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 SIX-MONTH PERIOD ENDED JUNE 30, 2018

HIGHLIGHTS

	2018 US$' million	2017 US$' million	**Changes %**
Revenue	**3,431**	2,882	**+19.1**
Gross profit margin	**37.1%**	36.6%	**+50 bps**
EBIT	**281**	233	**+20.7**
Profit attributable to Owners of the Company	**255**	204	**+24.6**
EPS (US cents)	**13.89**	11.17	**+24.4**
Interim dividend per share (approx. US cents)	**4.89**	3.57	**+36.9**

- **Organic growth delivers record results**
- **Sales grew 19.1% and net profits expanded 24.6%**
- **Gross margin improved for the tenth consecutive year in the first half from 36.6% to 37.1%**
- **MILWAUKEE continued strong growth momentum with an outstanding 29.8% sales increase**
- **RYOBI ONE+ sustained double-digit sales growth**
- **Floor Care and Appliances business delivered double digit sales growth of 12.9%**

The board of directors (the "Directors" or the "Board") of Techtronic Industries Company Limited ("TTI" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six-month period ended June 30, 2018 together with the comparative figures in 2017.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK38.00 cents (approximately US4.89 cents) (2017: HK27.75 cents (approximately US3.57 cents)) per share for the six-month period ended June 30, 2018. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 7, 2018. It is expected that the interim dividend will be paid on or about September 21, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Organic Growth Delivers Record Results

TTI's ability to deliver record revenue and net profit for the ninth consecutive first half is a result of our strategic foundation of relentless innovation, continuous operational improvement, exceptional people, and a powerful brand portfolio. As we continue to lead the cordless revolution, our expertise in lithium-ion battery technology, advanced system electronics and brushless motors is driving superior products with disruptive innovation. This strategy has generated new levels of revenue, gross profit, and net income. Revenue in the first half was US$3.4 billion, a 19.1% increase over the previous period, while net profit margin improved by 30 basis points. With six manufacturing facilities in the US, two in both Europe and Asia, we are geographically diversified. Additionally, we have innovation centers and sales networks across four continents. Our product development process drives innovative solutions at a speed that exceeds the pace of the market while further increasing market share. TTI's cordless technology and flow of product innovation continue to accelerate the conversion from legacy power systems such as pneumatic, corded and gas-powered products as well as opening up new market segments as our technological advancements now enable us to design applications in new product categories that previously did not exist.

The Power Equipment business is an excellent example of our highly focused strategy to be the leader in cordless innovation that changes the way people work and live. Sustained above market growth has been the TTI standard and holds true once again for the first half of 2018 with sales growth of 20.1%. The MILWAUKEE industrial business continued to lead the charge with outstanding 29.8% growth in sales. The Consumer Power Tool and the Outdoor Product businesses both grew by double digits primarily from the expansion of the RYOBI ONE+ and 40V cordless platforms. The early phase of our strategic direction of the Floor Care and Appliances segment is slowly and encouragingly gaining traction with sales growing 12.9%.

Gross profit margin improved for the tenth consecutive year on positive gains from the ongoing flow of new products and productivity. Our dedication to operational excellence with continuous improvements in lean manufacturing, global purchasing, and supply chain efficiencies has aided in driving profitability through eliminating waste, reducing costs, and improving service to our customers. TTI's diversified and nimble supply chain network is designed to quickly adapt to changing market dynamics. To support our future, we continued to invest even further in our Leadership Development Program, end user conversions, product development, product managers, increased sales coverage, and geographic expansion with an increase in R&D spend of 20 basis points from 2.7% to 2.9% of sales. These strategic initiatives are yielding unprecedented organic growth while further enhancing gross margin. Through relentless execution, the TTI organization has driven top line revenue growth of 19.1% while increasing earnings before interest and taxes by 20.7% to US$281 million and continuing to efficiently manage working capital at 17.0% of sales compared to 19.1% last year in the first half. Net profit attributable to shareholders was US$255 million, a 24.6% increase from the prior year, and a basic earnings per share increase of 24.4% to US13.89 cents.

BUSINESS REVIEW

Power Equipment, Accessories and Hand Tools

The Power Equipment business, the largest segment accounting for 86.3% of total sales, delivered an excellent first half with US$3.0 billion in global sales, representing a 20.1% increase compared with the same period in 2017. The strong growth was fueled by the flow of new product introductions, expanding new product categories like cordless lawn mowers, leveraging strong customer partnerships, adding new distribution channels, geographic expansion, and focused end-user conversions. EBIT increased 20.7% for the business in the first half of the year.

Industrial Tools

The multifaceted approach of aggressive product introductions, jobsite solutions teams, relentless operational improvements, and our Leadership Development Program led to a commanding 29.8% growth in the first half for the Milwaukee industrial business. Milwaukee has remained at the forefront of the cordless revolution, developing solutions for professionals with superior products working off the M12 and M18 battery platforms, while also targeting disruptive innovation for specific trade verticals.

Power Tools

The Milwaukee Power Tool business began the first half of the year exceeding the market with double digit sales growth with substantial market share gains through new category expansion and continued entry into new markets. MILWAUKEE, with the vast M12, M18 and FUEL product ranges, continues to be the fastest growing, most innovative, and leading brand of tools for the industrial and professional user. Depending on the application, most of the Milwaukee cordless tools now outperform and replace the competitive power systems of pneumatic, corded electric, and gas-powered products, accelerating the cordless revolution. Our first half performance was driven by Milwaukee launching a range of new, best-in-class power tools, significantly broadening the product offering of tools on the M12 and M18 battery platforms. The expanding global reach of the MILWAUKEE brand is evidenced by double-digit growth in the targeted geographic markets of North America, Europe, ANZ, and across Asia.

Our product development processes are designed to deliver meaningful product development and systematic introduction of disruptive new products aimed at electrical, mechanical, plumbing, HVAC, infrastructure, and remodeling. The M18 system, the fastest-growing cordless system for the professional end user, will offer over 165 compatible tool and lighting solutions on a single battery platform by year-end. Milwaukee is also the leader in the global sub-compact cordless space, with the M12 cordless system offering over 95 compatible tools and lighting solutions by year-end. The industry's most advanced high performance FUEL line of products will reach 80 tools by year end. The M12 FUEL and M18 FUEL product lines continue to disrupt the industry with first-to-market innovations reinforcing the Milwaukee leadership in the important drilling and fastening solutions categories. The Milwaukee new product cycle is robust, and the pipeline is full of new trade specific solutions such as our expansion into lighting, hydraulic, and drain cleaning tools.

High Output Lighting

Milwaukee has organically developed into an industry leader in the cordless high output lighting category by introducing product innovations and leveraging the installed base of M12 and M18 users. Our strategic approach of redefining the lighting market with break-through products that provide unmatched versatility with area and task lighting solutions is capturing strong market share across core end users and channels of distribution. Break-through products like the new M18 RADIUS Site Light with Flood Mode is one of the most complete lighting products on the market delivering 360 degrees of area lighting, concentrated flood lighting, and full coverage overhead lighting. With an impact-resistant polycarbonate lens to protect against drops, the M18 RADIUS Site Light with Flood Mode provides 2,200 lumens of TRUEVIEW high definition light.

Accessories

MILWAUKEE accessories continued to deliver double-digit growth in the first half and reach record sales levels. The results were achieved through significant end user conversions in cutting, drilling, and dust collection applications. The DUST TRAP attachment was developed to provide a unique and economical solution for managing dust on the job site, exceeding OSHA silica dust management requirements and positioning Milwaukee at the forefront in this growing segment of the market. Milwaukee also delivered significant upgrades to our BiMetal technology with the launch of multiple products with Carbide Teeth. The growing range of Milwaukee concrete drilling, coring, and demolition accessories for SDS rotary hammer drills is driving end user conversions to the complete Milwaukee line of accessories. Milwaukee remains committed to expanding the range of Shockwave Impact Rated accessories and will launch new Impact Rated Step bits in the back half to address the growth of cordless impact drivers globally. We are focused on being a leader in power tool accessories through the continuous investment in breakthrough technologies and in developing creative solutions to everyday problems faced by our core users.

Hand Tools and Storage

The Milwaukee Hand Tool and Storage business delivered strong growth in the first half with a key focus on our innovative ranges of tape measures and PACKOUT modular storage. The STUD tape measure will revolutionize durability standards in this category with EXO360 blade technology, protecting the blade from ripping and wearing, and delivering the longest-lasting tape measure blade on the market. This game-changing product has a fully reinforced body with an impact-resistant frame able to survive up to an 80-foot drop onto packed soil. The popular PACKOUT storage system continues to expand with low-profile organizers, duffle bags, a flat dolly, and a new mounting plate enabling users to secure their current PACKOUT products in service vans, trucks, and shop walls. Sales of EMPIRE again delivered strong growth by executing on its strategic market plan of converting distribution and users by delivering a consistent flow of innovative layout products for core professional trades. ULTRAVIEW LED and DIGITAL levels continue to outpace expectations as users migrate to these better technology solutions.

DIY and Professional Tools

Ryobi DIY Power Tools

The Ryobi DIY Power Tool business delivered outstanding double-digit growth in the first half and continues to be the dominant DIY brand in its served markets of North America, Western Europe, Australia and New Zealand. During the first half, new product introductions and aggressive marketing programs drove share gains leveraging the overarching reach of the RYOBI ONE+ system with over 120 power tools and outdoor products for use around the home and jobsite. The RYOBI ONE+ system has not changed in compatibility since its introduction, generating a powerful network effect allowing existing users to upgrade and expand and new users to join the system with confidence. Innovative new products continue to attract new users to the system with breakout products like the RYOBI ONE+ 3 Gallon Wet/Dry Project Vacuum that doubles as a directional blower, the Drywall Screwgun with QUIETDRIVE, a unique feature which automatically starts the motor on contact with drywall, and the first-to-market Color Range LED Worklight with variable color temperature to provide the most accurate view of the workspace.

During the period, the Ryobi Power Tool business also introduced a new series of high performance lithium-ion batteries featuring advanced electronics that maximize tool performance with added capacity to all 18-Volt RYOBI ONE+ tools. The new battery line can handle more demanding applications with superior run time, power, and overall performance through HP communication technology which maximizes performance of RYOBI high performance brushless tools in all applications.

Professional Tools

Our professional tool business continued its strategy of bringing cordless innovations to demanding users for the workplace through targeted distribution channels. Globally we delivered double digit growth in the first half on the strength of the North American business and new product launches. We expanded our AEG 18V range with the recent launch of the powerful AEG Brushless Handheld Dust Extractor and new high-performance FORCE Lithium 9.0Ah battery. There are now over 50 products on the platform and we have a strong pipeline of cordless innovations to be introduced later in the year.

Outdoor Products

The first half produced very positive results for Outdoor Products with double digit global growth. This performance was the result of key initiatives including new product launch execution, investments in merchandising, promotion and marketing, and continued battery platform product expansions. Our fast growing RYOBI ONE+ and RYOBI 40V cordless business continued to outperform the competition with an increase in share across all battery platforms. We introduced new outdoor products to the RYOBI ONE+ system, continuing to capitalize on the synergies with the extensive user penetration and installed base of RYOBI ONE+ power tools. New in the first half for RYOBI ONE+ were products ranging from combo kits, bare tools, high performance brushless string trimmer, an innovative blower, and a new lawn mower. The RYOBI 40V battery program had continued success led by the innovative 20" brushless lawn mower, a self-propelled 20" brushless lawn mower, and increased add-on battery sales. Sales more than doubled on the RYOBI 48V riding mower that will mow over 2 hours and 2 acres or nearly 8,100 square meters on a single charge.

RYOBI outdoor products are driving the revolution from gas powered to environmentally friendly cordless technology which is quieter and easier to use. With our advanced technology, the RYOBI cordless products often equal and in many cases even surpass the performance of gas powered alternatives.

Floor Care and Appliances

The Floor Care and Appliance business delivered 12.9% overall sales growth driven by 45.0% growth in cordless, expansion of carpet washing and cleaning solutions, and selling off legacy products. Our cordless products delivered exceptional growth across all markets while simultaneously expanding our innovative cordless product portfolio as we are on course to transforming into a global cordless leader. We are pleased to see that the strategic revitalization of our floor care businesses across our brand portfolio is delivering sales and operational improvements. Although the operating margin is not yet where we plan for it to be, we made progress in managing working capital, selling down legacy corded products, and cutting non-strategic costs out of the system. Our EBIT improved for the business in the first half of the year and we are confident that the positive results momentum will continue going forward.

Our North America floor care business had encouraging first half growth as it continues to execute its strategy of transitioning from older corded platforms into strategic categories of cordless stick vacs and innovative carpet washing and cleaning solutions with several of our cordless stick vacs being top sellers at our key retail customers. We continue to focus on inventory reduction and product rationalization, delivering significant progress which resulted in distribution facility closures and streamlining the supply chain. As we continue driving growth and selling off legacy products, we will start to see the benefit of operating leverage which will translate into improved earnings in the years to come.

The Floor Care business in Europe generated solid growth with cordless being the driving force and the UK being the best performing market. The VAX "Blade" cordless stick vac represents a large part of this growth as distribution and sales velocity continues to build across the region. Alongside cordless, the carpet washing category was expanding nicely after a product line refresh resulting in a smaller, more focused range. We are pleased with the successful introduction of the new VAX "Platinum Powermax Pro", our best ever carpet washer and "Platinum" carpet washing solution.

OUTLOOK FOR GROWTH

We are extremely excited about our future and growth trajectory in our leadership cordless platform, category, and geographic expansion. Our momentum continues to accelerate as we aggressively invest in our core businesses. TTI's spectacular growth in hand tools and tool storage are both excellent examples of our ability to grow new categories beyond our core and we are excited about the long term prospects of our Floor Care business. At TTI, we focus on the things we can control such as product development, marketing, and investing in our people. We view the global economic outlook to be very strong in our target verticals.

In the second half of the year, Milwaukee will be launching the most powerful line of M18 FUEL products ever introduced. These new products are a testament to our dedication of delivering productivity-enhancing solutions that provide the right blend of power, run-time and performance. True to all M18 FUEL™ solutions, each of these tools combine three exclusive innovations – the POWERSTATE™ brushless motor, REDLITHIUM™ battery pack, and REDLINK PLUS™ intelligence - all specifically re-designed to increase power and performance. With the further improvement in our battery, electronics, motor, and charging technologies, we are witnessing a transformational shift in our DIY segment, particularly in the lawn and garden category with the revolution of ultra-high powered, extra-long runtime lithium battery powered products, while the same holds true for our Floor Care segment.

Looking into the second half and beyond, it is clear that the momentum is increasing at an exciting rate throughout TTI. We expect our cordless business to continue being the key driver and to grow at unprecedented levels because of our leading edge technology. Our long term vision at TTI is to build an unassailable competitive advantage through cordless product leadership, outstanding organizational development, and superior operational excellence. We are highly confident our business will continue to outperform in the coming years.

RECENT DEVELOPMENTS

No important events affecting the Group have occurred since June 30, 2018 that are material or otherwise require disclosure or commentary.

FINANCIAL REVIEW

Financial Results

Reported revenue for the period grew by 19.1% as compared to the same period last year, amounting to US$3,431 million. Profit attributable to Owners of the Company amounted to US$255 million as compared to US$204 million reported last year, an increase of 24.6%. Basic earnings per share was at US13.89 cents (2017: US11.17 cents).

EBITDA amounted to US$398 million, an increase of 19.5% as compared to the US$333 million reported in the same period last year.

EBIT amounted to US$281 million, an increase of 20.7% as compared to the US$233 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 37.1% as compared to 36.6% in the same period 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 period amounted to US$996 million as compared to US$826 million reported for the same period last year, representing 29.0% of revenue (2017: 28.7%). During the period under review, R&D spent increased by 20 bps from 2.7% revenue to 2.9% to maintain the high velocity growth momentum. Excluding this increase, SG&A as a percentage to Sales was at 28.8%, comparable to that of last year.

Net interest expenses for the period amounted to US$5 million as compared to US$9 million reported for the same period last year, representing 0.2% of revenue (2017: 0.3%). The decrease in net interest expenses is the result of our efficient management of financial resources. Interest cover, expressed as a multiple of EBITDA to total interest was at 22.3 times (2017: 26.6 times).

Effective tax rate for the period was at 7.5% (2017: 8.5%). The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$2.9 billion, an increase of 6.1% as compared to December 31, 2017. Book value per share was US$1.59 as compared to US$1.49 at December 31, 2017, an increase of 6.7%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2018, the Group's cash and cash equivalents amounted to US$863 million (US$864 million at December 31, 2017) after the payment of US$93.8 million dividend during the period (US$70.8 million in first half 2017), of which 45.6%, 30.1%, 12.6%, and 11.7% were denominated in US$, RMB, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 1.8% as compared to 8.8% as at June 30, 2017. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing will further improve by end of the year.

Bank Borrowings

Long term borrowing accounted for 60.5% of total debts (66.5% at December 31, 2017).

The Group's major borrowings continued to be in US$. 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 exposure, 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 11.5% of the total debt, the balance being floating rate debts.

Working Capital

Total inventory was at US$1,578 million as compared to US$1,415 million as at June 30, 2017. Days inventory maintained at 88 days. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 67 days as compared to 69 days as at June 30, 2017. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 63 days as compared to 65 days as at June 30, 2017. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 93 days as compared to 87 days as at June 30, 2017 but comparable to the 95 days full year 2017.

Working capital as a percentage of sales was at 17.0% as compared to 19.1% for the same period last year.

Capital Expenditures

Total capital expenditures for the period amounted to US$86 million (2017: US$72 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2018, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$30 million (2017: US$28 million), and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

HUMAN RESOURCES

The Group employed a total of 23,226 employees (21,857 employees as at June 30, 2017) in Hong Kong and overseas. Total staff cost for the period under review amounted to US$514 million as compared to US$465 million in the same period last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve 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, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

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 six-month period ended June 30, 2018, 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 must retire by rotation at each annual general meeting of the Company, and if eligible, offer themselves for re-election.

The Company has also voluntarily complied with a number of 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 its 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 six-month period ended June 30, 2018.

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") has also been adopted. No incident of non-compliance was noted by the Company during the period.

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the Company's independent auditor, Deloitte Touche Tohmatsu, and the senior management of the Group the unaudited financial statements of the Company for the six-month period ended June 30, 2018, the accounting principles and practices adopted by the Group and the internal controls and financial reporting matters. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

PURCHASE, SALES OR REDEMPTION OF SECURITIES

A total of 3,050,000 ordinary shares were bought back by the Company during the period at prices ranging from HK$41.70 to HK$47.55 per share. Among these shares bought back by the Company, 2,172,000 shares were settled and cancelled during the period and 878,000 shares were settled and cancelled in July 2018. The aggregate amount paid by the Company for such buy-backs cancelled during the period amounting to US$12,764,000 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 period 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 period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from September 6, 2018 to September 7, 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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 September 5, 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.ttigroup.com) and the HKExnews website (www.hkexnews.hk) of Hong Kong Exchanges and Clearing Limited. The 2018 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, August 15, 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).

All trademarks and trade names listed other than AEG and RYOBI are owned by the Group.

AEG is a registered trademark of AB Electrolux (publ.), and is used under license.

RYOBI is a registered trademark of Ryobi Limited, and is used under license.

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended June 30, 2018

	Notes	**2018 US$'000 (Unaudited)**	2017 US$'000 (Unaudited)
Revenue	4	**3,430,828**	2,881,620
Cost of sales		**(2,157,198)**	(1,825,797)
Gross profit		**1,273,630**	1,055,823
Other income		**3,252**	2,271
Interest income		**13,156**	3,561
Selling, distribution and advertising expenses		**(522,233)**	(430,307)
Administrative expenses		**(374,791)**	(318,131)
Research and development costs		**(99,111)**	(77,181)
Finance costs		**(18,470)**	(12,653)
Profit before taxation		**275,433**	223,383
Taxation charge	5	**(20,657)**	(18,988)
Profit for the period	6	**254,776**	204,395
Other comprehensive income (loss):			
Item that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		**135**	(193)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on foreign currency forward contracts in hedge accounting		**40,758**	(30,082)
Exchange differences on translation of foreign operations		**(22,871)**	31,997
Other comprehensive income for the period		**18,022**	1,722
Total comprehensive income for the period		**272,798**	206,117
Profit (loss) for the period attributable to:			
Owners of the Company		**254,737**	204,433
Non-controlling interests		**39**	(38)
		254,776	204,395
Total comprehensive income (loss) attributable to:			
Owners of the Company		**272,759**	206,155
Non-controlling interests		**39**	(38)
		272,798	206,117
Earnings per share (US cents)	8		
Basic		**13.89**	11.17
Diluted		**13.84**	11.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at June 30, 2018

	Notes	**June 30 2018 US$'000 (Unaudited)**	December 31 2017 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9 & 17	**699,297**	688,868
Lease prepayments		**30,145**	30,836
Goodwill		**554,882**	555,350
Intangible assets	9	**587,793**	580,424
Interests in associates		**2,906**	2,780
Available-for-sale investments		**-**	3,697
Financial assets at fair value through profit or loss		**5,265**	-
Derivative financial instruments		**9,558**	9,558
Deferred tax assets		**85,416**	92,939
		1,975,262	1,964,452
Current assets			
Inventories		**1,577,696**	1,467,420
Trade and other receivables	10	**1,235,241**	1,136,876
Deposits and prepayments		**126,495**	112,627
Bills receivable	10	**15,049**	8,008
Tax recoverable		**15,359**	6,698
Trade receivables from an associate	11	**1,380**	2,790
Derivative financial instruments		**18,500**	3,798
Held-for-trading investments		**-**	32,293
Financial assets at fair value through profit or loss		**45,488**	-
Bank balances, deposits and cash		**863,127**	863,515
		3,898,335	3,634,025
Current liabilities			
Trade and other payables	12	**1,665,304**	1,574,402
Bills payable	12	**45,025**	54,952
Warranty provision		**99,204**	97,268
Tax payable		**22,663**	23,912
Derivative financial instruments		**7,632**	43,830
Obligations under finance leases – due within one year		**2,921**	2,895
Discounted bills with recourse		**222,302**	87,837
Unsecured borrowings – due within one year	13	**201,170**	260,342
		2,266,221	2,145,438
Net current assets		**1,632,114**	1,488,587
Total assets less current liabilities		**3,607,376**	3,453,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) - continued
As at June 30, 2018

	Notes	**June 30 2018 US$'000 (Unaudited)**	December 31 2017 US$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	14	**654,604**	653,918
Reserves		**2,252,589**	2,087,307
Equity attributable to Owners of the Company		**2,907,193**	2,741,225
Non-controlling interests		**(468)**	(507)
Total equity		**2,906,725**	2,740,718
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		**7,352**	8,722
Unsecured borrowings – due after one year	13	**553,267**	564,678
Retirement benefit obligations		**125,671**	124,517
Deferred tax liabilities		**14,361**	14,404
		700,651	712,321
Total equity and non-current liabilities		**3,607,376**	3,453,039

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial information relating to the year ended December 31, 2017 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Significant accounting policies

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and method of computations used in the condensed consolidated financial statements for the six-month ended June 30, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017.

2. Significant accounting policies (continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are mandatorily effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded *HKAS 18 Revenue*, *HKAS 11 Construction Contracts* and the related interpretations.

The Group recognizes revenue from the trading of electrical and electronic products. The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, January 1, 2018. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- 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 Group satisfies a performance obligation.

2. **Significant accounting policies** (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Warranties

The Group accounts for the warranty in accordance with *HKAS 37 Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

2. Significant accounting policies (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

The Group continues to apply HKAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognized financial assets that are within the scope of HKFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the 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.

2. **Significant accounting policies** (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

The directors of the Company reviewed and assessed the Group's financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.1.

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, bills receivable, trade receivables from an associate and bank balances, deposits and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognizes lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

2. **Significant accounting policies** (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

Impairment under ECL model (continued)

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

Significant increase in credit risk

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

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

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

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

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

2. Significant accounting policies (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

<u>Impairment under ECL model</u> (continued)

Significant increase in credit risk (continued)

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

As at January 1, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The adoption has not resulted in any additional impairment for financial assets as at January 1, 2018.

2. Significant accounting policies (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

2.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, January 1, 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 US$'000	Fair value remeasurement under HKFRS 9 US$'000	New carrying amount under HKFRS 9 US$'000
1. Trade and other receivables	Loans and receivables	Financial assets at amortized cost	1,136,876	N/A	1,136,876
2. Bills receivable	Loans and receivables	Financial assets at amortized cost	8,008	N/A	8,008
3. Trade receivables from an associate	Loans and receivables	Financial assets at amortized cost	2,790	N/A	2,790
4. Other financial assets (note)	Available-for-sale financial assets	FVTPL	3,697	1,570	5,267
5. Listed equity securities	FVTPL	FVTPL	32,293	N/A	32,293
6. Bank balances, deposits and cash	Loans and receivables	Financial assets at amortized cost	863,515	N/A	863,515

Note:
At the date of initial application of HKFRS 9, the Group's other financial assets of US$3,697,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gain of US$1,570,000 relating to those financial assets previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits as at January 1, 2018.

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. Segment information

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

For the period ended June 30, 2018

	Power Equipment US$'000	**Floor Care and Appliances US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Segment revenue				
External sales	**2,962,123**	**468,705**	**-**	**3,430,828**
Inter-segment sales	**-**	**727**	**(727)**	**-**
Total segment revenue	**2,962,123**	**469,432**	**(727)**	**3,430,828**

For the period ended June 30, 2017

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	2,466,589	415,031	-	2,881,620
Inter-segment sales	-	991	(991)	-
Total segment revenue	2,466,589	416,022	(991)	2,881,620

Inter-segment sales are charged at prevailing market rates.

	Six-month period ended June 30					
	2018			2017		
	Power Equipment US$'000	**Floor Care and Appliances US$'000**	**Consolidated US$'000**	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Segment results	**280,176**	**571**	**280,747**	232,113	362	232,475
Interest income			**13,156**			3,561
Finance costs			**(18,470)**			(12,653)
Profit before taxation			**275,433**			223,383
Taxation charge			**(20,657)**			(18,988)
Profit for the period			**254,776**			204,395

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

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

4. Revenue

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

	Six-month period ended June 30	
	2018	2017
	US$'000	US$'000
Types of goods or services:		
Sales of goods	**3,422,054**	2,863,308
Commission and royalty income	**8,774**	18,312
	3,430,828	2,881,620

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

The Group's revenue from external customers by geographical location, determined based on the location of the customer is as follows:

	Six-month period ended June 30	
	2018	2017
	US$'000	US$'000
North America	**2,599,475**	2,200,727
Europe	**554,785**	446,241
Other countries	**276,568**	234,652
	3,430,828	2,881,620

5. Taxation charge

	Six-month period ended June 30	
	2018	2017
	US$'000	US$'000
Current tax:		
Hong Kong Tax	**(754)**	(2,821)
Overseas Tax	**(13,385)**	8,561
Deferred Tax	**(6,518)**	(24,728)
	(20,657)	(18,988)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

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

6. Profit for the period

	Six-month period ended June 30	
	2018	2017
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**62,962**	54,933
Amortization of lease prepayments	**182**	174
Amortization of intangible assets	**53,956**	45,298
Total depreciation and amortization	**117,100**	100,405
Net exchange loss	**509**	5,285
Staff costs	**514,050**	464,697
Fair value gain on listed equity securities	**(6,647)**	-

7. Dividends

A dividend of HK39.75 cents (approximately US5.12 cents) per share with a total of approximately US$93,827,000 (2017: HK30.00 cents (approximately US3.86 cents) per share with a total of approximately US$70,778,000) was paid to shareholders as the final dividend for 2017 (2017: final dividend for 2016) on June 22, 2018.

The Directors have determined that an interim dividend of HK38.00 cents (approximately US4.89 cents) per share with a total of approximately US$89,663,000 (2017: HK27.75 cents (approximately US3.57 cents) per share with a total of approximately US$65,507,000) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 7, 2018.

8. Earnings per share

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

	Six-month period ended June 30	
	2018	2017
	US$'000	US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to Owners of the Company	**254,737**	204,433
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,833,993,305**	1,829,895,206
Effect of dilutive potential ordinary shares:		
Share options	**6,028,096**	5,141,103
Share awards	**410,094**	719,597
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,840,431,495**	1,835,755,906

The computation of diluted earnings per share does not assume the exercise of certain Company's options because price of those options were higher than the average market price for shares for the period ended June 30, 2018.

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

During the period, the Group spent approximately US$86 million (for the six-month ended June 30, 2017: US$72 million) and US$63 million (for the six-month ended June 30, 2017: US$66 million) on the acquisition of property, plant and equipment and intangible assets respectively.

10. Trade and other receivables/Bills receivable

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:

Age	**June 30 2018 US$'000**	December 31 2017 US$'000
0 to 60 days	**862,710**	753,407
61 to 120 days	**259,010**	276,964
121 days or above	**81,179**	75,834
Total trade receivables	**1,202,899**	1,106,205
Other receivables	**32,342**	30,671
	1,235,241	1,136,876

All the Group's bills receivable at June 30, 2018 are due within 120 days.

11. Trade receivables from an associate

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

12. Trade and other payables/Bills payable

The aging analysis of trade payables based on the invoice date is as follows:

Age	**June 30 2018 US$'000**	December 31 2017 US$'000
0 to 60 days	**723,557**	629,355
61 to 120 days	**210,424**	171,577
121 days or above	**12,658**	7,719
Total trade payables	**946,639**	808,651
Other payables	**718,665**	765,751
	1,665,304	1,574,402

All the Group's bills payable at June 30, 2018 were aged and are due within 120 days.

13. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US$1,141 million (2017: US$1,089 million) which mainly carry interest at the London Interbank Offered Rate. The Group also repaid the existing bank borrowings of US$1,212 million (2017: US$994 million).

14. Share capital

	Number of shares		Share capital	
	June 30 2018	December 31 2017	**June 30 2018 US$'000**	December 31 2017 US$'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 period	**1,835,021,941**	1,833,896,941	**653,918**	649,214
Issue of shares upon exercise of share options	**525,000**	2,625,000	**686**	4,704
Buy-back of shares	**(2,172,000)**	(1,500,000)	**-**	-
At the end of the period	**1,833,374,941**	1,835,021,941	**654,604**	653,918

During the period, 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**
March 2018	**1,000,000**	**46.25**	**45.00**	**5,911**
May 2018	**500,000**	**45.35**	**44.75**	**2,906**
June 2018	**672,000**	**47.55**	**43.85**	**3,947**
	2,172,000			**12,764**

The consideration paid on the buy-back of the shares of approximately US$12,764,000 was charged to retained profits.

15. Contingent liabilities

	June 30 2018 US$'000	December 31 2017 US$'000
Guarantees given to banks in respect of credit facilities utilized by associates	**8,877**	9,298

16. Fair value measurements of financial instruments

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

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

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	June 30, 2018	December 31, 2017		
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the consolidated statement of financial position	Acquisition right of certain property, plant and equipment: US$9,558,000	Acquisition right of certain property, plant and equipment: US$9,558,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3rd party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	Assets – US$18,500,000; and Liabilities – US$7,632,000	Assets – US$3,798,000; and Liabilities – US$43,830,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as held-for-trading investments in the consolidated statement of financial position	Listed shares: US$45,488,000	Listed shares: US$32,293,000	Level 1	Quoted bid prices in an active market.
4) Other financial assets classified as financial assets at fair value through profit or loss in the consolidated statement of financial position	Club membership debentures: US$2,265,000	N/A	Level 2	The fair value was arrived at by reference to market evidence of recent transaction prices for similar comparables in the similar condition.
	Unlisted equity securities: US$3,000,000	N/A	Level 3	The fair value was arrived at by reference to the latest purchase price per share for subscribing the shares of the investment in private market.
	US$5,265,000			

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values. There were no transfers between different levels in both periods.

17. Capital commitments

	June 30 2018 US$'000	December 31 2017 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**30,272**	21,888