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, 2021

Highlights

	2021 US$' million	2020 US$' million	**Changes**
Revenue	**13,203**	9,812	**+34.6%**
Gross profit margin	**38.8%**	38.3%	**+54 bps**
EBIT	**1,192**	868	**+37.2%**
Profit attributable to Owners of the Company	**1,099**	801	**+37.2%**
Basic earnings per share (US cents)	**60.04**	43.80	**+37.1%**
Dividend per share (approx. US cents)	**23.81**	17.37	**+37.0%**

- Full year organic sales growth of US$3.4 billion, +34.6%
- Gross margin improved for the 13th consecutive year to 38.8%, up +54 basis points
- Net profit growth of 37.2% to US$1.1 billion

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, 2021 together with the comparative figures in 2020.

BUSINESS REVIEW

We are pleased to report that 2021 was an extraordinary year for TTI with outstanding revenue and profit growth. We delivered sales of US$13.2 billion, an increase of 34.6%. Over the two-year period, we significantly outperformed the market with +72.2% sales growth. Increased strategic investments in new product, manufacturing capacity, geographic expansion, logistics, and our in-field marketing initiatives propelled our industry leading performance.

Every one of our business units in all geographic regions delivered exceptional sales growth in 2021. North America grew 33.7%, Europe grew 41.1% and ROW grew 31.8%. Our Power Equipment business, representing 90.6% of total sales, grew 37.0% to US$12.0 billion. Our Milwaukee business, Ryobi DIY, and Ryobi Outdoor businesses all achieved double-digit growth, significantly outgrowing the market. Our Floorcare and Cleaning business also produced strong sales growth of 14.8% to US$1.2 billion.

Gross margin improved for the 13th consecutive year, from 38.3% in 2020 to 38.8% in 2021. This gross margin improvement is a direct result of the launching of high margin new products, disciplined mix management, exceptional productivity gains, and volume leverage.

Our team has done a masterful job managing through the evolving supply chain landscape. With the help of key long-term suppliers, we have navigated through increased in-transit times and limited transportation availability to keep serving customers at a high level. Additionally, our bold decision to invest in inventory has created a buffer of critical components to keep production lines running smoothly and insulating the business from commodity cost increases.

We are deeply committed to being a global leader in clean tech innovation, environmental sustainability, social responsibility, and ethical corporate governance. Throughout 2021, we continued to invest relentlessly in the development of environmentally responsible cordless products that reduce carbon and noise pollution and are safer for end users, while investing in decarbonizing our manufacturing operations. This year we are pleased to announce that we are committing to reducing our 2030 SCOPE 1 and SCOPE 2 absolute emissions by 60% from our 2021 baseline, not only reducing carbon intensity, but doing so while growing our business.

Financial Performance

EBIT increased 37.2% to US$1.2 billion, with the EBIT margin improving by 17 basis points to 9.0%. Net Profit rose 37.2% to US$1.1 billion, with earnings per share increasing 37.1% over 2020 to US60.04 cents. With the investments in inventory to support sales growth and high service levels, the Group maintained a disciplined working capital ratio at 20.9% of sales.

The Board is recommending a final dividend of HK 1 dollar (approximately US12.87 cents) per share. Together, with the interim dividend of HK85.00 cents (approximately US10.94 cents) per share, this will result in a full-year dividend of HK185.00 cents (approximately US23.81 cents) per share, against HK135.00 cents (approximately US17.37 cents) per share in 2020, an increase of 37.0%.

REVIEW OF OPERATIONS

Power Equipment

Our Power Equipment segment delivered sales growth of 37.0% to US$12.0 billion. We grew operating profit 37.8% to US$1.2 billion while making investments to extend our leadership position in the Professional and DIY Tool markets. Based on the wide international reach of our brands, we believe MILWAUKEE is the #1 global Professional Tool brand, and RYOBI is the #1 DIY Tool brand worldwide. More importantly, both MILWAUKEE and RYOBI are the clear leaders in the cordless market, with a commanding and growing global position.

MILWAUKEE

In 2021, we grew our flagship Milwaukee business 40.6%. The introduction of innovative new products to expand our industry leading M18 and M12 cordless product platforms led this growth. In addition, the breakthrough MILWAUKEE MX FUEL Light Equipment platform continued to gain traction. 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, continue to propel the outstanding growth momentum of this business.

Power Tools

Our Milwaukee 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 251 tools on the platform, the M12 system with 139 tools and the MX FUEL range with 13 products.

After we introduce a key new product, we immediately focus on engineering the next generation with additional features, improved run-time, power, speed, life, and compactness. In 2021, we launched 8 next generation MILWAUKEE M18 products including SDS Plus Rotary Hammers, Small Angle Grinders, and Finish Nailers.

We also expanded the MILWAUKEE M12 sub compact cordless platform with a series of innovative tools. One of the highlights includes the M12 FUEL High Speed Ratchet, which allow users to increase their productivity and is selling at rates well beyond expectations.

Outdoor Products

We identified a vast opportunity to transform outdoor power equipment from petrol to battery-powered. To capitalize on this opportunity, we created a business unit that strictly focuses on battery-powered outdoor products. Our obsession is to catalyze a stampede away from petrol to battery, to improve the performance of outdoor products while eliminating carbon emissions and reducing noise. MILWAUKEE is well positioned to lead this revolution for professional grade outdoor equipment by introducing best in class performance through advanced batteries, charging, motor design and most importantly, firmware. In 2022, we will launch our new MILWAUKEE M18 FUEL 21” Self-Propelled battery-powered mower that delivers a breakthrough mowing performance, while also achieving new levels of sustainability and noise reduction. Fortunately, MILWAUKEE is not burdened with a legacy petrol business, so the entire product development system is 100% focused on leadership battery-powered products.

Storage

In addition, we continue to expand our revolutionary MILWAUKEE PACKOUT storage system to meet the growing storage, transportation, and organizational needs of the professional user. With the recent additions of the PACKOUT deep organizer, rolling jobsite box, and XL toolbox, this innovative system now contains 45 interchangeable products.

Personal Protective Equipment

When we identified a significant opportunity for improved Personal Protective Equipment (PPE) in the market, we established a team to focus on developing breakthrough innovative products. We have now launched over 600 SKUs of PPE, all specifically tailored to bring better protection, comfort, safety, and productivity to our users. The flagship of our new PPE product range is in the ubiquitous hard hat arena. Our MILWAUKEE Safety Helmet range that has created an environment where users are safer, more comfortable and productive.

RYOBI

We believe RYOBI is the #1 global DIY Tool brand featuring 162 tools, 74 outdoor products, and 18 cleaning products in the ONE+ battery system alone. In 2021, our RYOBI 18V ONE+ High Performance (HP) brushless products elevated the performance of RYOBI, providing a better experience for professionals and DIY users alike. Led by the runaway success of the RYOBI ONE+ HP Compact Brushless Drill Driver, the HP Platform now contains 37 products, and is rapidly growing. We cannot be more excited about the future RYOBI ONE+ HP new product pipeline, featuring a RYOBI ONE+ HP Table Saw, RYOBI ONE+ HP Track Saw, and RYOBI ONE+ HP AIRSTRIKE 18ga Brad Nailer to name just a few.

The Ryobi outdoor business delivered another year of outstanding results, led by our global leadership of battery-powered lawn mowers, battery-powered snow blowers, and cordless handheld outdoor equipment. Our range of 41 cordless RYOBI mowers and 6 snow blowers are leading the revolution from the legacy petrol market to our environmentally friendly lithium cordless technology. In addition to being carbon-emission free in use, these products offer superior performance, increasing levels of power without any of the harmful carbon emissions and noise.

One of our leadership initiatives at TTI is attacking noise pollution. Awareness of this harmful issue is growing as local governments are increasingly enacting legislation restricting the use of loud petrol powered outdoor equipment. We are the global leader in acoustic engineering and the subsequent reduction of noise in outdoor products. For example, our RYOBI WHISPER series of quiet blowers, mowers, chainsaws, and other outdoor equipment represents a breakthrough in sound reduction on outdoor battery products that delivers incredible power without the noise. We are incredibly excited about the revolutionary research MILWAUKEE is doing in acoustic engineering for the new product pipeline.

Floorcare & Cleaning

Our Floorcare and Cleaning business accounted for 9.4% of TTI total sales, increasing 14.8% to US$1.2 billion, while generating US$29.2 million of operating profit, up 18.7% from 2020. These results reflect our disciplined efforts to produce best in class cordless and carpet washing cleaning products.

We delivered double-digit growth in the carpet washing category led by the success of our new HOOVER CLEANSLATE Spot Cleaner, which combines powerful suction, versatile tools, and the performance of the Oxy formula to permanently remove stains and messes. We are looking forward to expanding this innovative technology into more products and cleaning applications in the future.

The Global Floorcare and Cleaning business is well positioned to deliver consistently improving sales and financial performance in the months and years ahead.

DIVIDEND

The Directors have recommended a final dividend of HK 1 dollar (approximately US12.87 cents) per share with a total of approximately US$236,098,000 for the year ended December 31, 2021 (2020: HK82.00 cents (approximately US10.55 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 20, 2022. 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 17, 2022. This payment, together with the interim dividend of HK85.00 cents (approximately US10.94 cents) per share (2020: HK53.00 cents (approximately US6.82 cents)) paid on September 17, 2021, makes a total payment of HK185.00 cents (approximately US23.81 cents) per share for 2021 (2020: HK135.00 cents (approximately US17.37 cents)).

FINANCIAL REVIEW

FINANCIAL RESULTS

Result Analysis

The Group's revenue for the year amounted to US$13.2 billion, an increase of 34.6% as compared to US$9.8 billion in 2020. Profit attributable to Owners of the Company amounted to US$1,099 million as compared to US$801 million in 2020, an increase of 37.2%. Basic earnings per share for the year improved to US60.04 cents as compared to US43.80 cents in 2020.

EBIT amounted to US$1,192 million, an increase of 37.2% as compared to US$868 million in 2020.

Gross Margin

Gross margin improved to 38.8% as compared to 38.3% 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 navigate global supply constraints, commodity headwinds and logistic costs increase.

Operating Expenses

Total operating expenses for the year amounted to US$3,943 million as compared to US$2,896 million in 2020, representing 29.9% of turnover (2020: 29.5%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum, margin improvements and high service levels.

Investments in product design and development amounted to US$426 million, representing 3.2% of turnover (2020: 3.2%) 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$10 million as compared to US$7 million in 2020, an increase of 34.2%. Interest coverage, expressed as a multiple of EBITDA to total interest was 38.6 times (2020: 28.5 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.0% (2020: 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$4.7 billion as compared to US$3.9 billion in 2020. Book value per share was at US$2.57 as compared to US$2.13 last year, an increase of 20.7%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2021, the Group's cash and cash equivalents amounted to US$1,874 million (2020: US$1,534 million), of which 55.3%, 12.1%, 10.7%, and 21.9% were denominated in US$, RMB, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, was at 28.2% as compared to net cash in 2020.

Bank Borrowings

Long term borrowings accounted for 32.1% of total debts (2020: 71.4%).

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 23.0% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US$4,850 million as compared to US$3,224 million in 2020. Days inventory increased by 14 days from 120 days to 134 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 in considering our high growth momentum, to buffer inflation risk and critical component shortage. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 53 days as compared to 48 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 50 days as compared to 47 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 110 days as compared to 117 days in 2020 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 20.9% as compared to 14.0% in 2020.

Capital Expenditure

Total capital expenditures for the year amounted to US$747 million (2020: US$459 million).

Capital Commitments and Guarantees

As at December 31, 2021, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$235 million (2020: US$104 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, 2021

(i) the Group's largest customer and five largest customers accounted for approximately 47.5% and 59.1% respectively of the Group's total revenue ; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 5.7% and 18.8% 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 51,426 employees as at December 31, 2021 (2020: 48,028) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$2,207 million (2020: US$1,584 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 & cleaning 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, 2021. 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, 2021, 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 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, 2021.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Other than 4,750,000 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 2021 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 2022 Annual General Meeting, the register of members of the Company will be closed from May 11, 2022 to May 13, 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2022 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 10, 2022.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 20, 2022 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 19, 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on May 13, 2022 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

TTI is now uniquely positioned to continue our leadership position in professional cordless, DIY cordless, outdoor cordless, and in floorcare. In 2021, we made bold investments to expand manufacturing capacity, new product development, marketing, end user conversion, geographic expansion, and inventory to support our 34.6% sales growth. In 2022, we are excited to continue making substantial investments in the business, to drive another year of above market results and gross margin expansion.

We would like to thank our customers, end users, suppliers, shareholders, and entire TTI organization for another tremendous year. These outstanding results are a testament to the quality of our dedicated, skilled, and passionate world-class teams across the globe. We are confident that our unrelenting bold vision, customer focus and business momentum will make 2022 another outstanding year and position TTI with exciting opportunities in the months and years ahead.

By Order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, March 2, 2022

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 four Independent Non-executive Directors, namely, Mr. Peter David Sullivan, Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz and Ms. Virginia Davis Wilmerding.

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

For the year ended December 31, 2021

	Notes	**2021** **US$'000**	2020 US$'000
Revenue	*2*	**13,203,161**	9,811,941
Cost of sales		**(8,081,548)**	(6,058,859)
Gross profit		**5,121,613**	3,753,082
Other income	*3*	**12,992**	11,164
Interest income		**32,028**	36,787
Selling, distribution and advertising expenses		**(2,165,373)**	(1,573,048)
Administrative expenses		**(1,351,733)**	(1,006,327)
Research and development costs		**(425,699)**	(316,614)
Finance costs	*4*	**(42,008)**	(44,222)
Profit before share of result of an associate and taxation		**1,181,820**	860,822
Share of result of an associate		**5**	432
Profit before taxation		**1,181,825**	861,254
Taxation charge	*5*	**(82,724)**	(60,258)
Profit for the year	*6*	**1,099,101**	800,996
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		**7,839**	(6,718)
Items that may be reclassified subsequently to profit or loss, net of related income tax:			
Fair value gain (loss) on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting		**162,205**	(90,897)
Exchange differences on translation of foreign operations		**(15,949)**	63,537
Other comprehensive income (loss) for the year		**154,095**	(34,078)
Total comprehensive income for the year		**1,253,196**	766,918

	Note	**2021**	2020
		US$'000	US$'000
Profit for the year attributable to:			
Owners of the Company		**1,099,003**	800,760
Non-controlling interests		**98**	236
		1,099,101	800,996
Total comprehensive income attributable to:			
Owners of the Company		**1,253,098**	766,682
Non-controlling interests		**98**	236
		1,253,196	766,918
Earnings per share (US cents)	*7*		
Basic		**60.04**	43.80
Diluted		**59.73**	43.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Notes	**2021**	2020
		US$'000	US$'000
Non-current assets			
Property, plant and equipment	*8 & 12*	**1,852,886**	1,332,960
Right of use assets		**553,365**	383,718
Goodwill		**577,237**	578,461
Intangible assets		**849,785**	663,674
Interest in an associate		**2,026**	2,021
Financial assets at fair value through profit or loss		**4,959**	6,535
Derivative financial instruments		**8,302**	8,494
Deferred tax assets		**97,436**	74,501
		3,945,996	3,050,364
Current assets			
Inventories		**4,849,792**	3,223,748
Right to returned goods asset		**9,692**	9,266
Trade and other receivables	*9*	**2,022,278**	1,367,286
Deposits and prepayments		**151,443**	139,677
Bills receivable		**7,643**	7,660
Tax recoverable		**29,874**	27,181
Trade receivables from an associate		**6,600**	4,240
Derivative financial instruments		**93,554**	9,341
Financial assets at fair value through profit or loss		**16,272**	17,763
Bank balances, deposits and cash		**1,874,401**	1,533,876
		9,061,549	6,340,038
Current liabilities			
Trade and other payables	*10*	**3,991,797**	3,247,808
Bills payable		**47,549**	61,791
Warranty provision		**182,765**	156,671
Tax payable		**56,123**	32,336
Derivative financial instruments		**8,282**	96,135
Lease liabilities		**115,194**	73,331
Discounted bills with recourse		**1,857**	1,436
Unsecured borrowings - due within one year		**2,252,636**	385,214
Refund liabilities from right of return		**22,767**	26,713
		6,678,970	4,081,435
Net current assets		**2,382,579**	2,258,603
Total assets less current liabilities		**6,328,575**	5,308,967

	Notes	**2021**	2020
		US$'000	US$'000
Capital and Reserves			
Share capital	*11*	**683,395**	673,141
Reserves		**4,039,123**	3,229,864
Equity attributable to Owners of the Company		**4,722,518**	3,903,005
Non-controlling interests		**-**	(98)
Total equity		**4,722,518**	3,902,907
Non-current Liabilities			
Lease liabilities		**439,006**	301,076
Unsecured borrowings - due after one year		**1,028,351**	940,220
Retirement benefit obligations		**76,139**	92,318
Other payables	*10*	**48,502**	58,524
Deferred tax liabilities		**14,059**	13,922
		1,606,057	1,406,060
Total equity and non-current liabilities		**6,328,575**	5,308,967

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, 2021 and 2020 included in this preliminary announcement of annual results 2021 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, 2020 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, 2021 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 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, 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7").

As at January 1, 2021, the Group has several financial liabilities and derivative financial instruments, the interest of which are indexed to benchmark rates that will be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts with payments indexed to benchmark rates which are subject to interest rate benchmark reform. The amounts of financial liabilities are shown at their carrying amounts and derivative financial instruments are shown at their notional amounts.

	United States dollar London Interbank Offered Rate US$'000
Financial liabilities	
Unsecured borrowings	**270,245**
Derivative financial instruments	
Cross-currency interest rate swaps	**210,300**

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for unsecured borrowings measured at amortized cost.

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[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

[1] Effective for annual periods beginning on or after April 1, 2021.
[2] Effective for annual periods beginning on or after January 1, 2022.
[3] Effective for annual periods beginning on or after January 1, 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

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 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; and

- 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, 2021, the application of the amendments will not result in a reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right of use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right of use assets and lease liabilities which are subject to the amendments amounted to US$524,917,000 and US$554,200,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

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 & Cleaning". 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 & Cleaning - sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

In order to better describe the business nature, the Group renamed the "Floorcare" segment to "Floorcare & Cleaning". The change in segment name does not affect the comparative figures. 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, 2021

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	**11,960,891**	**1,242,270**	**-**	**13,203,161**
Inter-segment sales	**-**	**20,340**	**(20,340)**	**-**
Total segment revenue	**11,960,891**	**1,262,610**	**(20,340)**	**13,203,161**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	**1,162,480**	**29,227**	**-**	**1,191,707**
Interest income				**32,028**
Finance costs				**(42,008)**
Profit before tax				**1,181,727**

For the year ended December 31, 2020

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	8,729,841	1,082,100	-	9,811,941
Inter-segment sales	-	4,018	(4,018)	-
Total segment revenue	8,729,841	1,086,118	(4,018)	9,811,941

Inter-segment sales are charged at prevailing market rates.

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

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:

	2021 US$'000	2020 US$'000
Power Equipment	**11,960,891**	8,729,841
Floorcare & Cleaning	**1,242,270**	1,082,100
Total	**13,203,161**	9,811,941

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:

	2021 US$'000	2020 US$'000
North America	**10,225,163**	7,650,370
Europe	**1,951,454**	1,382,707
Other countries	**1,026,544**	778,864
Total	**13,203,161**	9,811,941

Information about major customer

During the years ended December 31, 2021 and 2020, the Group's largest customer contributed total revenue of US$6,275,193,000 (2020: US$4,793,600,000), of which US$6,206,588,000 (2020: US$4,742,534,000) was under the Power Equipment segment and US$68,605,000 (2020: US$51,066,000) was under the Floorcare & Cleaning segment. There is no other customer contributing more than 10% of total revenue.

3. Other Income

Other income in both 2021 and 2020 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

4. Finance Costs

	2021 US$'000	2020 US$'000
Interest on:		
Unsecured borrowings	**31,656**	36,648
Lease liabilities	**10,352**	7,574
	42,008	44,222

5. Taxation Charge

	2021 US$'000	2020 US$'000
The total tax (charge) credit comprises:		
Hong Kong Profits Tax	**(1,729)**	735
Overseas tax	**(107,241)**	(60,538)
Deferred tax	**26,246**	(455)
	(82,724)	(60,258)

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

	2021	2020
	US$'000	US$'000
Profit for the year has been arrived at after charging:		
Amortization of intangible assets	**95,669**	112,416
Depreciation on property, plant and equipment	**190,289**	165,893
Staff costs	**1,878,144**	1,376,131

Staff costs disclosed above do not include an amount of US$328,684,000 (2020: US$207,699,000) 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:

	2021	2020
	US$'000	US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**1,099,003**	800,760
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,830,544,048**	1,828,388,789
Effect of dilutive potential ordinary shares:		
Share options	**7,179,011**	4,816,658
Share award	**2,287,031**	1,980,218
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,840,010,090**	1,835,185,665

8. Additions of Property, Plant and Equipment

During the year, the Group spent approximately US$747 million (2020: US$459 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:

	2021	2020
	US$'000	US$'000
0 to 60 days	**1,795,436**	1,016,581
61 to 120 days	**22,583**	232,640
121 days or above	**82,128**	57,835
Total trade receivables	**1,900,147**	1,307,056
Other receivables	**122,131**	60,230
	2,022,278	1,367,286

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:

	2021	2020
	US$'000	US$'000
0 to 60 days	**1,267,129**	1,315,379
61 to 120 days	**672,558**	389,775
121 days or above	**92,789**	17,988
Total trade payables	**2,032,476**	1,723,142
Other payables	**2,007,823**	1,583,190
Total trade and other payables	**4,040,299**	3,306,332
Non-current portion of other payables	**(48,502)**	(58,524)
	3,991,797	3,247,808

The credit period on the purchase of goods ranges from 30 days to 120 days (2020: 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

	2021 Number of shares	2020 Number of shares	**2021 US$'000**	2020 US$'000
Ordinary shares				
Authorized shares	**2,400,000,000**	2,400,000,000	**N/A**	N/A
Issued and fully paid:				
At the beginning of the year	**1,832,620,441**	1,830,006,941	**673,141**	662,379
Issue of shares upon exercise of share options	**1,864,000**	2,613,500	**10,254**	10,762
At the end of the year	**1,834,484,441**	1,832,620,441	**683,395**	673,141

12. Capital Commitments

	2021 US$'000	2020 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**235,174**	103,957