and ratio of annual fees to external auditors for audit services and non-audit services are subject to scrutiny by the Audit Committee. All non-audit services from external auditors are regulated by a Policy on Non-Audit Services published on the Company's website (www.ttigroup.com).

To enhance independent reporting by external auditors of the Group, members of the Audit Committee and the external auditors of the Group meet without the presence of the management of the Group twice a year. In order to maintain effective communication with shareholders, the external auditors attended the 2012 Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Investor Relations and Shareholder Communications

The Company aims to maintain effective communication and on-going dialogue with its shareholders and investors particularly through the following major means:-

Shareholders' Communication Policy

The Shareholders' Communication Policy, which primarily covered the current practices for communicating with the shareholders and published on the Company's website (www.ttigroup.com), has been adopted by the Board on March 22, 2012. All the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations conducted at press conferences, which published on the Company's website (www.ttigroup.com), provide timely, efficient and accurate information to the shareholders and investors. Essential information is communicated to the shareholders mainly through the Company's financial reports, general meetings and the information published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk). In addition, the Company holds regular meetings with institutional shareholders and analysts and encourages shareholders to attend annual general meetings to communicate with Directors and management of the Company directly.

A Policy on Market Disclosure, Investor and Media Relations, published on the Company's website (www.ttigroup.com), ensures that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

Shareholders' Rights

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Article 66 of the Articles of Association of the Company and Section 113 of the Companies Ordinance (Chapter 32 of the laws of Hong Kong), shareholders holding at the date of deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of deposit carries the right of voting at general meetings of the Company (the "Requisitionists"), may request the Directors to convene an extraordinary general meeting. The written requisition must state the objects of the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company which is currently located at 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the Requisitionists.

Convening of extraordinary general meeting on requisition by shareholders *(continued)*

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. Any reasonable expenses incurred by the Requisitionists by reason of the failure of the Directors duly to convene a meeting shall be repaid to the Requisitionists by the Company.

Procedure for nominating a person for election as a Director

For the detailed procedure for shareholders to nominate a person to stand for election as a director, please refer to the written procedure named "Nomination of Directors by Shareholder" which was published on the Company's website (www.ttigroup.com).

Procedure for directing shareholders' enquiries to the Board

The Company values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Shareholders may address their comments, suggestions and/ or enquires to the Board in writing through Investor Relations and Communication, contact details are set out in the section "Corporate Information" of this annual report.

Procedure for putting forward proposals at general meetings

Pursuant to Section 115A of the Companies Ordinance (Chapter 32 of the laws of Hong Kong), shareholders may submit a written requisition to move a resolution at an annual general meeting ("AGM") if they (a) represent not less than one-fortieth of the of the total voting rights of all shareholders having at the date of the requisition a right to vote at the AGM; or (b) are no less than 50 shareholders holding the shares of the Company on which there has been paid up an average sum, per shareholder, of not less than HKD2,000.

The written requisition must (a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the AGM; (b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form); (c) be deposited at the registered office of the Company set out in the section "Convening of extraordinary general meeting on requisition by shareholders" for the attention of the Company Secretary not less than 6 weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than 1 week before the AGM in the case of any other requisition; and (d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules.

Changes in Constitutional Document

In view of the amendments to the Listing Rules which come into effect during the course of 2012, the Board proposed amendments to the Articles of Association of the Company and a special resolution was passed at the 2012 Annual General Meeting to give effect to: (i) to allow the Chairman at a general meeting to exempt certain prescribed procedural or administrative matters from voting by poll; (ii) to remove the exemption for voting by a Director on a Board resolution in which such a Director has an aggregate beneficial interest of not more than 5%; and (iii) to require a physical Board meeting in lieu of a written resolution where a substantial shareholder of the Company or a Director has a material conflict of interest in a matter or business to be considered by the Board. The constitutional document of the Company was published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

Board, Board Committee and General Meetings in 2012

A summary of attendance of Board, Board Committee and general meetings in 2012 are detailed in the following table:

	Meetings attended/Held in 2012				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting(s)
Number of meetings held during the year	5	4	2	3	1
Group Executive Directors					
Mr Horst Julius Pudwill	5/5		2/2		1/1
Mr Joseph Galli Jr	5/5				1/1
Mr Kin Wah Chan	5/5				1/1
Mr Chi Chung Chan	5/5				1/1
Mr Stephan Horst Pudwill	5/5				1/1
Non-executive Director					
Prof Roy Chi Ping Chung BBS JP	5/5				1/1
Independent Non-executive Directors					
Mr Joel Arthur Schleicher	5/5	4/4		3/3	1/1
Mr Christopher Patrick Langley OBE	5/5		2/2	3/3	0/1(2)
Mr Manfred Kuhlmann	5/5	4/4	2/2	3/3	1/1
Mr Peter David Sullivan	5/5	4/4		3/3	1/1
Mr Vincent Ting Kau Cheung(1)	5/5		2/2	3/3	1/1
Date(s) of meeting(s)	January 19, 2012 March 22, 2012 May 17, 2012 August 16, 2012 December 12, 2012	January 19, 2012 March 20, 2012 May 17, 2012 August 15, 2012	March 21, 2012 August 15, 2012	March 21, 2012 May 18, 2012 August 15, 2012	May 18, 2012

Notes:

(1) Mr Vincent Ting Kau Cheung re-designated from Non-executive Director to Independent Non-executive Director with effect from March 30, 2012.

(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.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2012.

Principal Activities

The Company acts as an investment holding company.

The principal activities of the principal subsidiaries and associates are set out in Notes 53 and 54 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended December 31, 2012 are set out in the consolidated statement of comprehensive income on page 58.

An interim dividend of HK6.75 cents (approximately US0.87 cent) per share amounting to approximately USD15,838,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK10.75 cents (approximately US1.38 cents) per share to the shareholders on the register of members on May 31, 2013, amounting to approximately USD25,306,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately USD15,681,000 on moulds and tooling and acquired office equipment, furniture and fixtures for approximately USD7,944,000 and plant and machinery for approximately USD8,549,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 43 to the financial statements.

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.

Directors

The directors of the Company during the year and up to the date of this report were:

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
Mr Kin Wah Chan
Mr Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Director:

Prof Roy Chi Ping Chung BBS JP

Independent Non-executive Directors:

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung
(re-designated from Non-executive Director to Independent Non-executive Director with effect from March 30, 2012)

In accordance with Article 103 of the Company's Articles of Association, Messrs. Kin Wah Chan, Roy Chi Ping Chung BBS JP, Joel Arthur Schleicher and Christopher Patrick Langley OBE will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests

As at December 31, 2012, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as adopted by the Company, were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives)[1]	Interests in underlying shares pursuant to equity derivatives[1]	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	145,361,000	1,770,000	401,050,794	21.93%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	253,159,794[2]	—		
Mr Joseph Galli Jr	Beneficial owner	849,500	1,000,000	1,849,500	0.10%
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr Chi Chung Chan	Beneficial owner	300,000	—	300,000	0.02%
Mr Stephan Horst Pudwill	Beneficial owner	4,859,500	1,000,000	5,859,500	0.32%
Prof Roy Chi Ping Chung BBS JP	Beneficial owner	51,405,948	600,000	89,080,978	4.87%
	Interests of controlled corporation	37,075,030[3]	—		
Mr Joel Arthur Schleicher	Beneficial owner	107,000	850,000	957,000	0.05%
Mr Christopher Patrick Langley OBE	Beneficial owner	1,000,000	450,000	1,450,000	0.08%
Mr Manfred Kuhlmann	Beneficial owner	—	350,000	350,000	0.02%
Mr Peter David Sullivan	Beneficial owner	—	850,000	850,000	0.05%
Mr Vincent Ting Kau Cheung	Beneficial owner	2,920,000	850,000	3,770,000	0.21%

Directors' and Chief Executive's Interests *(continued)*

Notes:

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

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

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

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

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

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

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2012.

Share Options

Scheme adopted on March 28, 2002 ("Scheme C")

Scheme C was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. Under Scheme C, 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) Non-executive Directors (including Independent Non-executive Directors); or

(iii) suppliers or customers; or

(iv) any person or entity that provides research, development or other technological support; or

(v) shareholders.

Share options granted must be taken up within 21 days of the date of grant upon payment of HKD1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the fifth 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; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, 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) Non-executive Directors (including Independent Non-executive Directors or Officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 in cash by way of consideration 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; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

The following table discloses movements in the Company's share options during the year:

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 HKD	Exercise period
Directors									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 – 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 – 25.11.2020
	21.5.2012	D	—	570,000	—	—	570,000	8.742	21.5.2012 – 20.5.2022
Mr Joseph Galli Jr	6.3.2007	C	1,000,000	—	—	(1,000,000)	—	10.572	6.3.2007 – 5.3.2012
	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Kin Wah Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Chi Chung Chan	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 – 15.11.2019
Mr Stephan Horst Pudwill	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 – 15.11.2019
	21.5.2012	D	—	1,000,000	—	—	1,000,000	8.742	21.5.2012 – 20.5.2022
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 – 15.11.2019
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Christopher Patrick Langley OBE	16.11.2009	D	400,000	—	(400,000)	—	—	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Manfred Kuhlmann	16.11.2009	D	400,000	—	(400,000)	—	—	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	(100,000)	—	100,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Peter David Sullivan	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Total for directors			**9,800,000**	**2,820,000**	**(2,900,000)**	**(1,000,000)**	**8,720,000**		

Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

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 HKD	Exercise period
Employees	1.1.2007	C	150,000	—	—	(150,000)	—	10.080	1.1.2007 – 31.12.2011
	6.3.2007	C	4,325,000	—	—	(4,325,000)	—	10.572	6.3.2007 – 5.3.2012
	20.7.2007	D	200,000	—	(200,000)	—	—	10.060	20.7.2007 – 19.7.2017
	24.8.2007	D	2,060,000	—	(880,000)	—	1,180,000	8.390	24.8.2007 – 23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007 – 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 – 6.11.2017
	23.11.2007	D	500,000	—	(500,000)	—	—	7.578	23.11.2007 – 22.11.2017
	14.1.2008	D	970,000	—	(265,000)	(100,000)	605,000	7.566	14.1.2008 – 13.1.2018
	17.4.2008	D	1,575,000	—	(425,000)	(375,000)	775,000	7.780	17.4.2008 – 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 – 13.5.2018
	30.5.2008	D	490,000	—	(24,000)	(40,000)	426,000	7.546	30.5.2008 – 29.5.2018
	1.9.2008	D	150,000	—	(150,000)	—	—	7.450	1.9.2008 – 31.8.2018
	11.9.2008	D	50,000	—	—	—	50,000	7.430	11.9.2008 – 10.9.2018
	2.10.2008	D	75,000	—	(75,000)	—	—	7.068	2.10.2008 – 1.10.2018
	1.12.2008	D	100,000	—	—	—	100,000	2.340	1.12.2008 – 30.11.2018
	16.11.2009	D	7,080,000	—	(2,245,000)	(1,265,000)	3,570,000	6.770	16.11.2009 – 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 – 6.12.2019
	21.12.2009	D	225,000	—	(75,000)	(100,000)	50,000	6.350	21.12.2009 – 20.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 – 27.12.2019
	13.9.2010	D	1,050,000	—	(550,000)	—	500,000	7.390	13.9.2010 – 12.9.2020
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 – 16.1.2021
	16.12.2011	D	100,000	—	—	(100,000)	—	7.530	16.12.2011 – 15.12.2021
Total for employees			**19,405,000**	**—**	**(5,389,000)**	**(6,455,000)**	**7,561,000**		
Total for all categories			**29,205,000**	**2,820,000**	**(8,289,000)**	**(7,455,000)**	**16,281,000**		

The weighted average closing prices of shares immediately before the options grant date during 2012 and 2011 were HKD8.65 and HKD9.70 respectively.

The closing price of the Company's shares immediately before the date of grant was HKD8.65 in 2012 and ranged from HKD7.30 to HKD10.04 in 2011.

The weighted average closing prices of the Company's shares immediately before various dates during 2012 and 2011 on which the share options were exercised were HKD14.12 and HKD10.10 respectively.

The fair values of the share options granted in 2012 and 2011 measured at the date of grant was HKD2.11 and ranged from HKD1.92 to HKD2.58 per option respectively.

Arrangements to Purchase Shares or Debentures

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

Director's Interests in Contracts of Significance

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

Substantial Shareholders' Interests

As at December 31, 2012, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares (L/S/LP)*		Approximate aggregate percentage of interests
FIL Limited[1]	128,190,784	(L)	7.01%
JPMorgan Chase & Co.[2]	147,423,985	(L)	8.06%
	1,600,000	(S)	0.09%
	125,780,084	(LP)	6.88%
The Capital Group Companies, Inc.[3]	97,062,500	(L)	5.31%

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

Notes:

(1) The capacity of FIL Limited in holding the 128,190,784 shares was as investment manager.

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

Name	Remarks	Total interests in shares				
		Direct interests	(L/S)	Deemed interests	(L/S/LP)	Approximate percentage of interests
JPMorgan Chase & Co.	(2a)	—	—	147,423,985	(L)	8.06%
		—	—	1,600,000	(S)	0.09%
		—	—	125,780,084	(LP)	6.88%
JPMorgan Chase Bank, N.A.	(2b)	125,780,084	(L)	1,642,401	(L)	6.97%
		—	—	1,600,000	(S)	0.09%
J.P. Morgan Securities plc	(2b)	1,620,000	(L)	—	—	0.09%
		1,600,000	(S)	—	—	0.09%
J.P. Morgan Chase International Holdings	(2b)	—	—	1,620,000	(L)	0.09%
		—	—	1,600,000	(S)	0.09%
J.P. Morgan Chase (UK) Holdings Limited	(2b)	—	—	1,620,000	(L)	0.09%
		—	—	1,600,000	(S)	0.09%
J.P. Morgan Capital Holdings Limited	(2b)	—	—	1,620,000	(L)	0.09%
		—	—	1,600,000	(S)	0.09%
J.P. Morgan International Finance Limited	(2b)	—	—	1,642,401	(L)	0.09%
		—	—	1,600,000	(S)	0.09%
Bank One International Holdings Corporation	(2b)	—	—	1,642,401	(L)	0.09%
		—	—	1,600,000	(S)	0.09%
J.P. Morgan International Inc.	(2b)	—	—	1,642,401	(L)	0.09%
		—	—	1,600,000	(S)	0.09%
JF Asset Management Limited	(2b)	18,746,500	(L)	—	—	1.02%
JPMorgan Asset Management (Asia) Inc.	(2b)	—	—	20,001,500	(L)	1.09%
JPMorgan Asset Management Holdings Inc.	(2b)	—	—	20,001,500	(L)	1.09%
J.P. Morgan Whitefriars Inc.	(2b)	22,401	(L)	—	—	0.00%
J.P. Morgan Overseas Capital Corporation	(2b)	—	—	22,401	(L)	0.00%
JPMorgan Asset Management (Taiwan) Limited	(2b)	1,255,000	(L)	—	—	0.07%

Substantial Shareholders' Interests *(continued)*

Notes: *(continued)*

Remarks:

(2a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 147,423,985 shares of long position, 1,600,000 shares of short position and 125,780,084 shares of lending pool respectively was as controlled corporation.

(2b) JPMorgan Chase Bank, N.A., J.P. Morgan Securities plc, J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation and JPMorgan Asset Management (Taiwan) Limited were all direct or indirect owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

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

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S)**	**Deemed interests**	**(L/S)**	**Approximate percentage of interests**
The Capital Group Companies, Inc.	(3a)	—	—	97,062,500	(L)	5.31%
Capital Research and Management Company	(3b)	97,062,500	(L)	—	—	5.31%

Remarks:

(3a) The capacity of The Capital Group Companies, Inc. in holding the 97,062,500 shares of long position was as controlled corporation.

(3b) Capital Research and Management Company was direct owned by The Capital Group Companies, Inc. and by virtue of the SFO, The Capital Group Companies, Inc. was deemed to be interested in the shares held by the subsidiary.

Save as disclosed, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at December 31, 2012.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2012.

Donations

During the year, the Group made charitable and other donations totalling USD542,000.

Auditor

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Horst Julius Pudwill
Chairman
Hong Kong

March 21, 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF TECHTRONIC INDUSTRIES COMPANY LIMITED
創科實業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 160, which comprise the consolidated and Company statements of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 21, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

	Notes	2012 USD'000	2011 USD'000 (Restated)
Turnover	6	**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	7	**3,391**	9,419
Interest income	8	**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	9	**(45,627)**	(63,093)
Profit before share of results of associates and taxation		**222,246**	161,704
Share of results of associates	22	**—**	(347)
Profit before taxation		**222,246**	161,357
Taxation charge	10	**(22,139)**	(9,242)
Profit for the year	11	**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
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)	15		
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	16	**384,154**	360,082
Lease prepayments	17	**36,133**	36,432
Goodwill	18	**531,160**	530,856
Intangible assets	19	**399,067**	371,275
Interests in associates	22	**17,724**	20,165
Available-for-sale investments	23	**1,270**	1,269
Deferred tax assets	46	**73,892**	73,633
		1,443,400	1,393,712
Current assets			
Inventories	24	**688,576**	704,419
Trade and other receivables	25	**688,923**	673,457
Deposits and prepayments		**73,621**	72,897
Bills receivable	26	**48,644**	35,760
Tax recoverable		**8,534**	12,361
Trade receivables from associates	28	**46**	205
Derivative financial instruments	29	**5,706**	8,867
Held-for-trading investments	30	**5,980**	8,288
Bank balances, deposits and cash	31	**617,648**	459,650
		2,137,678	1,975,904
Current liabilities			
Trade and other payables	32	**710,491**	618,863
Bills payable	33	**39,222**	42,991
Warranty provision	34	**42,395**	44,748
Trade payable to an associate	35	**—**	4,037
Tax payable		**18,698**	10,937
Derivative financial instruments	29	**11,697**	9,002
Restructuring provision	36	**527**	3,743
Obligations under finance leases - due within one year	37	**1,154**	1,730
Discounted bills with recourse	38	**432,633**	518,897
Unsecured borrowings - due within one year	41	**298,890**	194,025
Convertible bonds	42	**—**	134,001
Bank overdrafts	31	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	Notes	2012 USD'000	2011 USD'000
Capital and Reserves			
Share capital	43	**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	37	**4,071**	4,755
Unsecured borrowings - due after one year	41	**348,692**	396,877
Retirement benefit obligations	45	**93,322**	82,937
Deferred tax liabilities	46	**15,677**	27,973
		461,762	512,542
Total equity and non-current liabilities		**2,018,284**	1,766,670

The financial statements on pages 58 to 160 were approved and authorised for issue by the Board of Directors on March 21, 2013 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	Notes	2012 USD'000	2011 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**2,122**	3,774
Intangible assets	19	**5,909**	14,710
Investments in subsidiaries	21	**404,481**	389,074
Loans to subsidiaries	21	**546,422**	536,347
Interests in associates	22	**16,436**	21,323
Available-for-sale investments	23	**218**	218
		975,588	965,446
Current assets			
Inventories	24	**573**	1,582
Trade and other receivables	25	**8,005**	11,364
Deposits and prepayments		**3,803**	6,401
Tax recoverable		**—**	3,323
Amounts due from subsidiaries	27	**961,475**	813,857
Derivative financial instruments	29	**49**	2,998
Held-for-trading investments	30	**5,980**	8,288
Bank balances, deposits and cash	31	**44,978**	27,032
		1,024,863	874,845
Current liabilities			
Trade and other payables	32	**20,966**	14,901
Warranty provision	34	**—**	245
Derivative financial instruments	29	**5,970**	7,605
Amounts due to subsidiaries	27	**513,587**	338,475
Unsecured borrowings - due within one year	41	**118,023**	80,793
Convertible bonds	42	**—**	134,001
		658,546	576,020
Net current assets		**366,317**	298,825
Total assets less current liabilities		**1,341,905**	1,264,271

STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	Notes	2012 USD'000	2011 USD'000
Capital and Reserves			
Share capital	43	**23,461**	20,533
Reserves	44	**1,064,695**	980,020
		1,088,156	1,000,553
Non-current Liabilities			
Unsecured borrowings - due after one year	41	**253,749**	263,094
Deferred tax liabilities	46	**—**	624
		253,749	263,718
Total equity and non-current liabilities		**1,341,905**	1,264,271

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2012

	Attributable to Owners of the Company										Attributable to non-controlling Interests	
	Share capital USD'000	Share premium USD'000	Capital redemption reserve USD'000	Convertible bonds equity reserve USD'000	Translation reserve USD'000	Employee share-based compensation reserve USD'000	Defined benefit obligations remeasurement reserve USD'000	Hedging reserve USD'000	Retained profits USD'000	Total USD'000	Share of net assets of subsidiaries USD'000	Total USD'000
At January 1, 2011 (Originally stated)	20,598	459,866	56	8,833	(8,701)	7,451	—	—	626,656	1,114,759	14,948	1,129,707
Effect of changes in accounting policies (Note 2)	—	—	—	—	—	—	15,024	—	(15,024)	—	—	—
At January 1, 2011 (Restated)	20,598	459,866	56	8,833	(8,701)	7,451	15,024	—	611,632	1,114,759	14,948	1,129,707
Profit for the year	—	—	—	—	—	—	—	—	152,009	152,009	106	152,115
Remeasurement of defined benefit obligations	—	—	—	—	—	—	(1,183)	—	—	(1,183)	—	(1,183)
Exchange differences on translation of foreign operations	—	—	—	—	5,588	—	—	—	—	5,588	55	5,643
Other comprehensive income (loss) for the year	—	—	—	—	5,588	—	(1,183)	—	—	4,405	55	4,460
Total comprehensive income (loss) for the year	—	—	—	—	5,588	—	(1,183)	—	152,009	156,414	161	156,575
Shares issued at premium on exercise of options	6	506	—	—	—	(91)	—	—	—	421	—	421
Repurchase of shares	(71)	—	71	—	—	—	—	—	(3,817)	(3,817)	—	(3,817)
Recognition of equity-settled share-based payments	—	—	—	—	—	1,053	—	—	—	1,053	—	1,053
Lapse of share options	—	—	—	—	—	(1,805)	—	—	1,805	—	—	—
Final dividend - 2010	—	—	—	—	—	—	—	—	(12,907)	(12,907)	—	(12,907)
Interim dividend - 2011	—	—	—	—	—	—	—	—	(10,347)	(10,347)	(6,557)	(16,904)
At December 31, 2011 (Restated)	20,533	460,372	127	8,833	(3,113)	6,608	13,841	—	738,375	1,245,576	8,552	1,254,128
Profit (loss) for the year	—	—	—	—	—	—	—	—	200,991	200,991	(884)	200,107
Remeasurement of defined benefit obligations	—	—	—	—	—	—	(9,629)	—	—	(9,629)	—	(9,629)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	(1,254)	—	(1,254)	—	(1,254)
Exchange differences on translation of foreign operations	—	—	—	—	4,232	—	—	—	—	4,232	(23)	4,209
Other comprehensive (loss) income for the year	—	—	—	—	4,232	—	(9,629)	(1,254)	—	(6,651)	(23)	(6,674)
Total comprehensive (loss) income for the year	—	—	—	—	4,232	—	(9,629)	(1,254)	200,991	194,340	(907)	193,433
Shares issued at premium on exercise of options	107	9,388	—	—	—	(1,772)	—	—	—	7,723	—	7,723
Repurchase of shares	(56)	—	56	—	—	—	—	—	(5,653)	(5,653)	—	(5,653)
Recognition of equity-settled share-based payments	—	—	—	—	—	578	—	—	—	578	—	578
Lapse of share options	—	—	—	—	—	(2,201)	—	—	2,201	—	—	—
Deferred tax liability on remeasurement of defined benefit obligations	—	—	—	—	—	—	2,962	—	—	2,962	—	2,962
Conversion of convertible bonds	2,877	143,330	—	(8,833)	—	—	—	—	—	137,374	—	137,374
Final dividend - 2011	—	—	—	—	—	—	—	—	(18,185)	(18,185)	—	(18,185)
Interim dividend - 2012	—	—	—	—	—	—	—	—	(15,838)	(15,838)	—	(15,838)
At December 31, 2012	23,461	613,090	183	—	1,119	3,213	7,174	(1,254)	901,891	1,548,877	7,645	1,556,522

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2012

	2012 USD'000	2011 USD'000 (Restated)
Operating Activities		
Profit before taxation	**222,246**	161,357
Adjustments for:		
Amortisation/write-off of intangible assets	**56,690**	49,095
Amortisation of lease prepayments	**783**	765
Depreciation on property, plant and equipment	**73,115**	69,897
Employee share-based expense	**578**	1,053
Finance costs	**45,627**	63,093
Impairment loss on trade receivables	**3,428**	2,992
Write down of inventories	**15,280**	8,259
Interest income	**(8,629)**	(5,055)
Gain on disposal of an associate	**(1,149)**	—
Loss (gain) on disposal of property, plant and equipment	**4,392**	(4,990)
Share of the results of associates	**—**	347
Fair value (gain) loss on interest rate swap	**(101)**	2,425
Fair value loss on a warrant	**222**	330
Fair value loss on foreign currency forward contracts	**4,481**	3,314
Fair value loss on held-for-trading investments	**2,308**	2,444
Operating cash flows before movements in working capital	**419,271**	355,326
Increase in inventories	**(3,092)**	(67,715)
Increase in trade and other receivables, deposits and prepayments	**(24,143)**	(64,011)
(Increase) decrease in bills receivable	**(12,492)**	2,827
Decrease (increase) in trade receivables from associates	**159**	(166)
Increase in trade and other payables	**95,635**	132,220
Decrease in bills payable	**(3,765)**	(12,426)
Decrease in restructuring provision	**(3,202)**	(18,927)
Decrease in warranty provision	**(2,709)**	(2,802)
Decrease in trade payable to an associate	**(4,037)**	(106)
Increase (decrease) in retirement benefit obligations	**598**	(6,853)
Cash generated from operations	**462,223**	317,367
Interest paid	**(44,982)**	(56,316)
Hong Kong Profits Tax paid	**(7,406)**	(4,449)
Overseas tax paid	**(22,448)**	(10,368)
Hong Kong Profits Tax refunded	**6,491**	139
Overseas tax refunded	**7,092**	8,916
Net Cash from Operating Activities	**400,970**	255,289

	2012 USD'000	2011 USD'000 (Restated)
Investing Activities		
Purchase of property, plant and equipment	**(102,427)**	(94,570)
Additions to intangible assets	**(84,482)**	(66,128)
Repayment from associates	**1,635**	3,643
Interest received	**8,629**	5,055
Proceeds from disposal of an associate	**2,000**	—
Proceeds from disposal of property, plant and equipment	**4,231**	13,053
Net Cash Used in Investing Activities	**(170,414)**	(138,947)
Financing Activities		
New bank loans obtained	**792,931**	351,754
Proceeds from issue of shares	**7,723**	421
Repayment of bank loans	**(703,842)**	(566,201)
Repayment of fixed interest rate notes	**(30,000)**	(5,625)
Repurchase of shares	**(5,653)**	(3,817)
Dividends paid	**(34,023)**	(23,254)
Dividends paid to non-controlling shareholders of subsidiaries	**—**	(6,557)
Repayment of obligations under finance leases	**(1,773)**	(3,004)
(Decrease) increase in discounted bills with recourse	**(86,211)**	106,099
Decrease in trust receipt loans	**(2,828)**	(20,590)
Net Cash Used in Financing Activities	**(63,676)**	(170,774)
Net Increase (Decrease) in Cash and Cash Equivalents	**166,880**	(54,432)
Cash and Cash Equivalents at Beginning of the Year	**439,678**	490,543
Effect of Foreign Exchange Rate Changes	**4,003**	3,567
Cash and Cash Equivalents at End of the Year	**610,561**	439,678
Analysis of the Balances of Cash and Cash Equivalents		
Represented by:		
Bank balances, deposits and cash	**617,648**	459,650
Bank overdrafts	**(7,087)**	(19,972)
	610,561	439,678

1. General

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 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong.

The principal activities of the Group are the manufacturing and trading of electrical and electronic products.

The functional currency of the Company is United States dollars. The presentation currency has been changed from Hong Kong Dollars to United States Dollars in 2011 so as to be consistent with the functional currency of the Company.

2. Application of New and Revised 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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

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. The relevant disclosures have been made in Note 40.4 regarding the transfer of these trade receivables on application of the amendments to HKFRS 7.

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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

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) USD'000	Adjustments USD'000	2011 (Restated) 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) USD'000	Adjustments USD'000	As at January 1, 2012 (Restated) 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 2011 US cents	Impact on diluted earnings per share 2011 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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments *(continued)*

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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

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.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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 (effective from January 1, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. Where certain assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Significant Accounting Policies *(continued)*

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 recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised 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 Share-based Payment at the acquisition date (see the accounting policy below); and
- 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.

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 recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity'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 recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from 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, with the corresponding adjustments made against goodwill. 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 changes in the fair value of 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 at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Business Combinations *(continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash generating unit 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 pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies *(continued)*

Interests in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of profit or loss of an associate equals or exceeds its 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 recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised 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 recognised 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) when it loses significant influence over that associate.

Where a group entity transacts with its associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in associates are included in the Company's statement of financial position at cost less any identified impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

3. 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 amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised 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 recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation 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 (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and Development Expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised 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.

3. Significant Accounting Policies *(continued)*

Intangible Assets *(continued)*

Research and Development Expenditure *(continued)*

The amount initially recognised 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. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group and the Company as lessee

Assets held under finance leases are recognised as assets of the Group and the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidation statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group and the Company assess the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group or the Company, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. Significant Accounting Policies *(continued)*

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and defined 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised 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 derecognised.

Impairment Losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group and the Company review the carrying amounts of its assets 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 asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The 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 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or a cash generating unit 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 recognised for the asset or a cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, bills receivable, trade receivables from associates, loans to subsidiaries, amounts due from subsidiaries and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and trade receivables from associates, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 120 days, or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and trade receivables from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Financial Liabilities and Equity

Financial liabilities and equity instruments issued by a group entity 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 the Group and the Company after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity *(continued)*

Convertible bonds

Convertible bonds issued by the Group and the Company that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as an equity instrument. Embedded derivatives, including early redemption options, which are closely related to the liability components are not separately accounted for.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in the convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in the convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Upon early redemption of the convertible bonds, the early redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued. Differences between the fair value and the carrying amount of the liability component will be recognised in profit or loss. The difference between the early redemption consideration and the fair value of the liability component will be included in equity (convertible bonds equity reserve) and released to retained profits.

Other financial liabilities

Other financial liabilities (including unsecured borrowings, trade and other payables, bills payable, trade payable to an associate, discounted bills with recourse, bank overdrafts and amounts due to subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised 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 recognised 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.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Hedge accounting

The Group designates certain derivatives as hedges of highly probable forecast transactions for foreign currency exposure (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.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised 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 original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group and the Company derecognise 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 and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Derecognition *(continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that the Group and the Company 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).

A provision for warranties is recognised at the time the products are sold based on the estimated cost using historical data for the level of repairs and replacements.

A provision for restructuring is recognised in the consolidated statement of financial position on condition that the Group has a detailed formal plan and has raised a valid expectation to those affected that the plan will be carried out, either by starting to implement that plan or by announcing its main features to those affected.

For a provision in relation to employee termination benefits, the liability and expenses are recognised when the Group committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated 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.

3. Significant Accounting Policies *(continued)*

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold by the Group and the Company to outside customers in the normal course of business, less returns and allowances, and commission income and royalty income received.

Turnover from sales of goods is recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

Royalty income is recognised on a time proportion basis in accordance with the terms of the relevant agreements.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

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 comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company'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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such assets and liabilities are not recognised 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.

Deferred tax liabilities are recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised 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.

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 recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on 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. United States dollars) 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 recognised 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 reattributed to non-controlling interests and are not recognised 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 recognised in the translation reserve.

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. 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Equity-Settled Share-Based Payment Transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of each reporting period, the Group and the Company revise its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, such that the cumulative expenses reflecting the revised estimate, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

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

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 schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately as other comprehensive income in the period in which they occur. Past service cost, including the unvested benefits, is recognised immediately in profit or loss. Net interest is calculated by applying the discount rate to the net defined benefits liability or assets.

The retirement benefit obligations recognised 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.

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

4. Key Sources of Accounting Estimates

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects 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 the value in use 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. As at December 31, 2012, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately USD531,160,000 (2011: USD530,856,000) and approximately USD177,555,000 (2011: USD177,555,000) respectively. Details of the recoverable amount calculation are disclosed in Note 20.

Useful Lives and Estimated Impairment of Deferred Development Costs

As at December 31, 2012, the carrying amount of deferred development costs of the Group and the Company is USD182,571,000 (2011: USD162,332,000) and USD5,909,000 (2011: USD14,708,000) respectively. The estimation of their useful lives impacts the level of annual amortisation 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 loss may arise. 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 such adjustments are appropriate.

Useful Lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2012, the Group's and the Company's carrying amount of property, plant and equipment are USD384,154,000 (2011: USD360,082,000) and USD2,122,000 (2011: USD3,774,000) respectively. The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life that the Group and the Company place the equipment into production reflects the directors' estimate of the periods that the Group and the Company intend to derive future economic benefits from the use of the Group's and the Company's property, plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

4. Key Sources of Accounting Estimates *(continued)*

Income Taxes

As at December 31, 2012, a deferred tax asset of approximately USD53,704,000 (2011: USD57,095,000) in relation to unused tax losses and approximately USD25,242,000 (2011: USD11,257,000) in relation to employee related provisions has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset 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, a material reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. During the year, deferred tax assets of approximately USD10,109,000 (2011: USD15,850,000) in relation to unused tax losses were utilised.

Estimated Impairment of Trade and Other Receivables, Bills Receivable and Trade Receivables from Associates

When there is objective evidence of an impairment loss, the Group and the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2012, the Group's and the Company's carrying amount of trade and other receivables, bills receivable and trade receivables/amounts due from associates is USD755,337,000 (net of allowance for doubtful debts of USD13,987,000) (2011: USD728,781,000 (net of allowance for doubtful debts of USD14,680,000)) and USD24,441,000 (net of allowance for doubtful debts of nil) (2011: USD29,625,000 (net of allowance for doubtful debts of nil)).

5. 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.

5. Segment Information *(continued)*

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**

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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.

The Group allocates fair value changes in warrants, interest rate swaps and foreign currency forward contracts and interest earned on bank deposits to segment results, whereas the related warrants, interest rate swaps, foreign currency forward contracts and bank balances, deposits and cash are not allocated to the segment assets.

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2012

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Assets			
Segment assets	2,259,844	597,730	2,857,574
Unallocated assets			
Interests in associates			17,724
Deferred tax assets			73,892
Foreign currency forward contracts			5,706
Tax recoverable			8,534
Bank balances, deposits and cash			617,648
Consolidated total assets			3,581,078
Liabilities			
Segment liabilities	(1,008,220)	(311,420)	(1,319,640)
Unallocated liabilities			
Tax payable			(18,698)
Bank overdrafts			(7,087)
Obligations under finance leases			(5,225)
Interest rate swap			(4,667)
Foreign currency forward contracts			(7,030)
Unsecured borrowings			(646,532)
Deferred tax liabilities			(15,677)
Consolidated total liabilities			(2,024,556)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, foreign currency forward contracts, warrants, tax recoverable and bank balances, deposits and cash; and
- all liabilities are allocated to operating segments other than tax payable, bank overdrafts, obligations under finance leases, interest rate swap, foreign currency forward contracts, unsecured borrowings (other than trust receipt loans), deferred tax liabilities and convertible bonds.

5. Segment Information *(continued)*

Other segment information

For the year ended December 31, 2012

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Additions to non-current assets (Note)	**135,982**	**51,464**	**187,446**
Loss on disposal of property, plant and equipment	**(3,428)**	**(964)**	**(4,392)**
Write down of inventories	**12,354**	**2,926**	**15,280**
Impairment loss on trade receivables	**1,773**	**1,655**	**3,428**
Depreciation and amortisation	**89,971**	**39,115**	**129,086**

Note: Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

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

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2011

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Assets			
Segment assets	2,175,535	619,405	2,794,940
Unallocated assets			
Interests in associates			20,165
Deferred tax assets			73,633
Foreign currency forward contracts			8,645
Warrants			222
Tax recoverable			12,361
Bank balances, deposits and cash			459,650
Consolidated total assets			3,369,616
Liabilities			
Segment liabilities	(995,537)	(324,557)	(1,320,094)
Unallocated liabilities			
Tax payable			(10,937)
Bank overdrafts			(19,972)
Obligations under finance leases			(6,485)
Interest rate swap			(4,768)
Foreign currency forward contracts			(4,234)
Unsecured borrowings			(587,024)
Deferred tax liabilities			(27,973)
Convertible bonds			(134,001)
Consolidated total liabilities			(2,115,488)

5. Segment Information *(continued)*

Other segment information

For the year ended December 31, 2011

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Additions to non-current assets (Note)	115,532	46,037	161,569
Gain (loss) on disposal of property, plant and equipment	4,991	(1)	4,990
Write-down of inventories	4,346	3,913	8,259
Impairment loss on trade receivables	1,776	1,216	2,992
Depreciation and amortisation	79,694	40,052	119,746

Note: Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

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

5. Segment Information *(continued)*

Geographical information

The Group's turnover 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:

	Turnover from external customers		Non-Current Assets*	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
North America	**2,806,909**	2,648,233	**775,165**	756,744
Europe	**767,967**	763,501	**87,962**	88,267
Other countries	**277,542**	255,324	**487,387**	453,634
Total	**3,852,418**	3,667,058	**1,350,514**	1,298,645

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

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.

6. Turnover

Turnover 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 analysed as follows:

	2012	2011
	USD'000	USD'000
Sale of goods	**3,843,411**	3,648,244
Commission and royalty income	**9,007**	18,814
	3,852,418	3,667,058

7. Other Income

Other income in 2012 mainly comprises of the 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.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2012	2011
	USD'000	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

10. Taxation Charge

	2012 USD'000	2011 USD'000
Current tax:		
Hong Kong profits tax	**(440)**	(1,275)
Underprovision in prior years	**(305)**	(1,440)
	(745)	(2,715)
Overseas taxation	**(14,059)**	(14,876)
(Under) overprovision in prior years	**(13,117)**	8,753
	(27,176)	(6,123)
Deferred tax (Note 46):		
Current year	**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.

The tax charges for the year are reconciled as follows:

	2012 USD'000	2012 %	2011 USD'000 (Restated)	2011 %
Profit before taxation	**222,246**		161,704	
Tax at Hong Kong Profits Tax rate	**(36,671)**	**16.5%**	(26,681)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**36,564**	**(16.4%)**	36,301	(22.5%)
Tax effect of expenses not deductible for tax purposes	**(5,474)**	**2.5%**	(9,529)	5.9%
Tax effect of income not taxable for tax purposes	**7,994**	**(3.6%)**	9,876	(6.1%)
Tax effect of tax losses and deductible temporary differences not recognised	**(9,781)**	**4.4%**	(27,685)	17.1%
Recognition of temporary differences previously not recognised	**—**	**0%**	983	(0.6%)
(Under) overprovision in respect of prior years	**(13,422)**	**6.0%**	7,313	(4.5%)
Others	**(1,349)**	**0.6%**	180	(0.1%)
Tax charge for the year	**(22,139)**	**10.0%**	(9,242)	5.7%

Details of deferred tax are set out in Note 46.

11. Profit for the Year

	2012 USD'000	2011 USD'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**55,188**	49,084
Auditors' remuneration	**3,027**	3,369
Amortisation of lease prepayments	**783**	765
Fair value loss on held-for-trading investments	**2,308**	2,444
Fair value loss on foreign currency forward contracts	**4,481**	3,314
Fair value (gain) loss on interest rate swap	**(101)**	2,425
Fair value loss on a warrant	**222**	330
Cost of inventories recognised as an expense	**2,563,176**	2,473,407
Depreciation and amortisation on property, plant and equipment		
Owned assets	**71,474**	66,977
Assets held under finance leases	**1,641**	2,920
Impairment loss on trade receivables	**3,428**	2,992
Gain on disposal of an associate	**(1,149)**	—
Loss (gain) on disposal of property, plant and equipment	**4,392**	(4,990)
Net exchange loss	**3,360**	672
Operating lease expenses recognised in respect of:		
Premises	**26,700**	24,959
Motor vehicles	**13,589**	12,343
Plant and machinery	**4,700**	4,191
Other assets	**2,516**	3,931
Unconditional government grants	**(43)**	(252)
Write down of intangible assets	**1,502**	11
Write down of inventories	**15,280**	8,259
Staff costs		
Directors' remuneration		
Fees	**216**	176
Other emoluments	**18,558**	18,786
	18,774	18,962
Other staff costs	**433,127**	398,418
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**4,733**	3,282
Defined benefit plans (Note 45)	**4,142**	5,051
	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.

12. Director's Emoluments

The emoluments paid or payable to each of the eleven (2011: eleven) directors were as follows:

For the year ended December 31, 2012

		Other emoluments				
	Fees USD'000	Basic salaries and allowances USD'000	Contributions to retirement benefits schemes USD'000	Bonus paid USD'000	Share-based payments USD'000	Total USD'000
Mr Horst Julius Pudwill	—	1,557	2	2,941	108	4,608
Mr Joseph Galli Jr	—	1,200	2	9,298	—	10,500
Mr Kin Wah Chan	—	660	2	466	—	1,128
Mr Chi Chung Chan	—	660	2	500	—	1,162
Mr Stephan Horst Pudwill	—	316	2	245	125	688
Prof Roy Chi Ping Chung BBS JP	36	6	—	—	—	42
Mr Joel Arthur Schleicher	36	38	—	—	59	133
Mr Christopher Patrick Langley OBE	36	21	—	—	59	116
Mr Manfred Kuhlmann	36	45	—	—	54	135
Mr Peter David Sullivan	36	48	—	—	59	143
Mr Vincent Ting Kau Cheung	36	24	—	—	59	119
Total	216	4,575	10	13,450	523	18,774

12. Director's Emoluments *(continued)*

For the year ended December 31, 2011

		Other emoluments				
	Fees USD'000	Basic salaries and allowances USD'000	Contributions to retirement benefits schemes USD'000	Bonus paid USD'000	Share-based payments USD'000	Total USD'000
Mr Horst Julius Pudwill	—	1,557	2	2,051	141	3,751
Mr Joseph Galli Jr	—	1,200	2	7,900	42	9,144
Mr Kin Wah Chan	—	634	2	226	42	904
Mr Chi Chung Chan	—	633	2	235	42	912
Mr Stephan Horst Pudwill	—	296	2	88	42	428
Prof Roy Chi Ping Chung BBS JP	16	661	1	2,558 (Note)	25	3,261
Mr Vincent Ting Kau Cheung	32	22	—	—	46	100
Mr Joel Arthur Schleicher	32	38	—	—	46	116
Mr Christopher Patrick Langley OBE	32	25	—	—	46	103
Mr Manfred Kuhlmann	32	42	—	—	46	120
Mr Peter David Sullivan	32	45	—	—	46	123
Total	176	5,153	11	13,058	564	18,962

Note: Amount shown above included a retirement gratuity.

The bonuses paid were based on performance of the Group.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: three) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2011: two) individuals for the year ended December 31, 2012 were as follows:

	2012 USD'000	2011 USD'000
Basic salaries and allowances	**1,056**	982
Contributions to retirement benefits schemes	**80**	64
Bonus paid	**1,323**	909
Other benefit	**14**	842
Share-based payments	**11**	57
	2,484	2,854

13. Employees' Emoluments *(continued)*

The emoluments of these two (2011: two) highest paid individuals for the year ended December 31, 2012 were within the following band:

	No. of persons	
USD	**2012**	2011
1,000,001 to 1,500,000	**2**	1
1,500,001 to 2,000,000	—	1

During each of the two years ended December 31, 2012 and 2011, 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

	2012 **USD'000**	2011 USD'000
Dividends recognised as distributions during the year:		
Final dividend paid:		
2011: HK7.75 cents (approximately US1.00 cent) (2010: HK6.25 cents (approximately US0.80 cent)) per share	**18,185**	12,907
Interim dividend paid:		
2012: HK6.75 cents (approximately US0.87 cent) (2011: HK5.00 cents (approximately US0.64 cent)) per share	**15,838**	10,347
	34,023	23,254

The final dividend of HK10.75 cents (approximately US1.38 cents) per share in respect of the year ended December 31, 2012 (2011: final dividend of HK7.75 cents (approximately US1.00 cent) per share in respect of the year ended December 31, 2011) 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:

	2012 USD'000	2011 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

16. Property, Plant and Equipment

	Freehold land and buildings outside Hong Kong (Note) USD'000	Leasehold improvements USD'000	Office equipment, furniture and fixtures USD'000	Plant and machinery USD'000	Motor vehicles USD'000	Moulds and tooling USD'000	Vessels USD'000	Construction in progress USD'000	Total USD'000
The Group									
Cost									
At January 1, 2011	171,020	46,461	139,214	233,021	4,734	253,967	2,289	38,423	889,129
Currency realignment	(511)	907	16	1,325	(61)	396	9	362	2,443
Additions	—	1,630	12,279	15,709	709	16,879	—	48,235	95,441
Disposals	(28,320)	(1,394)	(10,335)	(58,088)	(797)	(70,078)	—	(508)	(169,520)
Reclassification	473	4,362	3,259	4,483	89	12,272	—	(24,938)	—
At December 31, 2011	142,662	51,966	144,433	196,450	4,674	213,436	2,298	61,574	817,493
Currency realignment	912	488	1,448	1,363	5	606	—	260	5,082
Additions	45	1,192	7,944	8,549	625	15,681	—	68,928	102,964
Disposals	(4,897)	(473)	(4,383)	(2,625)	(498)	(38,532)	—	(3,707)	(55,115)
Reclassification	8,723	11,117	5,313	4,247	162	39,265	—	(68,827)	—
At December 31, 2012	**147,445**	**64,290**	**154,755**	**207,984**	**4,968**	**230,456**	**2,298**	**58,228**	**870,424**
Depreciation									
At January 1, 2011	56,875	14,553	110,546	163,183	3,441	200,828	266	—	549,692
Currency realignment	(351)	132	(86)	(90)	(12)	(315)	1	—	(721)
Provided for the year	5,426	5,827	12,287	15,033	654	30,211	459	—	69,897
Eliminated on disposals	(22,174)	(1,351)	(9,157)	(57,999)	(708)	(70,068)	—	—	(161,457)
At December 31, 2011	39,776	19,161	113,590	120,127	3,375	160,656	726	—	457,411
Currency realignment	247	203	948	583	19	236	—	—	2,236
Provided for the year	5,815	4,022	12,109	16,006	423	34,280	460	—	73,115
Eliminated on disposals	(2,592)	(395)	(3,697)	(2,279)	(439)	(37,090)	—	—	(46,492)
At December 31, 2012	**43,246**	**22,991**	**122,950**	**134,437**	**3,378**	**158,082**	**1,186**	**—**	**486,270**
Carrying amounts									
At December 31, 2012	**104,199**	**41,299**	**31,805**	**73,547**	**1,590**	**72,374**	**1,112**	**58,228**	**384,154**
At December 31, 2011	102,886	32,805	30,843	76,323	1,299	52,780	1,572	61,574	360,082

Note: Buildings with a carrying amount of USD23,599,000 (2011: USD22,460,000) are erected on leasehold land that is presented as lease prepayments on the consolidated statement of financial position.

16. Property, Plant and Equipment *(continued)*

	Buildings outside Hong Kong USD'000	Leasehold improvements USD'000	Office equipment, furniture and fixtures USD'000	Plant and machinery USD'000	Motor vehicles USD'000	Moulds and tooling USD'000	Total USD'000
The Company							
Cost							
At January 1, 2011	3,998	3,153	12,429	6,027	647	10,644	36,898
Additions	—	—	533	—	—	—	533
Disposals	—	(245)	(342)	(1,512)	(83)	(1,050)	(3,232)
Transfer (to) from subsidiaries	—	—	(79)	(1,161)	83	(4,343)	(5,500)
At December 31, 2011	3,998	2,908	12,541	3,354	647	5,251	28,699
Additions	—	139	1,017	—	195	—	1,351
Disposals	(3,998)	(293)	(1,252)	(164)	(96)	(408)	(6,211)
At December 31, 2012	**—**	**2,754**	**12,306**	**3,190**	**746**	**4,843**	**23,839**
Depreciation							
At January 1, 2011	1,959	3,074	10,477	4,849	558	8,579	29,496
Provided for the year	152	33	946	490	89	—	1,710
Eliminated on disposals	—	(239)	(342)	(1,512)	(83)	(1,050)	(3,226)
Transfer (to) from subsidiaries	—	—	(37)	(823)	83	(2,278)	(3,055)
At December 31, 2011	2,111	2,868	11,044	3,004	647	5,251	24,925
Provided for the year	134	33	724	341	16	—	1,248
Eliminated on disposals	(2,245)	(293)	(1,250)	(164)	(96)	(408)	(4,456)
At December 31, 2012	**—**	**2,608**	**10,518**	**3,181**	**567**	**4,843**	**21,717**
Carrying amounts							
At December 31, 2012	**—**	**146**	**1,788**	**9**	**179**	**—**	**2,122**
At December 31, 2011	1,887	40	1,497	350	—	—	3,774

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Buildings	$2^1/_5$% - $6^2/_3$%
Leasehold improvements	$6^2/_3$% - 25%
Office equipment, furniture and fixtures	10% - $33^1/_3$%
Plant and machinery	9% - 33%
Motor vehicles	10% - 33%
Moulds and tooling	18% - $33^1/_3$%
Vessels	20%

16. Property, Plant and Equipment *(continued)*

The net book values of properties shown above comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Land and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	**80,600**	80,426	**—**	—
Medium-term lease	**23,599**	22,460	**—**	1,887
	104,199	102,886	**—**	1,887

The net book values of the Group's property, plant and equipment include amounts of approximately USD4,790,000 (2011: USD5,922,000) in respect of assets held under finance leases.

The gross carrying amount of the Group's and the Company's property, plant and equipment include amounts of approximately USD274,410,000 and USD20,269,000 (2011: USD233,721,000 and USD19,997,000) respectively in respect of fully depreciated property, plant and equipment that is still in use.

17. Lease Prepayments

	The Group
	USD'000
Cost	
At January 1, 2011	37,321
Currency realignment	1,827
At December 31, 2011	39,148
Currency realignment	530
At December 31, 2012	**39,678**
Amortisation	
At January 1, 2011	1,846
Currency realignment	105
Provided for the year	765
At December 31, 2011	2,716
Currency realignment	46
Provided for the year	783
At December 31, 2012	**3,545**
Carrying amounts	
At December 31, 2012	**36,133**
At December 31, 2011	36,432

All lease prepayments are medium-term leases outside Hong Kong.

18. Goodwill

	The Group USD'000
At January 1, 2011	529,884
Currency realignment	972
At December 31, 2011	530,856
Currency realignment	304
At December 31, 2012	**531,160**

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

19. Intangible Assets

	Deferred development costs USD'000	Patents USD'000	Trademarks USD'000	Manufacturing know-how USD'000	Retailer and service relationships USD'000	Non compete agreement USD'000	Total USD'000
The Group							
Cost							
At January 1, 2011	252,913	38,927	191,997	452	6,484	—	490,773
Currency realignment	1,502	111	373	1	16	—	2,003
Additions	61,784	4,344	—	—	—	—	66,128
Written off in the year	(463)	(107)	—	—	—	—	(570)
At December 31, 2011	315,736	43,275	192,370	453	6,500	—	558,334
Currency realignment	15	(1)	1	—	—	—	15
Additions	69,631	4,214	3	—	—	10,634	84,482
Written off in the year	(4,175)	(25)	(10)	—	—	—	(4,210)
At December 31, 2012	**381,207**	**47,463**	**192,364**	**453**	**6,500**	**10,634**	**638,621**
Amortisation							
At January 1, 2011	109,036	20,035	6,846	452	973	—	137,342
Currency realignment	1,098	64	27	1	2	—	1,192
Provided for the year	43,722	3,913	1,124	—	325	—	49,084
Eliminated on write off	(452)	(107)	—	—	—	—	(559)
At December 31, 2011	153,404	23,905	7,997	453	1,300	—	187,059
Currency realignment	18	(1)	(2)	—	—	—	15
Provided for the year	47,887	4,611	1,124	—	325	1,241	55,188
Eliminated on write off	(2,673)	(25)	(10)	—	—	—	(2,708)
At December 31, 2012	**198,636**	**28,490**	**9,109**	**453**	**1,625**	**1,241**	**239,554**
Carrying amounts							
At December 31, 2012	**182,571**	**18,973**	**183,255**	**—**	**4,875**	**9,393**	**399,067**
At December 31, 2011	162,332	19,370	184,373	—	5,200	—	371,275

19. Intangible Assets *(continued)*

	Deferred development costs USD'000	Patents USD'000	Total USD'000
The Company			
Cost			
At January 1, 2011	70,808	6,700	77,508
At December 31, 2011 and December 31, 2012	**70,808**	**6,700**	**77,508**
Amortisation			
At January 1, 2011	44,624	6,696	51,320
Provided for the year	11,476	2	11,478
At December 31, 2011	56,100	6,698	62,798
Provided for the year	8,799	2	8,801
At December 31, 2012	**64,899**	**6,700**	**71,599**
Carrying amounts			
At December 31, 2012	**5,909**	**—**	**5,909**
At December 31, 2011	14,708	2	14,710

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

Deferred development costs are internally generated.

Included in trademarks of the Group, USD177,555,000 (2011: USD177,555,000) are trademarks with an indefinite useful life, considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful life is determined to be finite. Instead they will be tested for impairment annually or 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 amortised on a straight-line basis, at the following rates per annum:

Deferred development costs	20% - $33^1/_3$%
Patents	10% - 25%
Trademarks with finite useful lives	$6^2/_3$% - 10%
Retailer and service relationships	5%
Non compete agreement	20%

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

As explained in Note 5, the Group uses the types of good sold for operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19 have been allocated to five major individual cash generating units (CGUs), including four units in the Power Equipment segment and one unit in the Floor Care and Appliances segment. The carrying amounts of goodwill and trademarks as at December 31, 2012 allocated to these units are as follows:

	Goodwill		Trademarks	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Power Equipment – MET	**402,424**	402,424	**115,907**	115,907
Power Equipment – HCP	**7,492**	7,492	**30,648**	30,648
Power Equipment – Drebo	**24,626**	24,267	**—**	—
Power Equipment – Baja	**9,017**	9,017	**3,200**	3,200
Floor Care and Appliances – RAM/Hoover/VAX	**75,748**	75,748	**27,800**	27,800
Others	**11,853**	11,908	**—**	—
	531,160	530,856	**177,555**	177,555

No goodwill and trademarks impairment have been recognised for the year ended December 31, 2012 and December 31, 2011.

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

Power Equipment – MET ("MET")

The recoverable amount of MET has 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 11.5% (2011: 10.7%) 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 estimation are based on MET's past performance, management's expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2011: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of MET to exceed the aggregate recoverable amount of MET.

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

Power Equipment – HCP ("HCP")

The recoverable amount of HCP has 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 12.0% (2011: 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 estimation are based on HCP's past performance, management's expectation for the market development, the success in new products launched and the success of the cost cutting 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 aggregate carrying amount of HCP to exceed the aggregate recoverable amount of HCP.

Power Equipment – Drebo ("Drebo")

The recoverable amount of Drebo has 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 11.0% (2011: 11.0%) 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 estimation are based on Drebo's past performance, management's expectation for the market development, the success in new products launched and the cost cutting strategies 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 aggregate carrying amount of Drebo to exceed the aggregate recoverable amount of Drebo.

Power Equipment – Baja ("Baja")

The recoverable amount of Baja has 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 13.0% (2011: 16.0%) per annum.

Cash flow projections during the budget period for Baja are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Baja's past performance, management's expectation for the market development and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2011: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Baja to exceed the aggregate recoverable amount of Baja.

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

Floor Care and Appliances – RAM/Hoover/VAX ("RAM/Hoover/VAX")

The recoverable amount of RAM/Hoover/VAX has 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 15.3% (2011: 13.8%) 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 estimation are based on RAM/Hoover/VAX's past performance, management's expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategies 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 aggregate carrying amount of RAM/Hoover/VAX to exceed the aggregate recoverable amount of RAM/Hoover/VAX.

With the change in management of the Floor Care and Appliances CGU, VAX was aggregated to this CGU as at December 31, 2012.

21. Investments in Subsidiaries/Loans to Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2012 and December 31, 2011 are set out in Note 53.

Loans to subsidiaries are unsecured, bear interest at 5.275% to 10.150% per annum (2011: 5.275% to 10.150%) and are fully repayable by 2022.

22. Interests in Associates

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Unlisted shares, at cost less impairment loss recognised	**—**	—	**—**	3,062
Share of net assets	**—**	806	**—**	—
Amounts due from associates	**17,724**	19,359	**16,436**	18,261
	17,724	20,165	**16,436**	21,323

Particulars of the associates as at December 31, 2012 and December 31, 2011 are set out in Note 54.

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

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
	USD'000	USD'000
Total assets	**—**	20,351
Total liabilities	**—**	(17,133)
Net assets	**—**	3,218
Group's share of net assets of associates	**—**	806
Turnover	**—**	31,882
Loss for the year	**—**	(1,388)
Group's share of results of associates for the year	**—**	(347)

At the end of the reporting period, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together the "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of loss for the year and cumulatively, extracted from the relevant management accounts of the associates, are USD831,000 (2011: USD737,000) and USD6,405,000 (2011: USD5,574,000) respectively.

23. Available-for-sale Investments

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**1,270**	1,269	**218**	218

As at December 31, 2012, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at the reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. Inventories

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Raw materials	**84,315**	96,605	**—**	—
Work in progress	**12,523**	11,614	**—**	—
Finished goods	**591,738**	596,200	**573**	1,582
	688,576	704,419	**573**	1,582

25. Trade and other Receivables

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Trade receivables	**658,929**	621,326	**—**	3
Less: Allowances for doubtful debts	**(13,987)**	(14,680)	**—**	—
	644,942	606,646	**—**	3
Other receivables	**43,981**	66,811	**8,005**	11,361
	688,923	673,457	**8,005**	11,364

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:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**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	**—**	3
Total trade receivables	**644,942**	606,646	**—**	3

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.

Included in the Group's trade receivable balance are debtors with a carrying amount of USD16,144,000 (2011: USD19,806,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 243 days (2011: 247 days).

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. Trade and other Receivables *(continued)*

Ageing of trade receivables which are past due but not impaired:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
121 - 365 days	**16,144**	19,536	**—**	3
1 - 2 years	**—**	270	**—**	—
Total	**16,144**	19,806	**—**	3

Movement in the allowance for doubtful debts:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Balance at the beginning of the year	**14,680**	15,528	**—**	—
Currency realignment	**258**	(138)	**—**	—
Impairment losses recognised on receivables	**3,428**	2,992	**—**	—
Amounts written off as uncollectible	**(3,701)**	(1,697)	**—**	—
Amounts recovered during the year	**(678)**	(2,005)	**—**	—
Balance at the end of the year	**13,987**	14,680	**—**	—

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to USD13,987,000 (2011: USD14,680,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables (by invoice date):

	2012 USD'000	2011 USD'000
0 - 120 days	**3,246**	7,877
121 - 365 days	**4,777**	2,359
1 - 2 years	**5,508**	3,925
Over 2 years	**456**	519
Total	**13,987**	14,680

Under certain receivables purchase agreements, a percentage in various pools of trade receivables were factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group continued to recognise 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 approximately USD75,000,000 (2011: USD71,800,000) were recognised 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, 2012 and 2011 are due within 120 days.

27. Amounts Due from/(to) Subsidiaries

The amounts are unsecured, interest-free and payable on demand.

28. Trade Receivables from Associates

The trade receivables from associates are aged less than 30 days and are due within 120 days.

29. Derivative Financial Instruments

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Assets				
Foreign currency forward contracts – under hedge accounting	**49**	—	**49**	—
Foreign currency forward contracts – not under hedge accounting	**5,657**	8,645	**—**	2,776
Warrants	**—**	222	**—**	222
	5,706	8,867	**49**	2,998
Liabilities				
Foreign currency forward contracts – under hedge accounting	**1,303**	—	**1,303**	—
Foreign currency forward contracts – not under hedge accounting	**5,727**	4,234	**—**	2,837
Interest rate swap	**4,667**	4,768	**4,667**	4,768
	11,697	9,002	**5,970**	7,605

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 foreign currency forecast sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

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

The Group and the Company

2012		
Notional amount	**Maturity**	**Exchange rates**
Sell EUR 82.5M, Buy USD	**January 31, 2013 to December 31, 2013**	**USD 1.2894 to 1.3273 : EUR 1**

29. Derivative Financial Instruments *(continued)*

Foreign Currency Forward Contracts *(continued)*

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

The Group

2012

Notional amount	**Maturity**	**Exchange rates**
Sell PLN 9M, Buy EUR	**January 24, 2013 to September 19, 2013**	**PLN 4.2247 to 4.3310 : EUR 1**
Buy USD 1.39M, Sell NZD	**January 22, 2013 to February 22, 2013**	**NZD 1.2237 to 1.2259 : USD 1**
Buy USD 19.25M, Sell AUD	**January 22, 2013 to February 22, 2013**	**USD 1.0372 to 1.0399 : AUD 1**
Buy USD 159M, Sell RMB	**January 9, 2013 to October 15, 2013**	**RMB 6.2840 to 6.4530 : USD 1**
Buy USD 72M, Sell GBP	**January 2, 2013 to December 14, 2013**	**USD 0.6171 to 0.6392 : GBP 1**
Sell EUR 31M, Buy USD	**January 15, 2013 to August 1, 2013**	**USD 1.2436 to 1.3137 : EUR 1**
Sell USD 189M, Buy RMB	**January 9, 2013 to December 31, 2013**	**RMB 6.3440 to 6.4985 : USD 1**

2011

Notional amount	Maturity	Exchange rates
Sell USD 455M, Buy RMB	January 10, 2012 to July 10, 2013	RMB 6.3128 to 6.5000 : USD 1
Sell USD 8M, Buy AUD	February 12, 2012 to March 20, 2012	USD 1.0650 to 1.0725 : AUD 1
Sell USD 0.95M, Buy NZD	January 24, 2012 to February 23, 2012	USD 0.8200 to 0.8225 : NZD 1
Sell EUR 15M, Buy USD	January 31, 2012 to December 31, 2012	USD 1.2943 : EUR 1
Buy USD 213M, Sell RMB	January 10, 2012 to December 31, 2012	RMB 6.3128 : USD 1
Buy USD 56.6M, Sell GBP	January 3, 2012 to July 5, 2012	USD 1.5499 to 1.6476 : GBP 1
Buy USD 13M, Sell AUD	January 23, 2012 to March 20, 2012	USD 1.0519 to 1.0725 : AUD 1
Buy USD 0.7M, Sell NZD	January 25, 2012 to February 23, 2012	USD 0.8200 to 0.8225 : NZD 1

The Company

2012

Notional amount	**Maturity**	**Exchange rates**
Sell EUR 82.5M, Buy USD	**January 31, 2013 to December 31, 2013**	**USD 1.2894 to 1.3273 : EUR 1**

2011

Notional amount	Maturity	Exchange rates
Sell EUR 15M, Buy USD	January 31, 2012 to December 31, 2012	USD 1.2943 : EUR 1
Buy USD 60M, Sell RMB	January 10, 2012 to May 18, 2012	RMB 6.3128 : USD 1
Sell USD 242M, Buy RMB	January 11, 2012 to July 10, 2013	RMB 6.5000 : USD 1

29. Derivative Financial Instruments *(continued)*

Interest Rate Swap (not under hedge accounting)

The fair value of the interest rate swap of the Group and the Company is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Major terms of the interest rate swap are as follows:

The Group and the Company

2012

Notional amount	Maturity	Receive floating	Pay fixed
USD 62,000,000	**December 31, 2013 to May 4, 2016**	**LIBOR**	**1.2% - 3.1%**

2011

Notional amount	Maturity	Receive floating	Pay fixed
USD 70,000,000	December 31, 2013 to May 4, 2016	LIBOR	1.2% - 3.1%

Warrants

At December 31, 2011, the Group and the Company owned 2,222,222 warrants to acquire the ordinary shares of a listed company in US. The fair value of the warrants was determined by an option pricing model. The warrants were expired and the Group and the Company did not exercise such warrants during 2012.

30. Held-for-Trading Investments

The Group's and the Company's held-for-trading investments at December 31, 2012 and 2011 are carried at fair value using the market bid prices on the closing date method.

Held for trading investments include:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Equity securities:				
– Listed in US	**5,980**	8,288	**5,980**	8,288

The Group and the Company hold approximately 20 per cent of the voting power in the equity securities of a company listed in the US but it has no significant influence over the investee. In making their assessment, the directors considered the definition of significant influence in HKAS 28 Investment in Associates and, in particular, whether the Group has the power to participate in the financial and operating policy decisions of the investee. Considering that the Group has no representative on the investee's board of directors and no right to appoint or remove a director to the board of directors, no exchange of management personnel with the investee nor any participation in the investee's policy-making process, the directors of the Company concluded that the Group and the Company have no significant influence over the investee.

31. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.10% to 0.27% (2011: 0.07% to 0.18%). Bank overdrafts carry interest at market rates which range from 3.25% to 5.00% (2011: 3.25% to 5.00%).

32. 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:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**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	**5**	1,027
Total trade payables	**391,793**	359,859	**5**	1,027
Other payables	**318,698**	259,004	**20,961**	13,874
	710,491	618,863	**20,966**	14,901

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.

33. Bills Payable

All the Group's bills payable at December 31, 2012 and 2011 are due within 120 days.

34. Warranty Provision

	The Group	The Company
	2012	2012
	USD'000	USD'000
At January 1, 2012	44,748	245
Currency realignment	356	—
Additional provision in the year	87,872	—
Utilisation of provision	(90,581)	(245)
At December 31, 2012	42,395	—

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold, based on prior experience and industry averages for defective products. It is expected that the majority of this expenditure will be incurred in the next financial year.

35. Trade Payable to an Associate

The trade payable to an associate was aged of less than 120 days and was payable within one year.

36. Restructuring Provision

	2012
	USD'000
At January 1, 2012	3,743
Currency realignment	(14)
Utilisation of provision	(3,202)
At December 31, 2012	527

The provision relates to the restructuring of the Group's manufacturing facilities in Germany. The balance of the provision is expected to be utilised in 2013 and there are no significant uncertainties regarding the amounts or timing of these cash flows.

The management of the Group expects that after the completion of the restructuring plan, there will be substantial savings in the future.

37. Obligations under Finance Leases

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment and motor vehicles under finance leases, with lease terms ranging from 3 years to 20 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 6.7% to 22.4% (December 31, 2011: 6.7% to 22.4%). No arrangements have been entered into for contingent rental payments.

The maturity of obligations under finance leases is as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Amounts payable under finance leases:				
Within one year	**1,518**	2,169	**1,154**	1,730
In more than one year but not more than two years	**1,301**	1,360	**1,028**	1,032
In more than two years but not more than three years	**1,199**	1,143	**1,007**	890
In more than three years but not more than four years	**785**	1,072	**663**	890
In more than four years but not more than five years	**298**	689	**202**	570
More than five years	**1,397**	1,695	**1,171**	1,373
	6,498	8,128	**5,225**	6,485
Less: future finance charges	**(1,273)**	(1,643)	**—**	—
Present value of lease obligations	**5,225**	6,485	**5,225**	6,485
Less: Amount due within one year shown under current liabilities			**(1,154)**	(1,730)
Amount due after one year			**4,071**	4,755

The Group's obligations under finance leases are secured by charges over the leased assets.

38. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 1.79% per annum (2011: 1.72% per annum) have maturity profiles of less than 120 days.

39. 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 maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (which includes borrowings, discounted bills with recourse, convertible bonds and obligations under finance leases), 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:

	2012 **USD'000**	2011 USD'000
Debt (i)	**1,017,527**	1,198,457
Bank balances, deposits and cash	**(617,648)**	(459,650)
Net debt	**399,879**	738,807
Equity (ii)	**1,548,877**	1,245,576
Net debt to equity ratio	**25.82%**	59.31%

(i) Debt comprises bank overdrafts, obligations under finance leases, discounted bills with recourse, unsecured borrowings and convertible bonds but excludes bank advance from factored trade receivables as detailed in Notes 25, 31, 37, 38, 41 and 42 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 repurchases as well as the issue of new debt or the redemption of existing debt.

40. Financial Instruments

40.1 Categories of financial instruments

	2012 USD'000	2011 USD'000
The Group		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**5,980**	8,288
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**49**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**5,657**	8,645
Warrants	**—**	222
	5,706	8,867
Available-for-sale investments	**1,270**	1,269
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**688,923**	673,457
Bills receivable	**48,644**	35,760
Trade receivables from associates	**46**	205
Bank balances, deposits and cash	**617,648**	459,650
	1,355,261	1,169,072
Financial liabilities		
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**1,303**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**5,727**	4,234
Interest rate swap	**4,667**	4,768
	11,697	9,002
Other financial liabilities		
Trade and other payables	**710,491**	618,863
Bills payable	**39,222**	42,991
Trade payable to an associate	**—**	4,037
Obligations under finance leases	**5,225**	6,485
Discounted bills with recourse	**432,633**	518,897
Unsecured borrowings	**647,582**	590,902
Bank overdrafts	**7,087**	19,972
Convertible bonds	**—**	134,001
	1,842,240	1,936,148

40. Financial Instruments *(continued)*

40.1 Categories of financial instruments *(continued)*

	2012 USD'000	2011 USD'000
The Company		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**5,980**	8,288
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**49**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**—**	2,776
Warrants	**—**	222
	49	2,998
Available-for-sale investments	**218**	218
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**8,005**	11,364
Bank balances, deposits and cash	**44,978**	27,032
Loans to/Amounts due from subsidiaries	**1,507,897**	1,350,204
	1,560,880	1,388,600
Financial liabilities		
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**1,303**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**—**	2,837
Interest rate swap	**4,667**	4,768
	5,970	7,605
Other financial liabilities		
Trade and other payables	**20,966**	14,901
Amounts due to subsidiaries	**513,587**	338,475
Unsecured borrowings	**371,772**	343,887
Convertible bonds	**—**	134,001
	906,325	831,264

40. Financial Instruments *(continued)*

40.2 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 analyse 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 minimise 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 by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

40.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 24.5% (2011: 24.5%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 38.2% (2011: 38.5%) of purchase 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	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
The Group				
Foreign Currency				
EURO	**31,263**	58,877	**150,462**	139,085

	Liabilities		Assets	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
The Company				
Foreign Currency				
EURO	**2,485**	1,251	**344,295**	323,397

Note: For group entities with their functional currency as the United States dollar, 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 United States dollar.

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposures. The foreign exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into such forward contracts in relation to the foreign currency denominated monetary liabilities amounting to USD108,826,000 (2011: Nil). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness (see Note 29 for details).

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in the EURO.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against the EURO without considering the foreign currency forward contracts entered at the end of the reporting period. 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 foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of any foreign currency forward contracts held at year end. A positive number below indicates an increase in pre-tax profit for the year where the United States dollar weakens 5% against the EURO.

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Impact of EURO				
Profit for the year (i)	**5,960**	4,010	**17,091**	16,017

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in EURO at the year end.

40.2.2 Interest Rate Risk Management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate borrowing (see Note 41 for details of these borrowings), discounted bills with recourse, bank overdrafts and bank balances, deposits and cash. In relation to these floating-rate borrowings, the Group aims at keeping certain borrowings at fixed rates. In order to achieve this result, the Group may enter into interest rate swap contracts to hedge against part of its exposure to potential variability of cash flows arising from changes in floating rates (see Note 29 for details). The management continuously monitors interest rate fluctuations and will consider further hedging interest rate risk should the need arise.

The Group's and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") arising from the Group's and the Company's Hong Kong dollar denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk is insignificance.

The Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see Note 41 for details of these borrowings). The Company's fair value interest rate risk related primarily to its loan to subsidiaries (see Note 21).

During the year, the Group obtained new bank borrowings in the amount of USD793 million (2011: USD352 million) which are either LIBOR or Hong Kong best lending rates based. The proceeds were used for refinancing of the Group's borrowings including the repayment of fixed interest rate notes of USD30,000,000 and other borrowings.

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.2 Interest Rate Risk Management *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year without considering the interest rate swaps entered at the end of the reporting period. A 50 basis point 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 higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2012 would decrease/increase by USD4,765,000 (2011: decrease/increase by USD4,831,000). The Company's profit for the year ended December 31, 2012 would decrease/increase by USD1,859,000 (2011: decrease/increase by USD1,719,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate borrowings.

The Group's and the Company's sensitivity to interest rates has decreased and increased during the current period mainly due to the decrease and increase in variable rate debt instruments respectively.

40.2.3 Other Price Risk

The Group and the Company are exposed to price risk through its held-for-trading investments and derivative financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of equity investments held-for-trading measured at fair value at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower the post-tax profit for the year ended December 31, 2012 of the Group and the Company would increase/decrease by USD598,000 (2011: USD829,000) and USD598,000 (2011: USD829,000) as a result of the changes in fair value of held-for-trading investments.

No sensitivity analysis has been disclosed for exposure to the price risk for the warrants held by the Group and the Company as this would not have a material impact on post-tax profit for the year ended December 31, 2012 of the Group and the Company.

40.2.4 Credit Risk Management

As at December 31, 2012, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in Note 49.

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.4 Credit risk Management *(continued)*

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in North America, where 65.7% (2011: 66.7%) of the total trade receivables as at December 31, 2012 are located.

The Group has concentration of credit risk at 23.7% (2011: 25.9%) and 36.8% (2011: 41.3%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

40.2.5 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, 2012, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately USD65 million (2011: USD73 million) and USD1,290 million (2011: USD1,161 million) respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as well as non-derivative financial assets which are included in the maturity analysis. For non-derivative financial assets, the tables have been drawn up based on the contractual maturities of the undiscounted cash flow of the financial assets unless specified separately. For non-derivative financial liabilities, the tables reflect the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. 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. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

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 as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Group								
2012								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	5,980	—	—	—	—	5,980	5,980
Available-for-sale investments (Note)	—	1,270	—	—	—	—	1,270	1,270
Trade and other receivables	—	322,801	315,498	50,624	—	—	688,923	688,923
Bills receivable	—	35,369	12,883	392	—	—	48,644	48,644
Trade receivables from associates	—	18	14	14	—	—	46	46
Bank balances, deposits and cash	0.10% - 0.27%	525,119	92,548	—	—	—	617,667	617,648
		890,557	420,943	51,030	—	—	1,362,530	1,362,511
Non-derivative financial liabilities								
Trade and other payables	—	(473,782)	(204,800)	(31,909)	—	—	(710,491)	(710,491)
Bills payable	—	(9,580)	(29,508)	(134)	—	—	(39,222)	(39,222)
Obligations under finance leases	6.70% - 22.40%	(127)	(253)	(1,138)	(1,301)	(3,679)	(6,498)	(5,225)
Discounted bills with recourse	1.79%	(160,018)	(162,816)	(111,598)	—	—	(434,432)	(432,633)
Variable rate borrowings	1.01% - 4.36%	(98,321)	(110,793)	(48,294)	(162,150)	(104,738)	(524,296)	(513,375)
Fixed rate borrowings	6.70% - 7.44%	—	(3,562)	(44,256)	(7,124)	(99,312)	(154,254)	(134,207)
Bank overdrafts	3.25% - 5.00%	(7,087)	—	—	—	—	(7,087)	(7,087)
Financial guarantee contracts	—	(7,114)	(2)	—	(5,575)	—	(12,691)	—
		(756,029)	(511,734)	(237,329)	(176,150)	(207,729)	(1,888,971)	(1,842,240)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Group								
2012								
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	–	(491)	(1,462)	(1,334)	(1,745)	(5,032)	(4,667)
Foreign currency forward contracts								
– RMB	–	(303)	(531)	(2,986)	–	–	(3,820)	(3,820)
– AUD	–	–	39	–	–	–	39	39
– NZD	–	–	(10)	–	–	–	(10)	(10)
		(303)	(993)	(4,448)	(1,334)	(1,745)	(8,823)	(8,458)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	–	2,312	14,621	25,841	–	–	42,774	42,774
– RMB	–	17,417	34,753	142,449	–	–	194,619	194,619
– GBP	–	7,750	11,500	52,750	–	–	72,000	72,000
– USD	–	–	29,088	78,483	–	–	107,571	107,571
		27,479	89,962	299,523	–	–	416,964	416,964
– outflow								
– EUR	–	(2,355)	(15,222)	(26,309)	–	–	(43,886)	(43,886)
– RMB	–	(17,000)	(34,000)	(138,000)	–	–	(189,000)	(189,000)
– GBP	–	(7,834)	(11,804)	(53,148)	–	–	(72,786)	(72,786)
– USD	–	–	(29,680)	(79,145)	–	–	(108,825)	(108,825)
		(27,189)	(90,706)	(296,602)	–	–	(414,497)	(414,497)
		290	(744)	2,921	–	–	2,467	2,467

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Group								
2011								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	8,288	—	—	—	—	8,288	8,288
Available-for-sale investments (Note)	—	1,269	—	—	—	—	1,269	1,269
Trade and other receivables	—	542,351	53,166	77,940	—	—	673,457	673,457
Bills receivable	—	14,892	5,423	15,445	—	—	35,760	35,760
Trade receivables from associates	—	190	—	15	—	—	205	205
Bank balances, deposits and cash	0.07% - 0.18%	453,087	6,568	—	—	—	459,655	459,650
		1,020,077	65,157	93,400	—	—	1,178,634	1,178,629
Non-derivative financial liabilities								
Trade and other payables	—	(438,766)	(155,638)	(24,459)	—	—	(618,863)	(618,863)
Bills payable	—	(4,308)	(26,358)	(12,325)	—	—	(42,991)	(42,991)
Trade payable to an associate	—	(380)	(3,263)	(394)	—	—	(4,037)	(4,037)
Obligations under finance leases	6.70% - 22.40%	(180)	(362)	(1,627)	(1,360)	(4,599)	(8,128)	(6,485)
Discounted bills with recourse	1.72%	(238,939)	(267,007)	(13,871)	—	—	(519,817)	(518,897)
Variable rate borrowings	1.03% - 3.80%	(32,180)	(1,822)	(30,465)	(143,323)	(234,186)	(441,976)	(427,315)
Fixed rate borrowings	6.70% - 7.44%	—	(31,076)	(9,769)	(47,824)	(106,443)	(195,112)	(163,587)
Bank overdrafts	3.25% - 5.00%	(19,972)	—	—	—	—	(19,972)	(19,972)
Financial guarantee contracts	—	(2,029)	(285)	(8,544)	—	—	(10,858)	—
Convertible bonds	15.57%	—	—	(156,375)	—	—	(156,375)	(134,001)
		(736,754)	(485,811)	(257,829)	(192,507)	(345,228)	(2,018,129)	(1,936,148)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Group								
2011								
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	—	(413)	(1,263)	(1,592)	(2,102)	(5,370)	(4,768)
Foreign currency forward contracts								
– RMB	—	(2,086)	(729)	20	36	—	(2,759)	(2,759)
– AUD	—	—	(293)	—	—	—	(293)	(293)
– NZD	—	—	3	—	—	—	3	3
		(2,086)	(1,432)	(1,243)	(1,556)	(2,102)	(8,419)	(7,817)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– RMB	—	25,773	46,863	143,030	—	—	215,666	215,666
– GBP	—	17,000	20,500	19,000	—	—	56,500	56,500
– USD	—	—	4,248	17,134	—	—	21,382	21,382
		42,773	71,611	179,164	—	—	293,548	293,548
– outflow								
– RMB	—	(24,978)	(45,960)	(141,875)	—	—	(212,813)	(212,813)
– GBP	—	(16,062)	(19,414)	(18,408)	—	—	(53,884)	(53,884)
– USD	—	—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		(41,040)	(69,252)	(175,796)	—	—	(286,088)	(286,088)
		1,733	2,359	3,368	—	—	7,460	7,460

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Company								
2012								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	5,980	—	—	—	—	5,980	5,980
Available-for-sale investments (Note)	—	218	—	—	—	—	218	218
Trade and other receivables	—	100	350	7,555	—	—	8,005	8,005
Bank balances, deposits and cash	0.10% - 0.27%	44,978	—	—	—	—	44,978	44,978
Loan to/Amounts due from subsidiaries (Note)	5.28% - 10.15%	4,115	8,231	998,513	49,383	1,340,310	2,400,552	1,507,897
		55,391	8,581	1,006,068	49,383	1,340,310	2,459,733	1,567,078
Non-derivative financial liabilities								
Trade and other payables	—	(2,308)	(3,644)	(15,014)	—	—	(20,966)	(20,966)
Amounts due to subsidiaries	—	—	—	(513,587)	—	—	(513,587)	(513,587)
Unsecured borrowings	1.81% - 2.76%	—	(73,078)	(45,911)	(157,876)	(103,943)	(380,808)	(371,772)
Financial guarantee contracts	—	(293,741)	(229,079)	(149,680)	—	(94,943)	(767,443)	—
		(296,049)	(305,801)	(724,192)	(157,876)	(198,886)	(1,682,804)	(906,325)
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	—	(491)	(1,462)	(1,334)	(1,745)	(5,032)	(4,667)
		—	(491)	(1,462)	(1,334)	(1,745)	(5,032)	(4,667)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Company								
2012								
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– USD	–	–	29,088	78,483	–	–	107,571	107,571
		–	29,088	78,483	–	–	107,571	107,571
– outflow								
– USD	–	–	(29,680)	(79,145)	–	–	(108,825)	(108,825)
		–	(29,680)	(79,145)	–	–	(108,825)	(108,825)
		–	(592)	(662)	–	–	(1,254)	(1,254)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

***Liquidity tables** (continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Company								
2011								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	8,288	—	—	—	—	8,288	8,288
Available-for-sale investments (Note)	—	218	—	—	—	—	218	218
Trade and other receivables	—	11,245	119	—	—	—	11,364	11,364
Bank balances, deposits and cash	0.07% - 0.18%	27,032	—	—	—	—	27,032	27,032
Loan to/Amounts due from subsidiaries (note)	5.28% - 10.15%	807,658	12	33,714	47,835	911,302	1,800,521	1,350,204
		854,441	131	33,714	47,835	911,302	1,847,423	1,397,106
Non-derivative financial liabilities								
Trade and other payables	—	(6,144)	(8,757)	—	—	—	(14,901)	(14,901)
Amounts due to subsidiaries	—	—	—	(338,475)	—	—	(338,475)	(338,475)
Unsecured borrowings	1.79% - 2.50%	—	—	(56,400)	(99,607)	(198,951)	(354,958)	(343,887)
Financial guarantee contracts	—	(274,741)	(294,723)	(34,714)	(71,354)	(164,201)	(839,733)	—
Convertible bonds	15.57%	—	—	(156,375)	—	—	(156,375)	(134,001)
		(280,885)	(303,480)	(585,964)	(170,961)	(363,152)	(1,704,442)	(831,264)
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	—	(413)	(1,263)	(1,592)	(2,102)	(5,370)	(4,768)
Foreign currency forward contracts – RMB	—	(2,087)	(477)	475	36	—	(2,053)	(2,053)
		(2,087)	(890)	(788)	(1,556)	(2,102)	(7,423)	(6,821)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Company								
2011								
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– USD	—	—	4,249	17,134	—	—	21,383	21,383
		—	4,249	17,134	—	—	21,383	21,383
– outflow								
– USD	—	—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		—	371	1,621	—	—	1,992	1,992

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

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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.

40. Financial Instruments *(continued)*

40.3 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 the interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from noted interest rate;
- the fair value of the warrants is measured using the Black-Scholes option pricing model where the main assumptions include the volatility of the share price and the life of the warrants;
- 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; 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.

Other than the convertible bonds, the fair value of financial assets and financial liabilities carried at amortised costs approximate to their carrying amounts.

Fair value measurements recognised in the statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments that are measured subsequent to initial recognition at fair value:

- 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).

40. Financial Instruments *(continued)*

40.3 Fair Value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	Level 1 USD'000	Level 2 USD'000	Total USD'000
The Group			
2012			
Financial assets			
Foreign currency forward contracts	**—**	**5,706**	**5,706**
Held-for-trading investments	**5,980**	**—**	**5,980**
Total	**5,980**	**5,706**	**11,686**
Financial liabilities			
Foreign currency forward contracts	**—**	**(7,030)**	**(7,030)**
Interest rate swap	**—**	**(4,667)**	**(4,667)**
Total	**—**	**(11,697)**	**(11,697)**
2011			
Financial assets			
Foreign currency forward contracts	—	8,645	8,645
Warrants	—	222	222
Held-for-trading investments	8,288	—	8,288
Total	8,288	8,867	17,155
Financial liabilities			
Foreign currency forward contracts	—	(4,234)	(4,234)
Interest rate swap	—	(4,768)	(4,768)
Total	—	(9,002)	(9,002)

40. Financial Instruments *(continued)*

40.3 Fair Value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	Level 1 USD'000	Level 2 USD'000	Total USD'000
The Company			
2012			
Financial assets			
Foreign currency forward contracts	**—**	**49**	**49**
Held-for-trading investments	**5,980**	**—**	**5,980**
Total	**5,980**	**49**	**6,029**
Financial liabilities			
Foreign currency forward contracts	**—**	**(1,303)**	**(1,303)**
Interest rate swap	**—**	**(4,667)**	**(4,667)**
Total	**—**	**(5,970)**	**(5,970)**
2011			
Financial assets			
Foreign currency forward contracts	—	2,776	2,776
Warrants	—	222	222
Held-for-trading investments	8,288	—	8,288
Total	8,288	2,998	11,286
Financial liabilities			
Foreign currency forward contracts	—	(2,837)	(2,837)
Interest rate swap	—	(4,768)	(4,768)
Total	—	(7,605)	(7,605)

40. Financial Instruments *(continued)*

40.4 Transfer of financial assets

The following were the Group's financial assets as at December 31, 2012 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as discounted bills with recourse (see Note 38). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

The bills receivable discounted with banks with full recourse at the year end was as follows:

	2012 **USD'000**	2011 USD'000
Carrying amount of transferred assets	**432,633**	518,897
Carrying amount of associated liabilities	**(432,633)**	(518,897)
Net position	**—**	—

41. Unsecured Borrowings

	The Group		**The Company**	
	2012 **USD'000**	2011 USD'000	**2012** **USD'000**	2011 USD'000
Trust receipt loans	**1,050**	3,878	**—**	—
Bank advance from factored trade receivables	**75,000**	71,800	**—**	—
Bank loans	**437,325**	351,637	**371,772**	343,887
Bank borrowings	**513,375**	427,315	**371,772**	343,887
Fixed interest rate notes (Note)	**134,207**	163,587	**—**	—
Total borrowings	**647,582**	590,902	**371,772**	343,887

41. Unsecured Borrowings *(continued)*

The borrowings of the Group and the Company are repayable as follows:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Fixed rate				
Within one year	**39,264**	29,972	**—**	—
In more than one year but not more than two years	**—**	39,022	**—**	—
In more than two years but not more than five years	**94,943**	94,593	**—**	—
Floating rate				
Within one year	**259,626**	164,053	**118,023**	80,793
In more than one year but not more than two years	**144,785**	109,131	**144,785**	108,963
In more than two years but not more than five years	**108,964**	154,131	**108,964**	154,131
	647,582	590,902	**371,772**	343,887
Less: Amount due within one year shown under current liabilities	**(298,890)**	(194,025)	**(118,023)**	(80,793)
Amount due after one year	**348,692**	396,877	**253,749**	263,094

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

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**6.70% to 7.44%**	6.70% to 7.44%
Variable-rate borrowings	**1.01% to 4.36%**	1.03% to 3.80%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD'000
As at December 31, 2012	**66,603**
As at December 31, 2011	3,861

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of USD145,000,000. The notes were issued in two fixed rate tranches, being USD120,000,000 for 10 years at 6.70% per annum and USD25,000,000 for 7 years at 6.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes. During the year, the Group repaid nil (2011: USD5,625,000) of the first tranche and USD25,000,000 of the second tranche was fully repaid in 2010.

In 2005, the Group issued additional fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of USD200,000,000. The notes were issued in two fixed rate tranches of USD150,000,000 for 10 years at 7.44% per annum and USD50,000,000 for 7 years at 7.17% per annum. The proceeds were used to finance the acquisition of subsidiaries. During the year, the Group repaid USD30,000,000 of the second tranche and the second tranche was then fully repaid.

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

42. Convertible Bonds

The movement of the liability component of the convertible bonds for the year is set out below:

	The Group and the Company	
	2012	2011
	USD'000	USD'000
Liability component at the beginning of the year	**134,001**	127,225
Conversion of convertible bonds	**(134,667)**	—
Effective interest expense	**5,338**	19,059
Interest payment	**(4,672)**	(12,283)
Liability component at the end of the year	**—**	134,001

The fair value of the liability component of the convertible bonds at December 31, 2011, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate at the end of the reporting period date, was approximately USD156,401,000.

In 2009, the Company issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of USD150,000,000 ("Convertible Bonds 2014") and 55,888,500 detachable warrants ("Warrants 2012"). Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds 2014 will be redeemed at their principal amount on the maturity date at April 30, 2014.

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HKD5.20 (to be converted to United States dollars at the fixed exchange rate of HKD7.75 = USD1.0) per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014 ("Conversion Rights"). The conversion will result in the Company issuing a fixed number of shares of the Company in settlement of a fixed amount of cash.

At the option of the Convertible Bond 2014's holders, on April 30, 2012, the holders could redeem Convertible Bond 2014 at the principal amount plus accrued interest to the date of redemption. Accordingly, the Convertible Bond 2014 is classified as current liabilities as of December 31, 2011.

The fair value of the liability component on initial recognition was estimated at the issue date using an equivalent market interest rate for a similar bond without the Conversion Rights and Warrants 2012. The residual amount was assigned as the equity component, representing the estimated fair value of the Warrants 2012 with the remaining balance is allocated to the Conversion Rights and included in shareholders' equity.

The weighted average effective interest rate of the Convertible Bonds 2014 is 15.57%.

During the year, all the Convertible Bonds 2014 were converted into 223,557,689 shares of the Company at HKD5.20 per share.

43. 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

Details of the share options are set out in Note 50.

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.

44. Reserves

	Share premium USD'000	Capital redemption reserve USD'000	Convertible bonds equity reserve USD'000	Employee share-based compensation reserve USD'000	Hedging reserve USD'000	Retained profits USD'000	Total USD'000
The Company							
At January 1, 2011	459,866	56	8,833	7,451	—	341,744	817,950
Profit for the year and other comprehensive income	—	—	—	—	—	187,602	187,602
Shares issued at premium on exercise of options	506	—	—	(91)	—	—	415
Repurchase of shares	—	71	—	—	—	(3,817)	(3,746)
Recognition of equity settled share-based payments	—	—	—	1,053	—	—	1,053
Lapse of share options	—	—	—	(1,805)	—	1,805	—
Final dividend - 2010	—	—	—	—	—	(12,907)	(12,907)
Interim dividend - 2011	—	—	—	—	—	(10,347)	(10,347)
At December 31, 2011	460,372	127	8,833	6,608	—	504,080	980,020
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(17,142)**	**(17,142)**
Fair value loss on foreign currency forward contracts in hedge accounting	**—**	**—**	**—**	**—**	**(1,254)**	**—**	**(1,254)**
Other comprehensive loss for the year	**—**	**—**	**—**	**—**	**(1,254)**	**—**	**(1,254)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(1,254)**	**(17,142)**	**(18,396)**
Shares issued at premium on exercise of options	**9,388**	**—**	**—**	**(1,772)**	**—**	**—**	**7,616**
Repurchase of shares	**—**	**56**	**—**	**—**	**—**	**(5,653)**	**(5,597)**
Recognition of equity settled share-based payments	**—**	**—**	**—**	**578**	**—**	**—**	**578**
Lapse of share options	**—**	**—**	**—**	**(2,201)**	**—**	**2,201**	**—**
Conversion of convertible bonds	**143,330**	**—**	**(8,833)**	**—**	**—**	**—**	**134,497**
Final dividend - 2011	**—**	**—**	**—**	**—**	**—**	**(18,185)**	**(18,185)**
Interim dividend - 2012	**—**	**—**	**—**	**—**	**—**	**(15,838)**	**(15,838)**
At December 31, 2012	**613,090**	**183**	**—**	**3,213**	**(1,254)**	**449,463**	**1,064,695**

As at December 31, 2012, the Company's reserves available for distribution to shareholders comprised the retained profits of USD449,463,000 (2011: USD504,080,000).

45. 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 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 maximum amount of HKD13,750 (2011: HKD12,000) per employee per annum, which contribution is matched by the employee.

The employees of the Group's subsidiaries in the 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.

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 major defined benefit plans are as follows:

	2012	2011
	USD'000	USD'000
Pension plan obligations (Note i)	**82,588**	72,989
Post-retirement medical and dental plan obligations (Note ii)	**602**	840
Life and medical insurance plan (Note ii)	**1,861**	1,940
Post-employment benefit plan obligations (Note iii)	**7,862**	6,648
Others	**409**	520
	93,322	82,937

Note i: Pension plan obligations
The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the employees are entitled to retirement benefits varying between 10 and 20 per cent 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 October 26, 2012, by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

Note ii: Post-retirement medical and dental plan obligations/ Life and medical insurance plan
Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on January 18, 2013 by Willis North America, Inc.

Note iii: Post-employment 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 15, 2013 by CBIZ Benefits & Insurance Services.

45. Retirement Benefit Obligations *(continued)*

The main actuarial assumptions used were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Discount rate	**3.70%**	4.90%	**0.75%**	1.75%	**2.75%**	3.75%	**3.70%**	4.04%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**4.04%**	0.00%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%	**5.00%**	5.00%	**N/A**	N/A

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		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000
Current service cost and interest cost	**N/A**	N/A	**—**	—	**4**	5	**N/A**	N/A
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**10**	15	**128**	132	**N/A**	N/A

Amounts recognised in profit or loss in respect of the plans are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)
Current service cost	**258**	380	**—**	—	**—**	—	**—**	—
Net interest on defined benefit liabilities	**3,534**	4,009	**12**	58	**69**	52	**269**	552
	3,792	4,389	**12**	58	**69**	52	**269**	552

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

45. Retirement Benefit Obligations *(continued)*

Amount recognised in other comprehensive income in respect of the plans are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000	**USD'000**	USD'000	**USD'000**	USD'000
		(Restated)		(Restated)		(Restated)		(Restated)
Actuarial loss (gain)	**9,024**	94	**(240)**	(480)	**(100)**	(100)	**945**	1,669

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

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000	**USD'000**	USD'000	**USD'000**	USD'000
Present value of funded obligations	**—**	—	**—**	—	**—**	—	**13,700**	14,049
Fair value of plan assets	**—**	—	**—**	—	**—**	—	**(5,838)**	(7,401)
	—	—	**—**	—	**—**	—	**7,862**	6,648
Present value of unfunded obligations	**82,588**	72,989	**602**	840	**1,861**	1,940	**—**	—
	82,588	72,989	**602**	840	**1,861**	1,940	**7,862**	6,648

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

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000	**USD'000**	USD'000	**USD'000**	USD'000
At January 1	**72,989**	75,353	**840**	1,686	**1,940**	2,150	**14,049**	13,214
Exchange differences	**1,286**	(2,214)	**—**	—	**—**	—	**—**	—
Current service cost	**258**	380	**—**	—	**—**	—	**—**	—
Actuarial loss (gain)	**9,024**	94	**(240)**	(480)	**(100)**	(100)	**669**	1,581
Interest cost	**3,534**	4,009	**12**	58	**69**	52	**541**	636
Benefit paid	**(4,503)**	(4,633)	**(10)**	(424)	**(48)**	(162)	**(1,559)**	(1,382)
At December 31	**82,588**	72,989	**602**	840	**1,861**	1,940	**13,700**	14,049

45. Retirement Benefit Obligations *(continued)*

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

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000
At January 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**7,401**	2,316
Exchange differences	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	—
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**272**	84
Actuarial loss	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(276)**	(88)
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	6,506
Benefit paid	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(1,559)**	(1,417)
At December 31	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**5,838**	7,401

The plan assets of the post-employment benefit plan are cash in a Federated Money Market Fund with an expected return of 4.04% (2011: 0%).

The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The Group expects to make a contribution of USD2,000,000 (2011: Nil) to the defined benefit plans during the next financial year.

46. Deferred Tax Assets (Liabilities)

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

	Accelerated tax depreciation USD'000	Warranty provision USD'000	Convertible bonds equity reserve USD'000	Employee related provision USD'000	Tax losses USD'000	Inventory provision and LIFO USD'000	Others USD'000	Total USD'000
The Group								
At January 1, 2011	(9,840)	3,324	(3,936)	12,733	64,012	(1,364)	(19,344)	45,585
Currency realignment	(23)	(2)	—	29	(134)	3	606	479
Credit (charge) to profit or loss	3,053	(282)	1,019	(1,505)	(6,783)	(35)	4,129	(404)
At December 31, 2011	**(6,810)**	**3,040**	**(2,917)**	**11,257**	**57,095**	**(1,396)**	**(14,609)**	**45,660**
Currency realignment	**45**	**42**	**—**	**28**	**445**	**8**	**536**	**1,104**
Credit (charge) to profit or loss	**5,162**	**295**	**210**	**10,995**	**(3,836)**	**2,836**	**(9,880)**	**5,782**
Credit to equity	**—**	**—**	**2,707**	**2,962**	**—**	**—**	**—**	**5,669**
At December 31, 2012	**(1,603)**	**3,377**	**—**	**25,242**	**53,704**	**1,448**	**(23,953)**	**58,215**

	Tax loss USD'000	Accelerated tax depreciation USD'000	Convertible bonds equity reserve USD'000	Total USD'000
The Company				
At January 1, 2011	2,013	(871)	(3,936)	(2,794)
Credit to profit or loss	754	397	1,019	2,170
At December 31, 2011	**2,767**	**(474)**	**(2,917)**	**(624)**
(Charge) credit to profit or loss	**(2,589)**	**296**	**210**	**(2,083)**
Credit to equity	**—**	**—**	**2,707**	**2,707**
At December 31, 2012	**178**	**(178)**	**—**	**—**

Note: Included in Others are the deferred tax impact of the restructuring provision, intellectual properties and other temporary differences.

46. Deferred Tax Assets (Liabilities) *(continued)*

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:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Deferred tax assets	**73,892**	73,633	**—**	—
Deferred tax liabilities	**(15,677)**	(27,973)	**—**	(624)
	58,215	45,660	**—**	(624)

At the end of the reporting period, the Group has unused tax losses of USD510 million (2011: USD460 million) available for the offset against future taxable profits that carry forward for at least fifteen years. No deferred tax asset has been recognised in respect of tax losses of USD234 million (2011: USD251 million) due to the lack of probable future taxable profits.

47. Major Non-Cash Transactions

During the year ended December 31, 2012, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of USD536,000 (2011: USD870,000).

48. Lease Commitments

At the end of the reporting period, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Within one year	**29,662**	29,734	**707**	704
In the second to fifth year inclusive	**62,398**	61,922	**—**	—
After five years	**28,707**	25,582	**—**	—
	120,767	117,238	**707**	704

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery, motor vehicles, office properties and other assets. Leases are negotiated for a term ranging from 1 year to 10 years.

49. Contingent Liabilities

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

In addition, the Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries as at December 31, 2012 amounted to USD754,752,000 (2011: USD828,876,000).

50. Share Options

Scheme adopted on March 28, 2002 ("Scheme C") and terminated on March 27, 2007

Scheme C was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. Under Scheme C, 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) Non-executive Directors (including Independent Non-executive Directors); or

(iii) suppliers or customers; or

(iv) any person or entity that provides research, development or other technological support; or

(v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the fifth 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 quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

50. Share Options *(continued)*

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, 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) Non-executive Directors (including Independent Non-executive Directors or officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 in cash by way of consideration 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; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

50. Share Options *(continued)*

The following table discloses movements in the Company's share options during the year:

2012 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 HKD	Exercise period
Directors									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 – 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 – 25.11.2020
	21.5.2012	D	—	570,000	—	—	570,000	8.742	21.5.2012 – 20.5.2022
Mr Joseph Galli Jr	6.3.2007	C	1,000,000	—	—	(1,000,000)	—	10.572	6.3.2007 – 5.3.2012
	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Kin Wah Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Chi Chung Chan	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 – 15.11.2019
Mr Stephan Horst Pudwill	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 – 15.11.2019
	21.5.2012	D	—	1,000,000	—	—	1,000,000	8.742	21.5.2012 – 20.5.2022
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 – 15.11.2019
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Christopher Patrick Langley OBE	16.11.2009	D	400,000	—	(400,000)	—	—	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Manfred Kuhlmann	16.11.2009	D	400,000	—	(400,000)	—	—	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	(100,000)	—	100,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Peter David Sullivan	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Total for directors			**9,800,000**	**2,820,000**	**(2,900,000)**	**(1,000,000)**	**8,720,000**		

50. Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

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 HKD	Exercise period
Employees	1.1.2007	C	150,000	—	—	(150,000)	—	10.080	1.1.2007 – 31.12.2011
	6.3.2007	C	4,325,000	—	—	(4,325,000)	—	10.572	6.3.2007 – 5.3.2012
	20.7.2007	D	200,000	—	(200,000)	—	—	10.060	20.7.2007 – 19.7.2017
	24.8.2007	D	2,060,000	—	(880,000)	—	1,180,000	8.390	24.8.2007 – 23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007 – 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 – 6.11.2017
	23.11.2007	D	500,000	—	(500,000)	—	—	7.578	23.11.2007 – 22.11.2017
	14.1.2008	D	970,000	—	(265,000)	(100,000)	605,000	7.566	14.1.2008 – 13.1.2018
	17.4.2008	D	1,575,000	—	(425,000)	(375,000)	775,000	7.780	17.4.2008 – 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 – 13.5.2018
	30.5.2008	D	490,000	—	(24,000)	(40,000)	426,000	7.546	30.5.2008 – 29.5.2018
	1.9.2008	D	150,000	—	(150,000)	—	—	7.450	1.9.2008 – 31.8.2018
	11.9.2008	D	50,000	—	—	—	50,000	7.430	11.9.2008 – 10.9.2018
	2.10.2008	D	75,000	—	(75,000)	—	—	7.068	2.10.2008 – 1.10.2018
	1.12.2008	D	100,000	—	—	—	100,000	2.340	1.12.2008 – 30.11.2018
	16.11.2009	D	7,080,000	—	(2,245,000)	(1,265,000)	3,570,000	6.770	16.11.2009 – 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 – 6.12.2019
	21.12.2009	D	225,000	—	(75,000)	(100,000)	50,000	6.350	21.12.2009 – 20.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 – 27.12.2019
	13.9.2010	D	1,050,000	—	(550,000)	—	500,000	7.390	13.9.2010 – 12.9.2020
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 – 16.1.2021
	16.12.2011	D	100,000	—	—	(100,000)	—	7.530	16.12.2011 – 15.12.2021
Total for employees			**19,405,000**	**—**	**(5,389,000)**	**(6,455,000)**	**7,561,000**		
Total for all categories			**29,205,000**	**2,820,000**	**(8,289,000)**	**(7,455,000)**	**16,281,000**		

50. Share Options *(continued)*

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	Outstanding at January 1, 2012	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2012
Scheme C	5,475,000	—	—	(5,475,000)	—
Scheme D	23,730,000	2,820,000	(8,289,000)	(1,980,000)	16,281,000
	29,205,000	2,820,000	(8,289,000)	(7,455,000)	16,281,000
Exercisable at the end of the year					12,951,000

Option type	Outstanding at January 1, 2011	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2011
Scheme C	9,734,000	—	—	(4,259,000)	5,475,000
Scheme D	23,515,000	1,120,000	(455,000)	(450,000)	23,730,000
	33,249,000	1,120,000	(455,000)	(4,709,000)	29,205,000
Exercisable at the end of the year					27,060,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2012	9,800,000	2,820,000	(2,900,000)	(1,000,000)	8,720,000

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2011	10,300,000	1,000,000	—	(1,500,000)	9,800,000

50. 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 HKD	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the year ended December 31, 2012					
21.5.2012	**8.742**	**3 years**	**41%**	**0.298%**	**1.5%**
For the year ended December 31, 2011					
17.1.2011	10.436	3 years	41%	0.926%	1.5%
23.5.2011	9.872	3 years	41%	0.829%	1.5%
16.12.2011	7.530	3 years	41%	0.523%	1.5%

The share options are vested in parts over 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 behavioural 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 prices of shares immediately before the options grant date during 2012 and 2011 were HKD8.65 and HKD9.70 respectively.

The closing price of the Company's shares immediately before date of grant was HKD8.65 in 2012 and ranged from HKD7.30 to HKD10.04 in 2011.

The weighted average closing prices of the Company's shares immediately before various dates during 2012 and 2011 on which the share options were exercised were HKD14.12 and HKD10.10 respectively.

The Group recognised a total expense of USD578,000 for the year ended December 31, 2012 (2011: USD1,053,000) in relation to share options granted by the Company.

The fair values of the share options granted in 2012 and 2011 measured at date of grant was HKD2.11 and ranged from HKD1.92 to HKD2.58 per option respectively. The weighted average fair value of the share options granted in 2011 was HKD2.40 per option.

The Company had 16,281,000 share options outstanding, which represented approximately 0.89% of the issued share capital of the Company as at December 31, 2012. No option was cancelled during the year.

51. Capital Commitments

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	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	**79**	273
Authorised but not contracted for	**1,297**	287	**—**	—

52. Related Party Transactions

During the year, the Group entered into the following transactions with its associates:

	2012	2011
	USD'000	USD'000
Sales income	**19**	14
Equipment charge income	**115**	138
Purchases	**—**	24,814

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

	2012	2011
	USD'000	USD'000
Short-term benefits	**29,424**	29,648
Post-employment benefits	**190**	170
Share-based payments	**575**	823
	30,189	30,641

Details of the balances and transactions with related parties are set out in the statements of financial position and Notes 21, 22, 27, 28, 35 and 49.

53. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2012 and December 31, 2011 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
A&M Industries S.à.r.l.	Luxembourg	EUR 537,900	—	100	Investment holding
AC (Macao Commercial Offshore) Limited	Macau	MOP 780,000	—	100	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries GmbH (formerly known as AEG Electric Tools GmbH)	Germany `	EUR 20,452,500	—	100	Trading and manufacture of power equipment products
Baja, Inc.	US	USD 17.36	—	100	Trading of outdoor power equipment products
DreBo Werkzeugfabrik GmbH *	Germany	EUR 1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Consumer Products, Inc.	US	USD 10	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	USD 1	—	100	Trading and manufacture of floor care products
MacEwen Property Co., Inc.	US	USD 100	100	—	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HKD 100,000	100	—	Trading of household electronic and electrical products
Milwaukee Electric Tool Corporation	US	USD 50,000,000	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	US	USD 10	—	100	Trading of power equipment products
OWT France S.A.S.	France	EUR 1,750,000	—	100	Investment holding
OWT Industries, Inc.	US	USD 10	—	100	Manufacture of electric components and power equipment products
Royal Appliance International GmbH	Germany	EUR 2,050,000	100	—	Trading of floor care products

53. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Proportion of nominal value of issued capital held by the Company Indirectly %	Principal activities
Royal Appliance Mfg. Co.	US	USD 1	—	100	Trading and manufacture of floor care products
Sang Tech Industries Limited	Hong Kong	HKD 1,000,000	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HKD 2,000,000	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HKD 2,000,000	75.725	—	Manufacture of electronic products
Techtronic Floor Care Technology Limited	BVI	USD 1	100	—	Investment and intellectual properties holding
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	USD 47,000,000	—	100	Manufacture of power equipment, floor care and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NTD 5,000,000	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd	United Kingdom	GBP 4,000,000	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD 19,400,000	—	100	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR 25,600	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR 25,000	—	100	Trading of power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR 14,919,832	—	100	Trading of power equipment products
Techtronic Industries Germany Holding GmbH	Germany	EUR 25,000	—	100	Investment holding
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN 50,000 (Serie I) MXN 722,095 (Serie II)	—	100	Trading of power equipment, floor care and outdoor power equipment products

53. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Proportion of nominal value of issued capital held by the Company Indirectly %	Principal activities
Techtronic Industries N.Z. Limited	New Zealand	NZD 1,165,500	100	—	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries North America, Inc.	US	USD 10	98.4	1.6	Investment holding
Techtronic Outdoor Products Technology Limited	Bermuda	USD 12,000	100	—	Investment and intellectual properties holding
Techtronic Power Tools Technology Limited	BVI	USD 1	100	—	Investment and intellectual properties holding
Techtronic Product Development Limited	Hong Kong	HKD 2	100	—	Engage in research & development activities
Techtronic Trading Limited	Hong Kong	HKD 2	100	—	Trading of power equipment, floor care and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HKD 2	100	—	Investment holding
Vax Appliances (Australia) Pty. Ltd.	Australia	AUD 3,200,008 (ordinary shares) AUD 13,900,000 (Class A Redeemable Preference Shares)	100	—	Investment holding
Vax Limited	United Kingdom	GBP 30,000 (Ordinary A shares) GBP 2,500 (Ordinary B shares)	100	—	Trading of household electrical and floor care 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.

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

54. Particulars of Associates

Particulars of the associates are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly		Principal activities
			2012 %	2011 %	
Gimelli International (Holdings) Limited	The Cayman Islands	USD 6,250	**40.8**	40.8	Investment holding
Precision Technology Industries Limited	Bermuda	USD 12,000,000	**—**	25.0	Manufacture of power equipment products

FINANCIAL SUMMARY

Results

	Year ended December 31,				
	2008 USD'000 (Restated)	2009 USD'000 (Restated)	2010 USD'000 (Restated)	2011 USD'000 (Restated)	**2012** **USD'000**
Turnover	3,412,220	3,074,955	3,382,838	3,667,058	**3,852,418**
Profit before restructuring, share of results of associates, goodwill impairment and taxation	117,625	57,362	123,165	161,704	**222,246**
Restructuring costs	(92,048)	—	(26,653)	—	**—**
Goodwill impairment	(10,000)	—	—	—	**—**
Share of results of associates	(394)	(127)	(155)	(347)	**—**
Profit before taxation	15,183	57,235	96,357	161,357	**222,246**
Taxation (charge) credit	5,150	8,036	70	(9,242)	**(22,139)**
Profit for the year	20,333	65,271	96,427	152,115	**200,107**
Attributable to:					
Owners of the Company	18,150	65,079	95,556	152,009	**200,991**
Non-controlling interests	2,183	192	871	106	**(884)**
Profit for the year	20,333	65,271	96,427	152,115	**200,107**
Basic earnings per share (US cents)	1.21	4.23	5.97	9.47	**11.42**

Assets and Liabilities

	Year ended December 31,				
	2008 USD'000	2009 USD'000	2010 USD'000	2011 USD'000	**2012** **USD'000**
Total assets	2,793,468	3,049,276	3,265,912	3,369,616	**3,581,078**
Total liabilities	1,902,768	1,999,049	2,136,205	2,115,488	**2,024,556**
	890,700	1,050,227	1,129,707	1,254,128	**1,556,522**
Equity attributable to Owners of the Company	876,815	1,036,149	1,114,759	1,245,576	**1,548,877**
Non-controlling interests	13,885	14,078	14,948	8,552	**7,645**
	890,700	1,050,227	1,129,707	1,254,128	**1,556,522**

CORPORATE INFORMATION

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Joseph Galli Jr
Chief Executive Officer

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

Non-executive Director

Prof Roy Chi Ping Chung BBS JP

Independent Non-executive Directors

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

Financial Calendar 2013

March 21	:	Announcement of 2012 annual results
May 22	:	Last day to register for the entitlement to attend and vote at Annual General Meeting
May 23-24	:	Book closure period for the entitlement to attend and vote at Annual General Meeting
May 24	:	Annual General Meeting
May 29	:	Last day to register for 2012 final dividend
May 30-31	:	Book closure period for 2012 final dividend
June 28	:	Final dividend payment
June 30	:	Six months interim period end
December 31	:	Financial year end

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Earnings results, annual/interim reports are available online.

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Ordinary Shares (stock code: 669)
ADR Level 1 Programme (symbol: TTNDY)

Share Registrar and Transfer Office

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Tel: (852) 2980 1888

ADR Depositary

The Bank of New York

Principal Bankers

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

Solicitor

Vincent T.K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Ms Veronica Ka Po Ng

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