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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

Highlights

	2017 US$' million	2016 US$' million	Changes
Revenue	**6,064**	5,480	**+10.6%**
Gross profit margin	**36.7%**	36.2%	**+50 bps**
EBIT	**519**	450	**+15.3%**
Profit attributable to Owners of the Company	**470**	409	**+15.0%**
Basic earnings per share (US cents)	**25.66**	22.32	**+15.0%**
Dividend per share (approx. US cents)	**8.69**	6.44	**+35.0%**

We are pleased to announce that in 2017 we delivered another year of record profit and our eighth consecutive year of record revenue. We have delivered impressive growth through the years while continuing to drive gross margin expansion. Our momentum couldn't be stronger and we are highly confident in our disciplined focus on the key strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence.

The financial highlights of 2017 include:

- Revenue increased 10.6% to a record US$6.1 billion
- MILWAUKEE continues to grow with strong global momentum and double-digit growth
- RYOBI delivered double-digit revenue growth
- Gross margin expanded from 36.2% to 36.7%, an increase of 50 basis points
- Net profit increased 15.0% for the year, delivering double-digit growth for ten consecutive years
- Efficient working capital management at 16.5% of revenue

BUSINESS HIGHLIGHTS

Record Performance

Revenue for the year ended December 31, 2017 increased 10.6% over 2016 to US$6.1 billion. We generated solid growth in all core geographic regions fueled by exciting new product launches across the divisions. Our largest business, Power Equipment, had another impressive year with sales growth of 14.9% to US$5.1 billion, accounting for 84.7% of total sales, and an increase in operating profit of 18.9% to US$512 million from US$430 million in 2016. The Floor Care and Appliance business made progress in enhancing its cordless product range while exiting certain non-strategic corded vacuums. With the cordless Floor Care business up double-digit, it is a testament to the effectiveness of our strategy to meet the consumer's preference as the industry transitions from corded to cordless. We remain confident our direction will deliver improved returns in the coming years.

Continuous Operational Improvement

Gross profit margin improved for the ninth consecutive year from 36.2% in 2016 to 36.7% on positive impacts from the flow of new product introductions, volume leverage and productivity gains. Our continued investment in automation, value engineering programs and relentless focus on global supply chain are also contributing to helping us achieve our exceptional results. Earnings before interest and taxes, increased by 15.3% to US$519 million, with the margin improving by 40 basis points to 8.6%. Shareholders' profits rose 15.0% to US$470 million, with earnings per share increasing by 15.0% over 2016 to US25.66 cents. Working capital as a percent of sales continues to be very well managed and remained low at 16.5% and in a net cash position.

Given the rapid growth of our Power Equipment division, TTI has made significant investments in the expansion of our distribution, manufacturing and R&D capabilities in North America with our head count increasing 16.0% in this region while global headcount for the entire Group increased only 6.7%, with revenue increasing 10.6%, demonstrating our ability to drive overall productivity.

The Board is recommending a final dividend of HK39.75 cents (approximately US5.12 cents) per share. Together, with the interim dividend of HK27.75 cents (approximately US3.57 cents) per share, this will result in a full-year dividend of HK67.50 cents (approximately US8.69 cents) per share, against HK50.00 cents (approximately US6.44 cents) per share in 2016, an increase of 35.0%.

Strategic Commitment

TTI has a clear focus on meeting our customers' expectations with a relentless drive to create innovative products. Our commitment and investment in R&D combined with our cordless manufacturing capabilities have resulted in a flow of inventive product solutions that are advancing our cordless leadership position. We are leveraging our cordless technology as we drive further and more broadly across the battery platforms of RYOBI ONE+, the world's largest cordless DIY power tool brand, and the industry leading MILWAUKEE M18 and M12 professional and industrial power tool families. In addition to power tools, we utilize our technological expertise in batteries, power management electronics, and brushless motor systems in our Outdoor Power Equipment and Floor Care businesses.

We are committed to a culture of excellence at TTI. It is our high standards, willingness to take the necessary steps, and disciplined commitment to continuous improvement that are propelling TTI to continue delivering outstanding results. We are streamlining our manufacturing operations while at the same time reducing lead-times through the implementation of lean practices, automation, and supply chain re-engineering. This dedication to operational excellence also drives the expansion of manufacturing capabilities necessary to launch a growing complex range of new products. Our technology and product development centers are energetic, dynamic places of creative ideas coupled with world-class project execution that bring remarkable ranges of breakthrough products to market. Enhancing our R&D capabilities is the new DIY power tools and outdoor power equipment Innovation Center in South Carolina and the recently completed Global New Product Development Center at the MILWAUKEE headquarters. These facilities are cutting-edge work environments for product creation, technical and software development.

REVIEW OF OPERATIONS

TTI once again delivered record results in 2017. Total company revenue increased 10.6% from the prior year with growth in all regions. North America delivered strong 11.2% growth along with 3.3% growth in Europe and 20.8% from the rest of the world. Our focus on cordless innovation helped drive our Power Equipment business with revenue growth of 14.9%. Floor Care and Appliance business generated double-digit growth in cordless sales but with the strategic phase-out of the corded products the business declined 8.3%.

2017 was the ninth consecutive year of gross profit margin improvement from 36.2% in 2016 to 36.7% in 2017. This is a result of the organization's total commitment to our four strategic drivers which positively impact our goals. Innovative new products and services, cost efficiencies through continuous improvement initiatives, talent investment on a global basis, and world recognized and trusted brands all contribute to growing profitability.

Power Equipment

The Power Equipment business grew to US$5.1 billion and 84.7% of total Group sales. The business also delivered operating profit of US$512 million, a 18.9% increase over the previous year. The MILWAUKEE and RYOBI brands both delivered double-digit sales growth and outpaced the market.

Industrial Tools

The strategic focus on disruptive product innovation, direct end-user engagement, and operational performance drove Milwaukee to exceptional 2017 results. Sales grew 21.7% in the period outperforming the growth in the industrial and professional market. The strategy for continued market penetration is multi-leveled with the critically important end user and distribution interactions and the targeting of untapped adjacent categories all through the introduction of innovative products.

The business continues to successfully deliver on the strategy of providing a system-wide product range for professionals with special attention to trade users in the electrical, mechanical and plumbing industries. These trade-specific segments are experiencing a tremendous shift to the MILWAUKEE cordless revolution with the development of new categories.

Power Tools
The Milwaukee Power Tool business generated another year of double-digit sales growth exhibiting significant market share gains and new category expansion across the professional cordless power tool business segment. Examples of market changing innovative product introductions that are changing the way jobsites work occurred in lighting, drain cleaning, hydraulic and pneumatic where the need for electrical cords, hoses or gas storage is being eliminated. This is a direct result of the M12 and M18 cordless systems simplifying the decision process with a single battery platform. The M18 cordless system continues to be the fastest growing system for the professional end-user providing over 145 compatible tool solutions and the M12 cordless system surpassing over 80 compatible tools is maintaining our clear cordless leadership position in the sub-compact space.

Milwaukee continued investing and expanding the FUEL range by increasing the number of tools to more than 55. The new M18 FUEL mid-torque impact wrenches and the M18 high-torque impact wrenches are moving end-users from pneumatic to cordless enabling better maneuverability in tight spaces. Additional strategic product initiatives included the M18 FUEL HACKZALL utilizing a POWERSTATE brushless motor, a best in class 7/8" stroke length, and providing fast cutting and power in a one-handed reciprocating saw. The M18 FUEL 7-1/4" dual bevel sliding compound miter saw was designed for the demanding needs of the professional carpenter and remodeler. The M12 FUEL ½" ratchet combines both the torque and the compact size to replace pneumatic ratchets, becoming the ideal fastening solution for automotive mechanics and maintenance and repair professionals who demand maximum performance and convenient portability.

Leading the industry with disruptive cordless solutions for the mechanical, electrical and plumbing trades, the FORCELOGIC platform expanded its product range with the successful introductions of the M18 FORCELOGIC 1590 ACSR cable cutter, the M18 FORCELOGIC 12 ton crimper, and the innovative M18 FORCELOGIC 3" underground cable cutter which delivers improved reliability and productivity for the linemen in the electric power transmission and distribution trade.

The professional service plumber and maintenance repair professional have witnessed Milwaukee's expanded presence in the professional drain cleaning space with innovative cordless products. The handheld M18 FUEL drain snake with CABLE-DRIVE locking feed system was the first to deliver brushless motor technology to the drain cleaning industry. The M12 AIRSNAKE drain cleaning air gun is the industry's first drain cleaning machine designed to clear through drain covers and traps with powered air while leaving fixtures and drain covers intact. The M18 FUEL SWITCH PACK sectional drum system is the first drain cleaning solution that combines the benefits of sectional and drum machines.

A new category launched in 2016, M18 outdoor power equipment, reported strong results. Designed to meet landscape maintenance professional needs with increased productivity, the products eliminate cords and gas issues all with a single battery platform. The M18 FUEL string trimmer clears thick brush, reaches full throttle in under 1 second, and provides 1hour of run time per charge. The M18 FUEL blower generates 30% less noise than gas-powered blowers and clears a distance of 15 feet. The M18 FUEL hedge trimmer delivers 2 hours runtime with the power to cut ¾" branches.

High Output Lighting

Milwaukee is dominating the cordless high output and personal lighting categories. Our strategic initiative of capturing this market with innovative product solutions designed to deliver unmatched durability, performance, and increased productivity is witnessing acceptance in all the markets we serve. The M12 LED underhood light delivers TRUEVIEW high definition output adapting to any work situation with 2X more gripping surface for maximum hold while the FINISHGUARD hooks provide lasting protection against scratches to a vehicle's finish. The M18 RADIUS site light, capable of running on one or two battery packs, creates full 360° coverage with 14 hours from one charge. In addition, with plug-in and daisy-chaining capability, professionals can connect up to 12 lights off of a single circuit. The M18 ROVER mounting flood light brings extreme versatility to any jobsite with multiple mounting options in magnets and spring loaded clamps.

We entered the personal lighting category with a system of USB rechargeable lighting solutions which deliver over 2,000 recharges and 3X faster charging via USB. Products include the USB rechargeable ROVER pocket flood light designed to carry and attach anywhere, the USB rechargeable hard hat headlamp delivering 475 lumens, a slip resistant strap and a water, dust, and drop resistant body and lens for the toughest workplace conditions, and the USB rechargeable 700L flashlight with a sliding head for adjusting beam pattern.

Accessories

The Milwaukee Power Tool Accessory business finished 2017 with strong double-digit growth as a result of end-user conversions, new product introductions, and aggressive distribution efforts. Leading the growth was the SDS concrete drill bit and chisel segment which targets end-user demands of time saving engineered speed and extended chisel life. The SHOCKWAVE product range continues to be the brand of choice for impact rated drilling and driving accessories as Milwaukee extended the SHOCKWAVE range of products to include trade-specific accessory solutions for the power utility market including the linemen's impact augers and sockets.

Hand Tools and Storage

There were a number of exciting developments in the Milwaukee Hand Tool and Storage business driving double-digit growth across all product lines. The launch of the PACKOUT modular storage system has delivered on its promise of being the most versatile and durable modular storage system. Sales exceeded expectations with a positive growth outlook and dozens of new PACKOUT products on the horizon.

Additionally, screwdrivers, with patent-pending features such as tactile identification on the handle, tape measures, with new size reductions and increased durability, and Empire Levels, a leading company in the layout category, all delivered outstanding performance.

Advancements in new technology is behind Empire Level's growth. The expansion of the ULTRAVIEW LED technology into the torpedo level category provides a lightweight, pocketable solution in poorly lit work conditions. In addition, the launch of a new line of digital levels with industry first features like auto-calibration, making them the easiest to use in the industry, and the innovative advancements in compact box levels and torpedo levels proved to capture the imagination and acceptance of the professional users.

DIY and Professional Tools

RYOBI Tools

RYOBI ONE+ brand is the largest cordless DIY power tool system in the world with over 120 tools on the same battery platform. RYOBI ONE+ brand delivered double-digit sales growth and dominates the DIY markets in North America and ANZ and is expanding rapidly across EMEA. We continue to increase the RYOBI brand user base with an ongoing flow of innovative new products featuring cutting-edge cordless technology that makes DIY projects faster, easier and more exciting.

Our stream of RYOBI new products includes the successful brushless range of professional performance tools that fit the ONE+ SYSTEM. An important recent new introduction is the RYOBI ONE+ 6 gallon wet/dry vac breaking new ground as the industry's first high capacity cordless job site vacuum delivering corded like performance. A 23 gauge pin nailer was added to the ONE+ AIRSTRIKE line of nailers with the ability to drive up to 3,500 nails on a single charged battery. Further broadening the RYOBI power tool range is the new ONE+ONE 10" dual bevel sliding compound miter saw which is driven by two ONE+ batteries and delivers over 800 cross cuts per charge.

AEG Professional Tools

The AEG brand of Professional Power Tools aimed at the tradesman produced solid growth in 2017 in the targeted EMEA and ANZ regions with excellent performance from the continued expansion of the 18V and 12V cordless ranges. The 18V cordless platform now offers over 40 power tools. A number of significant new products were launched during the period including the revolutionary 18V heavy duty hammer drill and the brushless 18V heavy duty reciprocating saw which set new standards in performance. The AEG brand of power tools has strong distribution partner momentum and a robust pipeline of new AEG 18V and 12V power tools to continue the growth in 2018.

Outdoor Products

The Outdoor Products business delivered a robust year delivering double-digit growth in sales with a focus on the targeted North America, ANZ and EMEA regions. The key drivers behind the growth were innovative product introductions, aggressive in-store merchandising, digital communication, and strategic promotional activity.

RYOBI Outdoor

The RYOBI Outdoor Product business produced strong sales results again in 2017 driven by excellent sales to both new and repeat users of the ONE+ and 40V cordless systems, plus significant new product launches that continued to showcase the advanced technology and innovations on both these cordless platforms. The growing awareness of the benefits from cordless technology is converting users from traditional gas powered equipment while also expanding the outdoor category.

RYOBI Outdoor Products experienced accelerating demand for the ONE+ high performance string trimmer, hedge trimmer, jet fan blower and chain saws. We gained market share with our innovative range of ONE+ and 40V mowers. Several notable new product innovations included the brushless ONE+ LITHIUM+ cordless trimmer, a RYOBI 40V brushless 20” mower, a redesigned 40V jet fan blower, and a RYOBI 38” riding mower, all surpassing sales expectations. The cordless mowers are delivering first to market performance with broad user acceptance. The 20” 40V mower expands an already successful range and brings excellent performance with industry best performance. More and more DIY end users are moving to the convenience of cordless products when working outdoors.

Floor Care and Appliances

The Floor Care and Appliance business declined 8.3% and accounted for 15.3% of TTI sales. With our outstanding brand portfolio including HOOVER, DIRT DEVIL, ORECK and VAX, the business is focusing on high growth cordless products and leveraging the TTI cordless technology. Sales of cordless vacuums grew double digit across all geographies, validating our strategic plan aimed at increased profitability and a return to top line growth in the long term. The business is making progress executing the strategic changes by investing in R&D for cordless technology and new product development, discontinuation of non-strategic products and streamlining operations. During the year we invested in new production lines for our cordless products at our world class manufacturing facility. This is a critical step as we leverage our larger cordless power tool core competencies in floor care manufacturing.

North America

The North America business delivered growth in the cordless segment highlighted by the successful launch of the HOOVER REACT cordless pole vacuum and HOOVER FUSION cordless vacuum, both with market leading run time and performance of the ONE PWR cordless battery system with rapid charge. The new HOOVER power scrub range of carpet extractors gained momentum in the second half of 2017 and represents the start of a new portfolio of carpet extractors and accompanying cleaning solutions.

The DIRT DEVIL brand had an outstanding year outpacing the industry by growing at a double-digit rate. This was a result of successful product launches with the POWER MAX series of uprights and a range of cordless REACH MAX pole vacuums targeted toward the on-the-go millennial consumer. Our digital marketing and social media campaigns are proving highly effective in growing this segment of the market.

Our ORECK brand introduced a range of cordless pole vacuums, incorporating new-to-world POD technology, providing an unsurpassed "clean air" management system. This powerful technology offers significant user benefits for the ORECK platform going forward. ORECK products are supported with a direct to consumer model and highly impactful digital marketing campaign. Additionally, the Hoover Commercial Cleaning business had a solid year with the expansion of its customer base in cordless cleaning with back packs and HUSHTONE cordless uprights. The HUSHTONE upright is the leading commercial cordless upright and expands our battery network.

Europe

Floor Care business in Europe delivered strong growth in the strategic cordless stick vacuum category. In 2017 the innovative BLADE cordless stick vac was introduced in the UK market. Launching with two variants, both the BLADE 24V and BLADE 32V cordless stick vacs proved to be an immediate success with consumers adopting the efficient cleaning performance and long runtime of 35 minutes and 45 minutes respectively. The new floor cleaning head and DIRECT HELIX technology optimize airflow at all angles to maximize performance and efficiency. Following the successful UK launch, the BLADE cordless stick vac was launched across Europe and is achieving strong sales. We have a next generation BLADE in the pipeline which will further drive growth in the cordless floor care category in 2018. Another new product success is the VAX rapid power pro carpet washer offering our fastest ever carpet drying time and achieved our highest ever consumer rating.

DIVIDEND

The Directors have recommended a final dividend of HK39.75 cents (approximately US5.12 cents) per share with a total of approximately US$93,877,000 for the year ended December 31, 2017 (2016: HK30.00 cents (approximately US3.86 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 28, 2018. 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 22, 2018. This payment, together with the interim dividend of HK27.75 cents (approximately US3.57 cents) per share (2016: HK20.00 cents (approximately US2.57 cents)) paid on September 22, 2017, makes a total payment of HK67.50 cents (approximately US8.69 cents) per share for 2017 (2016: HK50.00 cents (approximately US6.44 cents)).

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's revenue for the year amounted to US$6.1 billion, an increase of 10.6% as compared to US$5.5 billion in 2016. Profit attributable to Owners of the Company amounted to US$470 million as compared to US$409 million in 2016, an increase of 15.0%. Basic earnings per share for the year improved to US25.66 cents as compared to US22.32 cents in 2016.

EBITDA amounted to US$728 million, an increase of 13.6% as compared to US$641 million in 2016.

EBIT amounted to US$519 million, an increase of 15.3% as compared to US$450 million in 2016.

Gross Margin

Gross margin improved to 36.7% as compared to 36.2% last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the year amounted to US$1,712 million as compared to US$1,540 million in 2016, representing 28.2% of turnover (2016: 28.1%). The increase was mainly due to the strategic investments in new products.

Investments in product design and development amounted to US$164 million, representing 2.7% of turnover (2016: 2.7%) reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the year amounted to US$14 million as compared to US$10 million in 2016, an increase of 35.0%. The increase mainly due to the increase in the volume of business and interest rate increased during the year. In view of the potential further rate increase, the Company will focus in managing its financial resources to be more efficient going forward. Interest coverage, expressed as a multiple of EBITDA to total interest was 30.2 times (2016: 30.0 times).

The effective tax rate, being tax charged for the year to before tax profits was at 6.9% (2016: 7.1%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds amounted to US$2.7 billion as compared to US$2.4 billion in 2016. Book value per share was at US$1.49 as compared to US$1.31 last year, an increase of 13.7%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2017, the Group's cash and cash equivalents amounted to US$864 million (2016: US$803 million), of which 50.2%, 21.6%, 7.6% and 20.6% were denominated in US$, RMB, 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 from 5.2% in 2016 to net cash. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing, if any, will remain low going forward.

Bank Borrowings

Long term borrowings accounted for 66.5% of total debts (2016: 52.8%).

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

Amongst the bank borrowings, fixed rate debts account for 12.3% of the total debt, the balance being floating rate debts.

Working Capital

Total inventory was at US$1,467 million as compared to US$1,296 million in 2016. Days inventory increased by 2 days from 86 days to 88 days. The higher inventory days as compared to past years was mainly due to the strategic decision to carry a higher level of inventory to support our service level, considering our high growth momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 67 days as compared to 62 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 62 days as compared to 57 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 95 days as compared to 89 days in 2016.

Working capital as a percentage of sales was at 16.5% as compared to 16.4% in 2016.

Capital Expenditure

Total capital expenditures for the year amounted to US$205 million (2016: US$190 million).

Capital Commitments and Contingent Liabilities

As at December 31, 2017, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$22 million (2016: US$33 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, 2017

(i) the Group's largest customer and five largest customers accounted for approximately 45.5% and 55.8% respectively of the Group's total revenue; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 4.7% and 16.7% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, 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 22,033 employees as at December 31, 2017 (2016: 20,642) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$963 million (2016: US$807 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 both inside and outside North America and we have spent relentless efforts to expand and establish presence in high potential markets around the world.

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

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

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2017. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with all the code provisions of the Corporate Governance Code 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, 2017, save that none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 107(A) of the Articles of Association of the Company, one-third of the board of directors (the "Board") must retire by rotation at each general meeting of the Company, and if eligible, offer themselves for re-election.

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

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

A total of 1,500,000 ordinary shares (those bought back by the Company during 2016 at prices ranging from HK$27.50 to HK$28.15 per share) were settled and cancelled by the Company during 2017. The aggregate amount paid by the Company for such buy-backs cancelled during 2017 amounting to US$5,388,000 was charged to the retained earnings.

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

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

CLOSURE OF REGISTER OF MEMBERS

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

To ascertain members' eligibility to attend and vote at the 2018 Annual General Meeting, the register of members of the Company will be closed from May 16, 2018 to May 18, 2018, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2018 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 15, 2018.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 28, 2018 when 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 25, 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 18, 2018 and the notice of the annual general meeting will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

EXCITING FUTURE

Our ambition is to fundamentally change the way the world works at home and on the jobsite. We continue to invest in the future through technology and product development teams that are driving the flow of innovative new products and creating opportunities for previously unimagined category expansion. We have a portfolio of powerful brands and leading cordless platforms which are being deployed across the globe.

2018 has started strong as we continue to execute our cordless vision and drive geographic and category expansion. Investment in cordless technology and our new product development process will generate an expanding flow of new products for 2018. New products and ground-breaking technologies like the MILWAUKEE FUEL and RYOBI brushless technology are being launched across our strategic cordless platforms of MILWAUKEE M12 and M18 and RYOBI ONE+ and 40V. New categories leveraging these cordless platforms are being entered and successfully expanded with industry changing innovations like MILWAUKEE High Output Lighting and Ryobi range of cordless Lawn Mowers. Our obsession on focusing on the customer is generating opportunities in complimentary Accessories, Storage and Hand Tool products. We are realizing substantial progress in expanding our global reach through the deployment of TTI's brands and cordless leadership into strategically targeted geographies, many of these only now opening up to the benefits of cordless technology.

TTI is committed to operating as a responsible corporate citizen of the world with environmental, social and governance best practices as we grow the business.

On behalf of the Board, we would like to express our appreciation to our shareholders, loyal customers and everyone at TTI for their dedication, commitment and hard work. With our well-defined strategy, business momentum, and customer focus, we feel very confident that 2018 will be another outstanding year.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, March 13, 2018

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

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

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Notes	**2017** **US$'000**	2016 US$'000
Revenue	*2*	**6,063,633**	5,480,413
Cost of sales		**(3,837,426)**	(3,495,234)
Gross profit		**2,226,207**	1,985,179
Other income	*3*	**5,454**	5,039
Interest income		**10,792**	11,653
Selling, distribution and advertising expenses		**(925,146)**	(794,280)
Administrative expenses		**(623,710)**	(598,492)
Research and development costs		**(163,621)**	(147,277)
Finance costs	*4*	**(24,480)**	(21,793)
Profit before taxation		**505,496**	440,029
Taxation charge	*5*	**(34,972)**	(31,242)
Profit for the year	*6*	**470,524**	408,787
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		**(7,325)**	(7,063)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on foreign currency forward contracts in hedge accounting		**(46,936)**	29,339
Exchange differences on translation of foreign operations		**62,671**	(82,000)
Other comprehensive income (loss) for the year		**8,410**	(59,724)
Total comprehensive income for the year		**478,934**	349,063

	Note	**2017**	2016
		US$'000	US$'000
Profit for the year attributable to:			
Owners of the Company		**470,425**	408,982
Non-controlling interests		**99**	(195)
		470,524	408,787
Total comprehensive income attributable to:			
Owners of the Company		**478,835**	349,258
Non-controlling interests		**99**	(195)
		478,934	349,063
Earnings per share (US cents)	*7*		
Basic		**25.66**	22.32
Diluted		**25.58**	22.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	2017 US$'000	2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8 & 12*	**688,868**	601,230
Lease prepayments		**30,836**	29,581
Goodwill		**555,350**	553,194
Intangible assets		**580,424**	546,636
Interests in associates		**2,780**	3,667
Available-for-sale investments		**3,697**	613
Derivative financial instruments		**9,558**	9,986
Deferred tax assets		**92,939**	178,191
		1,964,452	1,923,098
Current assets			
Inventories		**1,467,420**	1,296,425
Trade and other receivables	*9*	**1,136,876**	950,882
Deposits and prepayments		**112,627**	98,638
Bills receivable		**8,008**	11,190
Tax recoverable		**6,698**	11,694
Trade receivables from an associate		**2,790**	3,540
Derivative financial instruments		**3,798**	20,199
Held-for-trading investments		**32,293**	-
Bank balances, deposits and cash		**863,515**	804,741
		3,634,025	3,197,309
Current liabilities			
Trade and other payables	*10*	**1,574,402**	1,330,807
Bills payable		**54,952**	54,137
Warranty provision		**97,268**	80,088
Tax payable		**23,912**	100,164
Derivative financial instruments		**43,830**	2,175
Obligations under finance leases - due within one year		**2,895**	2,982
Discounted bills with recourse		**87,837**	93,897
Unsecured borrowings - due within one year		**260,342**	403,825
Bank overdrafts		**-**	1,656
		2,145,438	2,069,731
Net current assets		**1,488,587**	1,127,578
Total assets less current liabilities		**3,453,039**	3,050,676

	Note	2017 US$'000	2016 US$'000
Capital and Reserves			
Share capital	*11*	**653,918**	649,214
Reserves		**2,087,307**	1,750,324
Equity attributable to Owners of the Company		**2,741,225**	2,399,538
Non-controlling interests		**(507)**	(606)
Total equity		**2,740,718**	2,398,932
Non-current Liabilities			
Obligations under finance leases - due after one year		**8,722**	10,760
Unsecured borrowings - due after one year		**564,678**	490,452
Retirement benefit obligations		**124,517**	108,167
Deferred tax liabilities		**14,404**	42,365
		712,321	651,744
Total equity and non-current liabilities		**3,453,039**	3,050,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

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

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

The financial information relating to the years ended December 31, 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but are derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended December 31, 2017 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at January 1, 2017:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS	Annual Improvement to HKFRSs 2015-2017 cycle[2]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for annual periods beginning on or after January 1, 2019.
3 Effective for annual periods beginning on or a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2021.

Other than described below, the directors of the Company consider the application of the new and revised HKFRSs and interpretations would not have any material impact on the consolidated financial statements.

HKFRS 9 Financial Instruments
HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

The key requirements of HKFRS 9 which are relevant to the Group are:

- All recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized 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 amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at the end of subsequent accounting 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 recognized in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Equity securities classified as available-for-sale investments carried at cost less impairment: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognized in profit or loss. Upon initial application of HKFRS 9, the directors of the Company do not anticipate that fair value changes related to these securities will have material impact on the Group's consolidated financial statements.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognized by Group as at January 1, 2018 would be slightly increased as compared to the accumulated amount recognized under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognized under expected credit loss model would reduce the opening retained profits at January 1, 2018.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of HKFRS 9. Accordingly, the directors of the Company anticipate that the application of the new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to a lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognized an asset and a related finance lease liability, for a finance lease arrangement and prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2017, the Group has certain non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements may meet the definition of a lease. Upon application of HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

2. Segment Information

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

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

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

Information regarding the above segments is reported below.

Segment revenue and results

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

For the year ended December 31, 2017

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	**5,137,697**	**925,936**	**-**	**6,063,633**
Inter-segment sales	**-**	**1,915**	**(1,915)**	-
Total segment revenue	**5,137,697**	**927,851**	**(1,915)**	**6,063,633**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	**511,722**	**7,462**	**-**	**519,184**
Interest income				**10,792**
Finance costs				**(24,480)**
Profit before taxation				**505,496**
Taxation charge				**(34,972)**
Profit for the year				**470,524**

For the year ended December 31, 2016

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	4,470,590	1,009,823	-	5,480,413
Inter-segment sales	-	1,038	(1,038)	-
Total segment revenue	4,470,590	1,010,861	(1,038)	5,480,413

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	430,307	19,862	-	450,169
Interest income				11,653
Finance costs				(21,793)
Profit before taxation				440,029
Taxation charge				(31,242)
Profit for the year				408,787

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

Revenue from major products

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

	2017 US$'000	2016 US$'000
Power Equipment	**5,137,697**	4,470,590
Floor Care and Appliances	**925,936**	1,009,823
Total	**6,063,633**	5,480,413

Geographical information

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

	2017 US$'000	2016 US$'000
North America	**4,625,483**	4,160,886
Europe	**918,833**	889,587
Other countries	**519,317**	429,940
Total	**6,063,633**	5,480,413

Information about major customer

During the years ended December 31, 2017 and 2016, the Group's largest customer contributed total revenue of US$2,760,045,000 (2016: US$2,453,525,000), of which US$2,688,536,000 (2016: US$2,373,928,000) was under the Power Equipment segment and US$71,509,000 (2016: US$79,597,000) was under the Floor Care and Appliances segment. There is no other customer contributing more than 10% of total revenue.

3. Other Income

Other income in both 2017 and 2016 mainly comprises of the sale of scrap materials and claims and reimbursement from customers and vendors.

4. Finance Costs

	2017	2016
	US$'000	US$'000
Interests on:		
Bank borrowings and overdrafts	**23,699**	20,938
Obligations under finance leases	**781**	855
	24,480	21,793

5. Taxation Charge

	2017	2016
	US$'000	US$'000
The total tax charge comprises:		
Hong Kong Profits Tax	**(3,577)**	(3,439)
Overseas tax	**19,534**	(25,906)
Deferred tax	**(50,929)**	(1,897)
	(34,972)	(31,242)

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

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

6. Profit for the Year

	2017	2016
	US$'000	US$'000
Profit for the year has been arrived at after charging:		
Amortization of intangible assets	**93,938**	88,649
Amortization of lease prepayments	**732**	744
Depreciation and amortization on property, plant and equipment	**114,503**	101,342
Staff costs	**822,682**	680,206

Staff costs disclosed above do not include an amount of US$140,125,000 (2016: US$126,298,000) incurred of staff costs relating to research and development activities.

7. Earnings per Share

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

	2017 **US$'000**	2016 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**470,425**	408,982
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,833,278,393**	1,832,139,377
Effect of dilutive potential ordinary shares:		
Share options	**5,403,141**	6,024,374
Share award	**147,754**	713,467
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,838,829,288**	1,838,877,218

The computation of diluted earnings per share does not assume the exercise of certain Company's options because the exercise price of those options were higher than the average market price for shares for the year ended December 31, 2017.

8. Additions of Property, Plant and Equipment

During the year, the Group spent approximately US$205 million (2016: US$190 million) on the acquisition of property, plant and equipment.

9. Trade and Other Receivables

The Group has a policy of allowing credit periods ranging mainly from 30 days to 120 days. The aging analysis of trade receivables, net of allowances for 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:

	2017 **US$'000**	2016 US$'000
0 to 60 days	**753,407**	759,702
61 to 120 days	**276,964**	141,223
121 days or above	**75,834**	33,925
Total trade receivables	**1,106,205**	934,850
Other receivables	**30,671**	16,032
	1,136,876	950,882

10. Trade and Other Payables

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

	2017 **US$'000**	2016 US$'000
0 to 60 days	**629,355**	561,148
61 to 120 days	**171,577**	142,404
121 days or above	**7,719**	7,878
Total trade payables	**808,651**	711,430
Other payables	**765,751**	619,377
	1,574,402	1,330,807

The credit period on the purchase of goods ranges from 30 days to 120 days (2016: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

11. Share Capital

	2017 Number of shares	2016 Number of shares	**2017 US$'000**	2016 US$'000
Ordinary shares				
Authorized shares	**2,400,000,000**	2,400,000,000	**N/A**	N/A
Issued and fully paid:				
At the beginning of the year	**1,833,896,941**	1,833,736,941	**649,214**	647,109
Issue of shares upon exercise of share options	**2,625,000**	1,660,000	**4,704**	2,105
Buy-back of shares	**(1,500,000)**	(1,500,000)	**-**	-
At the end of the year	**1,835,021,941**	1,833,896,941	**653,918**	649,214

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

Month of cancellation	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid US$'000
January 2017	1,500,000	28.15	27.50	5,388

The shares bought back were settled and cancelled during the year. The consideration paid on the buy-back of the shares of approximately US$5,388,000 was charged to retained profits.

12. Capital Commitments

	2017 **US$'000**	2016 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**21,888**	32,828

13. Contingent Liabilities

	2017 **US$'000**	2016 US$'000
Guarantees given to banks in respect of credit facilities utilized by associates	**9,298**	9,545