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## 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, 2020

<b>Highlights</b>	<b>2020</b>	2019	<b>Changes</b>
	<b>US\$ million</b>	<b>US\$ million</b>	
<b>Revenue</b>	<b>9,812</b>	7,667	<b>+28.0%</b>
<b>Gross profit margin</b>	<b>38.3%</b>	37.7%	<b>+52 bps</b>
<b>EBIT</b>	<b>868</b>	673	<b>+29.0%</b>
<b>Profit attributable to Owners of the Company</b>	<b>801</b>	615	<b>+30.2%</b>
<b>Basic earnings per share (US cents)</b>	<b>43.80</b>	33.67	<b>+30.1%</b>
<b>Dividend per share (approx. US cents)</b>	<b>17.37</b>	13.26	<b>+31.1%</b>

- Exceptional 2<sup>nd</sup> half sales growth of +42.3%
- Full year organic sales growth of over US\$2.1 billion, +28%
- Gross margin improved for the 12<sup>th</sup> consecutive year to 38.3%, up +52 basis points
- Net profit growth of 30.2% to US\$801 million

The board of directors (the “Directors” or the “Board”) of Techtronic Industries Company Limited (“TTI” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended December 31, 2020 together with the comparative figures in 2019.

## **BUSINESS REVIEW**

We are pleased to announce that 2020 was an outstanding year for TTI with exceptional revenue and profit growth. We reported sales of US\$9.8 billion, an increase of 28.0%. Our second half sales grew an exceptional 42.3%, outpacing the market. Increased strategic investment in new product, manufacturing capacity, geographic expansion, and our in-field marketing initiatives is the driving force behind our industry leading extraordinary growth.

TTI continued to strengthen its global leadership position with robust sales growth in every business unit and in all geographic regions. North America delivered growth of 29.5%, EMEA grew 19.1% and ROW grew 30.6%. Our Power Equipment business, representing 89.0% of total sales, grew 28.5% to US\$8.7 billion. Our MILWAUKEE Professional, the RYOBI DIY, and the RYOBI Outdoor businesses all delivered double-digit growth. Our Floorcare business produced sales growth of 23.6% to US\$1.1 billion.

Gross margin improved for the 12<sup>th</sup> consecutive year, from 37.7% in 2019 to 38.3% in 2020. This gross margin improvement is a direct result of the launching of high margin new product, disciplined mix management, exceptional productivity gains and volume leverage. Additionally, our relentless focus on operational excellence improved productivity throughout our operations.

A major strategic initiative for TTI is our commitment to building out a world class e-commerce capability. We achieved fantastic traction with e-commerce and Buy Online Pickup in Store (BOPIS). We have worked closely with our customers, capitalizing on the accelerated shift to online and BOPIS. An example of our world class leadership in e-commerce is The Home Depot presenting us with their Omnichannel Interconnected Partner of the Year award in 2020.

### **Our response to COVID**

When it became clear that the coronavirus was a global issue, our immediate priority was to focus on the safety of our employees, their families, our customers and end-users. We are incredibly proud of the way our global team managed throughout this pandemic, staying safe while supporting our customers.

Starting in April 2020, we made a bold decision to further accelerate investment in additional sales/field marketing specialists, engineers, new product development resources and geographic expansion to seize market share and drive above market growth. We also made the bold decision to aggressively expand manufacturing capacity in China, Vietnam, Mexico, and North America and we invested in higher levels of inventory to better serve our customers.

### **Financial Performance**

EBIT increased 29.0% to US\$868 million, with the EBIT margin improving by 10 basis points to 8.9%. Net Profit rose 30.2% to US\$801 million, with earnings per share increasing 30.1% over 2019 to US43.80 cents. We invested in inventory to support our above market growth levels, while working capital management remained best-in-class at 14.0% of sales.

## **REVIEW OF OPERATIONS**

### **Power Equipment**

Our Power Equipment segment delivered sales growth of 28.5% to US \$8.7 billion. During the period, we seized on the opportunity to aggressively invest in our business and grew operating profit 27.3% to US \$844 million. All geographies and all business units contributed to this tremendous performance. Based on our bold and aggressive investments, we believe MILWAUKEE is the #1 global Professional Tool brand and RYOBI is now the #1 DIY Tool brand worldwide.

#### ***MILWAUKEE Professional Business***

The 25.8% growth in our flagship MILWAUKEE Professional business was propelled by our innovative new products. In 2020, we expanded our industry leading M18 and M12 cordless product platforms while introducing the breakthrough cordless MX FUEL Equipment System. We also expanded our existing line up of power tool accessories, PACKOUT storage solutions, Personal Protective Equipment (PPE) and mechanics hand tools. These new product introductions, combined with our focus on end user conversions and strong commercial execution, drive the exciting growth momentum of this business.

#### ***Power Tools***

Our MILWAUKEE Professional business continued to convert users from traditional power sources including corded, pneumatic, hydraulic and petrol tools to our lithium cordless battery technology. Leading the way is the MILWAUKEE M18 system with 213 tools on the platform, the M12 system with 125 tools and the MX FUEL range with 10 products.

The MILWAUKEE M18 platform continued to launch a series of best in class additions. For example, in the cordless nailing category, our new M18 FUEL Framing Nailers and Staplers all deliver powerful performance, eliminating compressors, hoses and gas cartridges. In addition to expanding into new product categories, we introduced our next generation M18 FUEL SAWZALL Reciprocating Saw.

We also expanded the MILWAUKEE M12 subcompact cordless platform with a series of innovative tools. One of most successful innovative new products for the company was the exciting M12 FUEL HATCHET 6" Pruning Saw that is widely accepted in the professional landscaping industry.

#### ***Storage***

The MILWAUKEE PACKOUT storage system continues to expand to meet the professional's growing tool storage, transportation, and organizational needs. New innovations to the system of over 36 interchangeable products include the PACKOUT Customizable Work Surface, PACKOUT 16QT Cooler, M18 PACKOUT Light/Charger and PACKOUT 2-Wheeled Cart.

## ***RYOBI***

RYOBI is the #1 DIY Tool brand in the world featuring 123 tools, 44 outdoor products, and 15 cleaning products in the ONE+ battery system alone. In 2020, the RYOBI business delivered double-digit growth driven by a stream of new product launches featuring the next generation RYOBI ONE+ HP brushless series. The subcompact design and exceptional performance of these HP brushless tools have enhanced the entire global RYOBI DIY platform. With 18 new ONE+ HP and 7 new 40V HP products launching in early 2021, our RYOBI HP new product pipeline is extremely exciting. We will continue to invest heavily in expanding our global DIY leadership position with these high-end HP brushless products and expect that it will catalyze growth in the DIY arena for years to come.

The RYOBI Outdoor business delivered another year of outstanding results, led by our global leadership of cordless mowers and cordless handheld outdoor equipment. Our range of 19 cordless RYOBI mowers is leading the revolution from the legacy petrol market to our environmentally friendly lithium cordless technology. In 2020, we began building a state-of-the-art manufacturing operation in the USA to produce cordless mowers and support the extensive growth of the RYOBI Outdoor cordless platforms. The RYOBI 40V system now contains 52 innovative products that deliver petrol-like power, from the quiet WHISPER series blowers, to string trimmers, hedge trimmers, chain saws, sprayers, edgers, and many more.

## **Floorcare**

Our Floorcare business accounted for 11.0% of TTI total sales, with sales increasing 23.6% to US\$1.1 billion, while generating US\$24.6 million of operating profit, up 138.0% from 2019. These results reflect our disciplined efforts to transition our floorcare business from legacy products to our key strategic categories of cordless and carpet washing. In addition, our exit from underperforming geographies and expansion of in-house manufacturing contributed to our strong performance.

We delivered double-digit growth in carpet washing led by the success of our HOOVER POWERDASH, HOOVER SMARTWASH and VAX PLATINUM carpet cleaning product lines. Our success in carpet washing is also driving excellent sales growth in our after-market carpet cleaning formula ranges.

In 2020, our cordless ONEPWR system gained encouraging traction in both the HOOVER and VAX brands. The ONEPWR cordless family now includes 13 products on the same universal battery platform.

The Global Floorcare business is now well positioned to deliver consistently improving sales and financial performance in the future.

## **DIVIDEND**

The Directors have recommended a final dividend of HK82.00 cents (approximately US10.55 cents) per share with a total of approximately US\$193,404,000 for the year ended December 31, 2020 (2019: HK58.00 cents (approximately US7.46 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 24, 2021. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 18, 2021. This payment, together with the interim dividend of HK53.00 cents (approximately US6.82 cents) per share (2019: HK45.00 cents (approximately US5.79 cents)) paid on September 18, 2020, makes a total payment of HK135.00 cents (approximately US17.37 cents) per share for 2020 (2019: HK103.00 cents (approximately US13.26 cents)).

## **FINANCIAL REVIEW**

### **FINANCIAL RESULTS**

#### ***Result Analysis***

The Group's revenue for the year amounted to US\$9.8 billion, an increase of 28.0% as compared to US\$7.7 billion in 2019. Profit attributable to Owners of the Company amounted to US\$801 million as compared to US\$615 million in 2019, an increase of 30.2%. Basic earnings per share for the year improved to US43.80 cents as compared to US33.67 cents in 2019.

EBIT amounted to US\$868 million, an increase of 29.0% as compared to US\$673 million in 2019.

#### ***Gross Margin***

Gross margin improved to 38.3% as compared to 37.7% last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity together with very effective action plans to mitigate the global pandemic environment.

#### ***Operating Expenses***

Total operating expenses for the year amounted to US\$2,896 million as compared to US\$2,230 million in 2019, representing 29.5% of turnover (2019: 29.1%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum and continual margin improvements.

Investments in product design and development amounted to US\$317 million, representing 3.2% of turnover (2019: 3.0%) 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\$7 million as compared to US\$12 million in 2019, a reduction of US\$5 million or 38.6%. Interest coverage, expressed as a multiple of EBITDA to total interest was 28.5 times (2019: 19.8 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.0% (2019: 7.0%). 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\$3.9 billion as compared to US\$3.4 billion in 2019. Book value per share was at US\$2.13 as compared to US\$1.85 last year, an increase of 15.1%.

### ***Financial Position***

The Group continued to maintain a strong financial position. As at December 31, 2020, the Group's cash and cash equivalents amounted to US\$1,534 million (2019: US\$1,412 million), of which 54.9%, 21.9%, 7.8%, and 15.4% were denominated in US\$, EUR, AUD 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, was at net cash in 2020.

### ***Bank Borrowings***

Long term borrowings accounted for 71.4% of total debts (2019: 52.9%).

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 35.6% of the total bank borrowings, the balance being floating rate debts.

### ***Working Capital***

Total inventory was at US\$3,224 million as compared to US\$2,113 million in 2019. Days inventory increased by 19 days from 101 days to 120 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 48 days as compared to 55 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 47 days as compared to 52 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 117 days as compared to 104 days in 2019 as the Group managed to leverage the volume and order visibility for better trade terms from suppliers.

Working capital as a percentage of sales was at 14.0% as compared to 14.3% in 2019.

### ***Capital Expenditure***

Total capital expenditures for the year amounted to US\$459 million (2019: US\$457 million).

### ***Capital Commitments and Guarantees***

As at December 31, 2020, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$104 million (2019: US\$58 million), and there were no material guarantees 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, 2020

- (i) the Group's largest customer and five largest customers accounted for approximately 48.9% and 58.3% respectively of the Group's total revenue; and
- (ii) the Group's largest supplier and five largest suppliers accounted for approximately 7.9% and 20.4% 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 48,028 employees as at December 31, 2020 (2019: 33,177) in Hong Kong and overseas. Total staff cost for the year under review amounted to US\$1,584 million (2019: US\$1,337 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 floorcare 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, 2020. 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, 2020, 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 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, 2020.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Other than 2,120,000 shares of the Company purchased on-market for satisfying the awarded shares granted under the Company’s share award schemes (details of which will be set out in the Corporate Governance Report to be included in the Company’s 2020 Annual Report), 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 2021 Annual General Meeting, the register of members of the Company will be closed from May 12, 2021 to May 14, 2021, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2021 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on May 11, 2021.

To ascertain members’ entitlement to the final dividend, the register of members of the Company will be closed on May 24, 2021 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on May 21, 2021.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on May 14, 2021 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.

## Outlook

We are well positioned to continue outperforming the market, with a strong balance sheet and a disciplined fixed and working capital management process. We are positioned to capitalize on the many growth opportunities we have identified in the months and years ahead.

We would like to thank our customers, end users, suppliers, shareholders, Board and entire TTI organization for another outstanding year. Our dedicated, skilled and passionate teams across the globe are enabling us to achieve outstanding results. It is our unrelenting bold vision, customer focus and business momentum that will make 2021 another successful year and position TTI with exciting opportunities in the decade to come.

By Order of the Board  
**Horst Julius Pudwill**  
Chairman

Hong Kong, March 3, 2021

*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. Peter David Sullivan, Mr. Vincent Ting Kau Cheung, Mr. Johannes-Gerhard Hesse and Mr. Robert Hinman Getz.*

*This results announcement is published on the website of the Company ([www.ttigroup.com](http://www.ttigroup.com)) and the HKExnews ([www.hkexnews.hk](http://www.hkexnews.hk)).*

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## RESULTS SUMMARY

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	<i>Notes</i>	<b>2020</b> US\$'000	2019 US\$'000
Revenue	2	<b>9,811,941</b>	7,666,721
Cost of sales		<b>(6,058,859)</b>	(4,774,065)
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Gross profit		<b>3,753,082</b>	2,892,656
Other income	3	<b>11,164</b>	10,542
Interest income		<b>36,787</b>	40,215
Selling, distribution and advertising expenses		<b>(1,573,048)</b>	(1,195,138)
Administrative expenses		<b>(1,006,327)</b>	(804,989)
Research and development costs		<b>(316,614)</b>	(229,796)
Finance costs	4	<b>(44,222)</b>	(52,323)
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Profit before share of results of associates and taxation		<b>860,822</b>	661,167
Share of results of associates		<b>432</b>	119
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Profit before taxation		<b>861,254</b>	661,286
Taxation charge	5	<b>(60,258)</b>	(46,290)
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Profit for the year	6	<b>800,996</b>	614,996
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Other comprehensive (loss) income:			
Items that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		<b>(6,718)</b>	(8,361)
Items that may be reclassified subsequently to profit or loss, net of related income tax:			
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting		<b>(90,897)</b>	(10,856)
Exchange differences on translation of foreign operations		<b>63,537</b>	(8,071)
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Other comprehensive loss for the year		<b>(34,078)</b>	(27,288)
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Total comprehensive income for the year		<b>766,918</b>	587,708

	<i>Notes</i>	<b>2020</b> US\$'000	2019 US\$'000
Profit for the year attributable to:			
Owners of the Company		<b>800,760</b>	614,900
Non-controlling interests		<b>236</b>	96
		<b>800,996</b>	614,996
Total comprehensive income attributable to:			
Owners of the Company		<b>766,682</b>	587,612
Non-controlling interests		<b>236</b>	96
		<b>766,918</b>	587,708
Earnings per share (US cents)	7		
Basic		<b>43.80</b>	33.67
Diluted		<b>43.63</b>	33.55

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	<i>Notes</i>	<b>2020</b> <b>US\$'000</b>	2019 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8 & 12	1,332,960	1,086,559
Right of use assets		383,718	247,144
Goodwill		578,461	580,866
Intangible assets		663,674	666,705
Interests in associates		2,021	3,243
Financial assets at fair value through profit or loss		6,535	5,796
Derivative financial instruments		8,494	8,929
Deferred tax assets		74,501	74,947
		<b>3,050,364</b>	2,674,189
<b>Current assets</b>			
Inventories		3,223,748	2,112,931
Right to returned goods asset		9,266	15,342
Trade and other receivables	9	1,367,286	1,228,573
Deposits and prepayments		139,677	169,076
Bills receivable		7,660	6,076
Tax recoverable		27,181	23,887
Trade receivables from associates		4,240	6,494
Derivative financial instruments		9,341	25,065
Financial assets at fair value through profit or loss		17,763	24,597
Bank balances, deposits and cash		1,533,876	1,411,821
		<b>6,340,038</b>	5,023,862
<b>Current liabilities</b>			
Trade and other payables	10	3,247,808	2,177,417
Bills payable		61,791	46,170
Warranty provision		156,671	115,210
Tax payable		32,336	19,596
Derivative financial instruments		96,135	17,493
Lease liabilities		73,331	63,878
Discounted bills with recourse		1,436	9,089
Unsecured borrowings - due within one year		385,214	732,380
Refund liabilities from right of return		26,713	36,474
		<b>4,081,435</b>	3,217,707
Net current assets		<b>2,258,603</b>	1,806,155
Total assets less current liabilities		<b>5,308,967</b>	4,480,344

	<i>Notes</i>	<b>2020</b> <b>US\$'000</b>	2019 US\$'000
<b>Capital and Reserves</b>			
Share capital	<i>11</i>	<b>673,141</b>	662,379
Reserves		<b>3,229,864</b>	2,732,266
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Equity attributable to Owners of the Company		<b>3,903,005</b>	3,394,645
Non-controlling interests		<b>(98)</b>	(334)
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Total equity		<b>3,902,907</b>	3,394,311
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<b>Non-current Liabilities</b>			
Lease liabilities		<b>301,076</b>	174,490
Unsecured borrowings - due after one year		<b>940,220</b>	754,628
Retirement benefit obligations		<b>92,318</b>	107,967
Other payables	<i>10</i>	<b>58,524</b>	35,494
Deferred tax liabilities		<b>13,922</b>	13,454
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		<b>1,406,060</b>	1,086,033
<hr/>			
Total equity and non-current liabilities		<b>5,308,967</b>	4,480,344
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# 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, 2020 and 2019 included in this preliminary announcement of annual results 2020 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, 2019 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, 2020 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).

### Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

#### Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

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

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

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

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

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

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



## New and amendments to HKFRSs in issue but not yet effective

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

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

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after June 1, 2020.

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2021.

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

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

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

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

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

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

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

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

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

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

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

## 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 “Floorcare”. The Group’s operating segments under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE, EMPIRE, AEG, RYOBI, HOMELITE and HART brands plus original equipment manufacturer (“OEM”) customers.
2. Floorcare – sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

Information regarding the above segments is reported below.

### Segment revenue and results

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

#### For the year ended December 31, 2020

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

Inter-segment sales are charged at prevailing market rates.

<b>Result</b>				
Segment results	<b>843,831</b>	<b>24,622</b>	-	<b>868,453</b>
Interest income				<b>36,787</b>
Finance costs				<b>(44,222)</b>
Profit before tax				<b>861,018</b>

For the year ended December 31, 2019

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

Inter-segment sales are charged at prevailing market rates.

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

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 disaggregated revenue from its major products:

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

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

## 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:

	2020 US\$'000	2019 US\$'000
North America	7,650,370	5,909,781
Europe	1,382,707	1,160,614
Other countries	778,864	596,326
Total	9,811,941	7,666,721

## Information about major customer

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

## 3. Other Income

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

## 4. Finance Costs

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

## 5. Taxation Charge

	2020 US\$'000	2019 US\$'000
The total tax credit (charge) comprises:		
Hong Kong Profits Tax	735	(713)
Overseas tax	(60,538)	(32,603)
Deferred tax	(455)	(12,974)
	(60,258)	(46,290)

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

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

## 6. Profit for the Year

	2020 US\$'000	2019 US\$'000
Profit for the year has been arrived at after charging:		
Amortization of intangible assets	<b>112,416</b>	109,037
Depreciation on property, plant and equipment	<b>165,893</b>	144,663
Staff costs	<b>1,376,131</b>	1,162,702

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

## 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:

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

## 8. Additions of Property, Plant and Equipment

During the year, the Group spent approximately US\$459 million (2019: US\$457 million) on the acquisition of property, plant and equipment.

## 9. Trade and Other Receivables

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days. The ageing analysis of trade receivables, net of allowances for credit losses, presented on the basis of the revenue recognition date, which is usually the invoice date, at the end of the reporting period is as follows:

	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
0 to 60 days	<b>1,016,581</b>	966,306
61 to 120 days	<b>232,640</b>	137,389
121 days or above	<b>57,835</b>	57,406
Total trade receivables	<b>1,307,056</b>	1,161,101
Other receivables	<b>60,230</b>	67,472
	<b>1,367,286</b>	1,228,573

## 10. Trade and Other Payables

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

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

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

## 11. Share Capital

	2020 Number of shares	2019 Number of shares	2020 US\$'000	2019 US\$'000
<b>Ordinary shares</b>				
Authorized shares	<b>2,400,000,000</b>	2,400,000,000	N/A	N/A
Issued and fully paid:				
At the beginning of the year	<b>1,830,006,941</b>	1,828,521,941	<b>662,379</b>	654,991
Issue of shares upon exercise of share options	<b>2,613,500</b>	3,835,000	<b>10,762</b>	7,388
Buy-back of shares	-	(2,350,000)	-	-
At the end of the year	<b>1,832,620,441</b>	1,830,006,941	<b>673,141</b>	662,379

## 12. Capital Commitments

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

## 13. Guarantees

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