Techtronic Industries

ANNUAL REPORT 2023

M18 FORCELOGIC™

SINGLE CHANNEL STRUT SHEAR

The M18 FORCE LOGIC Single Channel Strut Shear is the most productive way to shear strut on the jobsite. It uses proprietary shearing dies to deliver square, clean shears without additional filing or deburring and having a dual die design eliminates exposed blades and reduces the chance of electricians cutting themselves on the jobsite.

PROPRIETARY SHEARING DIES

Delivers clean shears eliminating the need to file or deburr

DUAL DIE DESIGN

Eliminates exposed blades, reducing cuts and lacerations

STRUT SUPPORT PLATE

Provides quick, simple, and repeatable shears to maximize productivity on site

Contents

Company Profile

Techtronic Industries Company Limited (the "Company", the "Group" or "TTI") is a fast-growing world leader in Power Tools, Accessories, Hand Tools, Outdoor Power Equipment, and Floorcare & Cleaning for Do-It-Yourself (DIY)/Consumer, professional and industrial users in the home improvement, repair, maintenance, construction and infrastructure industries. The Company is committed to accelerating the transformation of these industries through superior environmentally friendly cordless technology. The TTI brands like MILWAUKEE, RYOBI and HOOVER are recognized worldwide for their deep heritage and cordless product platforms of superior quality, outstanding performance, safety, productivity and compelling innovation.

Founded in 1985 and listed on the Stock Exchange of Hong Kong ("SEHK") in 1990, TTI is included in the Hang Seng Index as one of their constituent stocks. The Company maintains a powerful brand portfolio, global manufacturing and product development footprint, healthy financial position with record 2023 worldwide sales of US$13.7 billion and over 47,000 employees.

FINANCIAL HIGHLIGHTS

	2023 US$' million	2022 US$' million	Changes
Revenue	**13,731**	13,254	+3.6%
Gross profit margin	**39.5%**	39.3%	+14 bps
EBIT	**1,135**	1,201	(5.5%)
Profit attributable to Owners of the Company	**976**	1,077	(9.4%)
Basic earnings per share (US cents)	**53.36**	58.86	(9.3%)
Free Cash Flow	**1,281**	329	+952 m
Dividend per share (approx. US cents)	**24.84**	23.81	+4.3%

Revenue (US$' million)

13,731

An increase of 3.6% as compared to 2022

EBIT (US$' million)

1,135

A decrease of 5.5% as compared to 2022

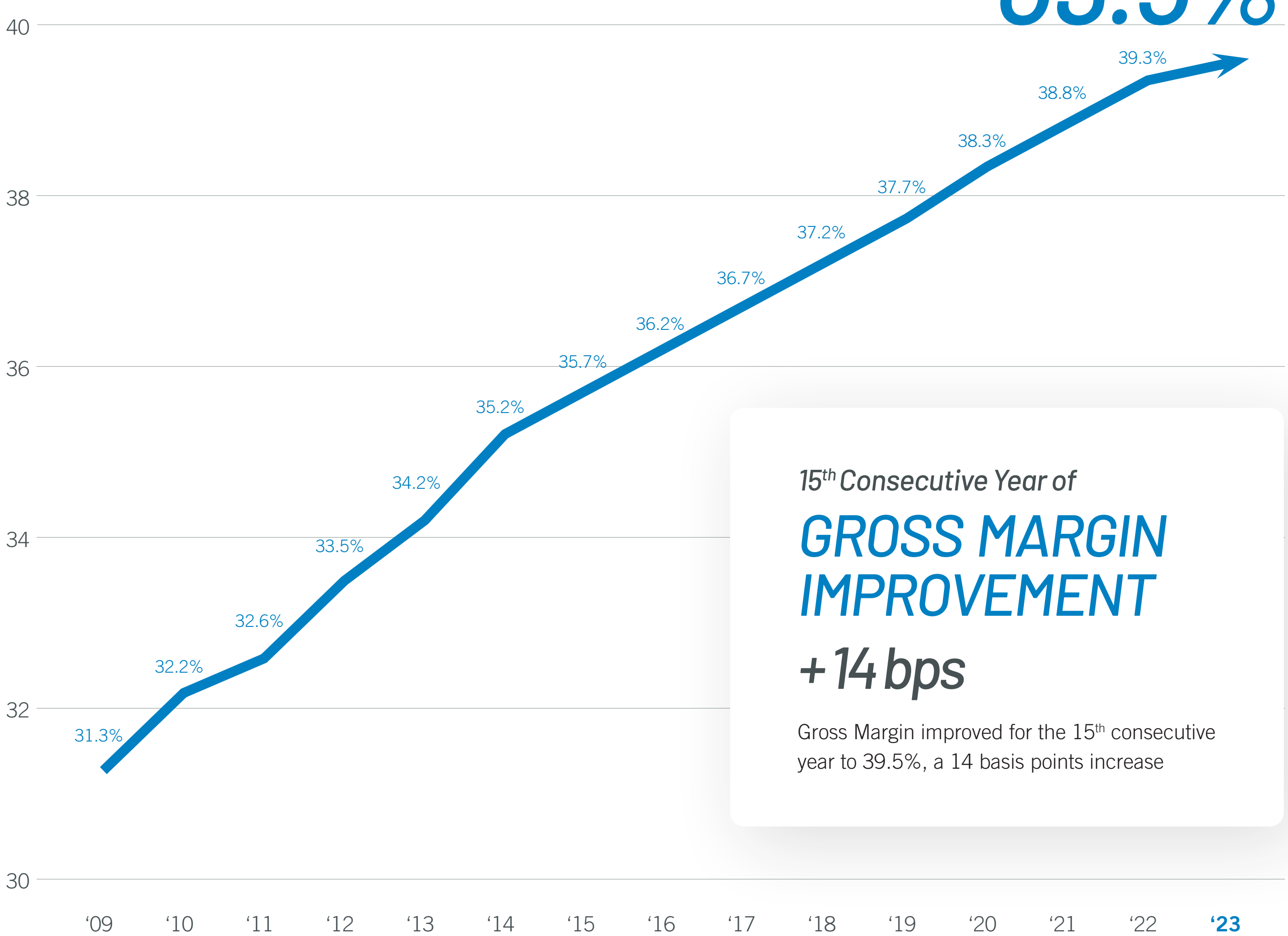
Free Cash Flow (US$' million)

1,281

Record free cash flow of US$1,281 million, an increase of US$952 million as compared to 2022

Gross Profit Margin %

39.5%



15th Consecutive Year of

GROSS MARGIN IMPROVEMENT

+14 bps

Gross Margin improved for the 15th consecutive year to 39.5%, a 14 basis points increase

Dividend per Share (US cents)

24.84

The Board has recommended a final dividend of US12.61 cents which results in a full-year dividend of US24.84 cents

Working Capital as % of Sales

17.7%

Working capital as a percentage to sales was at 17.7% as compared to 21.2% in 2022

For the year ended December 31, 2023

Chairman's Statement

TTI delivered US$13.7 billion of sales in 2023, up 3.6% in reported growth and 3.9% in local currency. Both our MILWAUKEE and Consumer group of businesses gained momentum in the second half of 2023.

MILWAUKEE delivered 10.7% full year sales growth in local currency, improving to 12.7% local currency growth in the second half, versus 8.7% in the first half. Our Consumer group of businesses also delivered positive sales growth in the second half and are well positioned to continue gaining traction in 2024.

Globally, all regions delivered above market growth in local currency in 2023. North America grew 2.9% and Europe delivered an impressive 7.3% growth. Rest of World, including Australia, Latin America, and Asia, delivered 7.6% growth.

Gross margin improved 14 bps to 39.5% in 2023. This improvement is a direct result of the continued success of the MILWAUKEE business, the growth of our aftermarket battery sales, and highly innovative margin accretive new product. This gross margin improvement is highly encouraging given our significant US$987 million inventory reduction versus last year.

Total SG&A increased 96 bps from year end 2022 to 31.3% of sales. Selling, distribution, and marketing increased 56 bps due to one-time promotional funding investments to drive sell through at our partners and reduce inventory in our channels. Research and development increased 34 bps versus last year. Amortization of intangible assets accounted for 28 bps of the increase, and we increased investments in research activities to bolster our new product pipeline.

Financial Performance

EBIT was at US$1.1 billion, 5.5% lower than 2022. In the second half of 2023, EBIT improved to US$575 million, a 1.1% increase versus the second half of 2022.

In 2023, we delivered US$976 million of net profit. The decline of 9.4% versus last year was partially driven by significant increases in interest rates over the period, resulting in higher interest expense. Earnings per share also declined 9.3% to US53.36 cents.

We reduced inventory an impressive US$987 million from year end 2022. This was split throughout the halves with a US$504 million reduction in the first half and an additional US$483 million in the second half. Although we have made vast progress on inventory, we believe we can continue reducing inventory days on hand in 2024 and the years ahead.

Capex spend for the year was US$502 million, lower than last year by 13.7%. This spend includes investments in new product, manufacturing capacity, automation, and productivity initiatives in China, Vietnam, Mexico, and the United States.

Working capital as a percent of sales improved from 21.2% last year to 17.7% in 2023. This reduction in working capital helped drive record free cash flow of US$1.3 billion for the year and we are well positioned to deliver strong free cash flow in 2024 and the future.

Our exceptional results over the past fifteen years have consistently surpassed overall market performance. 2024 will be no exception, as we are poised to outperform the market yet again.

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 17.1% as compared to 32.1% in 2022.

Our exceptional results over the past fifteen years have consistently surpassed overall market performance and we expect 2024 will be no exception, as we are poised to outperform the market yet again. Our strength in cordless innovation, new product development, operational excellence, and in-field marketing initiatives are unparalleled in the industry and give TTI an unassailable competitive advantage. We are grateful for the support of our largest partner, The Home Depot, and are honored to have received an unprecedented three Supplier of the Year awards from them in 2023.

Outlook

TTI is poised for continued market outperformance in 2024. We expect our Flagship MILWAUKEE business to sustain double-digit sales growth in 2024 and beyond, while our Consumer group of businesses will continue to outperform the competition.

Our global new product pipeline has never been stronger. We are relentlessly focused on developing innovative cordless products with advanced electronics, cutting-edge motor technology, and artificial intelligence. As the first mover in our industry on applying machine learning and artificial intelligence to cordless products, we have made the investments necessary to continue advancing this important technology in the months and years ahead. With demonstrably better features that improve productivity for end users, our products command a price premium, which in turn drives our virtuous cycle of outperforming the market while driving gross margin improvement.

Another key driver of our gross margin accretion is the productivity generated by our world-class manufacturing network. Since 2018, we have expanded our footprint beyond our manufacturing site in China to add start up facilities in Vietnam, Mexico and the United States. We believe our ability to rapidly adapt to change will serve us well, no matter what we face in the future.

With a healthy balance sheet, solid cash position, and strong growth outlook, we look forward to 2024 with confidence.

Horst Julius Pudwill
Chairman
March 6, 2024

Chief Executive Officer's Message

I am proud of the financial results we delivered in 2023. We grew sales 3.9% in local currency to US$13.7 billion, while increasing gross margin 14bps to 39.5% and reducing inventory US$987 million versus year end 2022. Free cash flow was an all-time record of US$1.3 billion and we are well positioned to generate consistently strong free cash flow in the coming years.

I am especially encouraged by our results in the second half of 2023, where we grew sales 10.2%. Our Flagship MILWAUKEE business grew 12.7% in local currency in the second half and we feel confident MILWAUKEE will continue to grow at double digit rates in 2024 and beyond. The Consumer Group of businesses also delivered excellent results globally and is on track to continue outperforming the market. TTI's momentum has continued to build in the early months of 2024, and we are looking forward to sharing our first half 2024 results with you in August.

Cordless Leadership

Seventeen years ago, when Horst Pudwill and I developed our strategy, we agreed on two things. First, that we would hire and develop the very best people in the history of the power tool industry. Second, that we were going to be obsessively focused on cordless.

We made it our mission to convert users from products using legacy power sources like petrol, corded, manual, hydraulic, and pneumatic to our cordless solutions in the power tool, light equipment, outdoor products, and cleaning categories. Today, MILWAUKEE is the number one worldwide cordless Professional Power Tool brand with 460 products across our M12, M18, and MX FUEL leadership platforms, while RYOBI is the leading global DIY cordless brand in both Power Tools and Outdoor with 424 products across the 18V ONE+, 40V, USB LITHIUM, and 80V systems. We also have the broadest line of detachable battery floorcare products with our ONEPWR platform, featuring the world's first battery-powered cordless Carpet Washer.

There is no other company in the world with our level of focus on cordless and this is why we win. Our leadership position in cordless globally has yielded a significant and growing aftermarket battery revenue stream with highly accretive gross margins. Unlike our competitors, we have not changed our battery interface or compatibility, which has allowed our bare tool business to flourish. Bare tools are individual products sold without a battery and charger, which presents a compelling value to users who are already invested in a battery system.

Our cordless strategy has also allowed us to grow the market overall through increases in Average Selling Price (ASP). With advanced electronics, brushless motors, and innovative battery technology, our cordless products offer users productivity and safety benefits that command a price premium. As an example, our MILWAUKEE M18 FORCE LOGIC Single Channel Strut Shear is the most productive way to shear strut on the jobsite. This piece of equipment makes precise cuts on-site, ensuring a smooth finish and reducing the risk of user lacerations and damage to high-value electrical systems. Priced at over US$3,500, this piece of equipment is driving the ASP higher while prioritizing safety and productivity.

Breakthrough Technology

The development of breakthrough cordless technology is the foundation of TTI's success. Since we revolutionized the power tool industry with the introduction of advanced lithium-ion battery technology, we have continued to advance the capabilities of cordless products to levels beyond what is possible with legacy powered competitive product. We refer to our efforts to continuously advance technology in the power tool space as a "race without a finish line". The latest result of these efforts is the introduction of Artificial Intelligence with Machine Learning into Power Tool development with products that not only set new industry standards, but also contribute to significant cost savings for users.

An example where the application of Artificial Intelligence with Machine Learning within our power tool development is especially impactful can be demonstrated on a renewable energy utility-scale solar panel installation site. A single solar field site can require millions of repeatable precise connections. Using the MILWAUKEE M18 CONTROLLED TORQUE IMPACT WRENCHES enable users to make these connections up to three times faster than current methods. Using this tool results in increased productivity that can save contractors up to US$1 million on just one job versus current application methods.

Sustainability

It is our mission to create a sustainable future by reducing our environmental impact through responsible business practices and environmentally friendly products. We are dedicated to developing cordless products that not only deliver high performance, but also minimize energy consumption, improve safety, and reduce noise pollution with zero carbon emissions in use. As an example, the ONEPWR cordless carpet cleaner launched in 2023 contains high efficiency motors that provides the same cleaning performance as corded alternatives using up to 6 times less energy. We also recently launched a RYOBI 60-Watt Foldable Solar Panel, providing users with renewable energy that can charge a RYOBI 18V ONE+ 2Ah battery in under 1 hour.

World Class Manufacturing and Supply Chain

The investments we have made in expanding our manufacturing network beyond our world-class facility in China to Vietnam, Mexico and the United States have served us well. We operate our manufacturing network with a high degree of flexibility and agility, while striving for continued productivity advancements each year. In 2024, we will continue to raise the bar on delivering productivity gains while maintaining consistently high customer service levels and driving down inventory levels in the network.

Geographic Expansion Success

Expansion into new geographic markets is another important component of TTI's success. One great example of the deployment of this strategy can be found in Europe, where we have grown from a very small presence in 2008 to the cordless leadership position in the professional channels that we hold today. In addition, our performance in Canada, Australia, and New Zealand has been highly impressive, reflecting our commitment to cordless leadership on a global scale. Our businesses in Asia and Latin America are also developing well, and we are excited about our strategic plans to continue expanding our global presence in these regions.

Exceptional People

To win in our vast served markets, we are obsessively focused on hiring the best people. This involves recruiting, training, retaining, and investing in top-tier talent, while maintaining a culture of high performance, innovation, and transparency. In 2008, we introduced the TTI Leadership Development Program to bolster our organizational growth by creating a pipeline of strong talent. Since its inception, this program has successfully hired over 10,500 LDPs to fuel our growth. Today, TTI has the strongest and deepest management team in the industry, many of whom have been integral to our success over the last decade.

Breakthrough Leadership

One way we develop our winning team is through our intensive "Breakthrough Leadership" senior management training program. In these sessions we gather top leaders from around the globe to discuss company objectives, vision, strategy, organizational development, and leadership among other topics. More importantly, throughout these sessions we reinforce our high-speed, high-performance culture and energize the leadership to pursue and inspire breakthrough thinking in their own organizations. Alexander the Great once famously said, "I am not afraid of an army of lions led by a sheep; I am afraid of an army of sheep led by a lion". At TTI, our philosophy is to take this one step further and "build armies of lions, led by lions". Breakthrough Leadership is just one of the tools we use to build this culture.

Just Getting Started

Our outstanding performance over the past fifteen years has consistently outpaced the overall market and 2023 was no exception. It is an exciting time to be in a leadership position in the cordless power tool industry, and we believe we are just getting started. The investments we have made in new product development, manufacturing, geographic expansion, and in-field marketing initiatives have created a strong foundation for our continued growth and strong financial performance.

I would like to thank our Chairman, Horst Pudwill, and Vice-Chairman, Stephan Pudwill for their outstanding leadership, vision and mentorship in 2023 and look forward to many years of partnership ahead. The best is yet to come at TTI!

Joseph Galli Jr
Chief Executive Officer
March 6, 2024

STRATEGIC DRIVERS

TTI is a global strategy-based organization. We have been diligent in researching and refining the key concepts for ongoing sustainability and growth. Early on, leadership identified four strategic areas that would drive our success: **Powerful Brands, Innovative Products, Exceptional People** and **Operational Excellence.**

The synergy in our four strategic drivers creates a culture of disruptive innovation and execution resulting in world-class, powerful brands. This dynamic structure of interconnectivity not only maximizes growth and improvement in every area of our company; but also, delivers the innovative, high-quality driven products needed by consumers and professionals around the world.

It all starts with the user. We don't make assumptions. Instead, we set out to deliver disruptive innovation by getting out on the jobsite, alongside trade professionals, to understand their challenges — the frustrations, the needs and previous limitations. We set out to completely rethink a solution with new-to-world technology and unparalleled levels of design and engineering. Whether it's bringing cordless power to traditionally corded or gas products and manual activities, or advances to fundamental tools and equipment, MILWAUKEE's focus is on working directly with users to deliver new levels of performance, productivity and safety.

TRADE VERTICAL INNOVATION: *DIVERSIFIED & DISRUPTIVE*

PORTABLE PRODUCTIVITY
TRADE FOCUSED
SYSTEM WIDE

153 TOOLS

MILWAUKEE continues to lead the subcompact category with innovative solutions that deliver portable productivity and performance. In 2023, the expansion of the M12 system included multiple trade-dedicated solutions. For the carpenter and remodeler, the new M12 FUEL Barrel Grip Jig Saw delivers unrivaled performance in a compact structure. The automotive technician was delivered the ultimate ratchet solution and unrivaled access with the M12 FUEL INSIDER Extended Reach Box Ratchet. The continued focus on the users' needs can be seen in these and all the other M12 solutions delivered in 2023.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM Batteries deliver more work over the life of the battery, no matter the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package. An advanced combination of hardware and software, REDLINK Intelligence enables full-circle communication between our batteries and tools, allowing for unmatched levels of performance, protection and productivity.

NEW PRODUCTS

M12 FUEL Jig Saw

M12 FUEL
18 Gauge Compact Brad Nailer

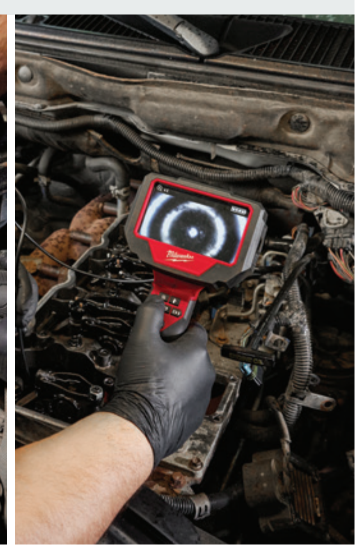
M12 Brushless Rotary Tool

M12 FUEL INSIDER
Extended Reach Box Ratchet

M12 Brushless 2" Planer

M12 PACKOUT
Flood Light w/ USB Charging

M12 Auto Technician
Borescope



PERFORMANCE DRIVEN
TRADE FOCUSED
SYSTEM WIDE

284 TOOLS

MILWAUKEE introduced the next leap forward in world leading battery and charging technology with the new M18 REDLITHIUM FORGE XC6.0 Battery and M18 Dual Bay Simultaneous Super Charger. These solutions continue the leadership MILWAUKEE provides tradespeople with the most powerful, fastest charging and longest life battery. Together, they maximize user productivity by driving the capability of the M18 system forward, while providing full compatibility with all M18 tools. This advancement in battery and charging technologies, along with numerous other trade-focused solutions launched in 2023 gives credence to those committed to the M18 system that MILWAUKEE is dedicated to continuing advancements on this platform.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM Batteries deliver more work over the life of the battery, no matter the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package. An advanced combination of hardware and software, REDLINK Intelligence enables full-circle communication between our batteries and tools, allowing for unmatched levels of performance, protection and productivity.

NEW PRODUCTS

M18 FUEL
1/2" High Torque
Impact Wrench

M18 FUEL
1/2" Controlled Mid-Torque
Impact Wrench w/ TORQUE-SENSE

M18
Compact Brushless
1/2" Hammer Drill/Driver

M18 Compact Brushless
1/4" Hex Impact Driver

M18
Rotary Lasers

M18 FUEL
5 CFM Vacuum Pump

M18 FUEL
1/2" Router

M18 FUEL
4-1/2" / 5" Dual-Trigger
Braking Grinder

M18 FORCE LOGIC
11T Dieless Latched
Linear Utility Crimper

REDLITHIUM FORGE™

M18 REDLITHIUM FORGE
XC6.0 Battery Pack

SUPERCHARGER

M18 Dual Bay
Simultaneous Super Charger

MX FUEL

EQUIPMENT REDEFINED
TRADE FOCUSED
SYSTEM WIDE

23 TOOLS

With the launch of the MILWAUKEE MX FUEL Equipment System, we entered the multi-billion dollar light equipment space. In 2023, we continued to push the expectations in battery and charging capabilities for the MX FUEL system. With the launch of the MX FUEL REDLITHIUM FORGE HD12.0 and XC8.0 Batteries, MILWAUKEE delivers more work per charge and can run battery-operated equipment longer than ever before. When paired with the new MX FUEL Super Charger, the new MX FUEL Batteries see charging times cut in half, increasing user productivity. These batteries will work with all previously released MX FUEL solutions along with the five new solutions launched in 2023.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM Batteries deliver more work over the life of the battery, no matter the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package. An advanced combination of hardware and software, REDLINK Intelligence enables full-circle communication between our batteries and tools, allowing for unmatched levels of performance, protection and productivity.

NEW PRODUCTS

MX FUEL
14” Cut-Off Saw w/ RAPIDSTOP

MX FUEL
20” Plate Compactor

MX FUEL
6” Green Concrete Saw

MX FUEL
24” Walk-Behind Edging Trowel

MX FUEL
36” Walk-Behind Trowel

REDLITHIUM™ FORGE™

MX FUEL REDLITHIUM FORGE
HD12.0 Battery Pack

MX FUEL REDLITHIUM FORGE
XC8.0 Battery Pack

SUPERCHARGER

MX FUEL Super Charger

OUTDOOR POWER EQUIPMENT

MILWAUKEE continued to launch high-performance solutions for the landscape maintenance professional in 2023, expanding its Outdoor Power Equipment category. With the introduction of the M18 FUEL 17” Dual Battery String Trimmer, it delivers the most powerful and fastest clearing string trimmer in the industry. The new M18 FUEL Telescoping Pole Saw is the industry’s most powerful telescoping pole saw against gas or battery powered. The new M18 FUEL Top Handle Chainsaw cuts faster and provides the power to cut hardwoods. Both solutions are designed to meet the performance and durability needs of the tree care professional and being true examples of industry-leading solutions MILWAUKEE is bringing to this rapidly expanding category.

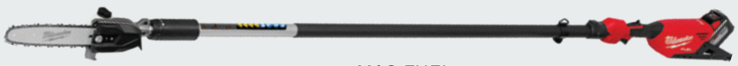
Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM Batteries deliver more work over the life of the battery, no matter the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package. An advanced combination of hardware and software, REDLINK Intelligence enables full-circle communication between our batteries and tools, allowing for unmatched levels of performance, protection and productivity.

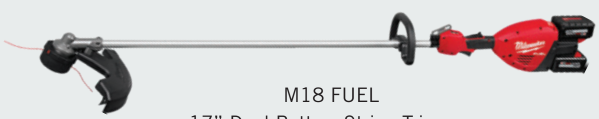
NEW PRODUCTS



M18 FUEL
Telescoping Pole Saw

M18 Brushless
Telescoping Pole Pruning Shears

M18 FUEL
Dual Battery Backpack Blower



M18 FUEL
17” Dual Battery String Trimmer

M18 FUEL
14” Top Handle Chainsaw

M12 Brushless
Pruning Shears

M18 FUEL
Brush Cutter

M18 FUEL
QUIK-LOK Reciprocator
Attachment

M18 FUEL
QUIK-LOK Bed Redefiner
Attachment

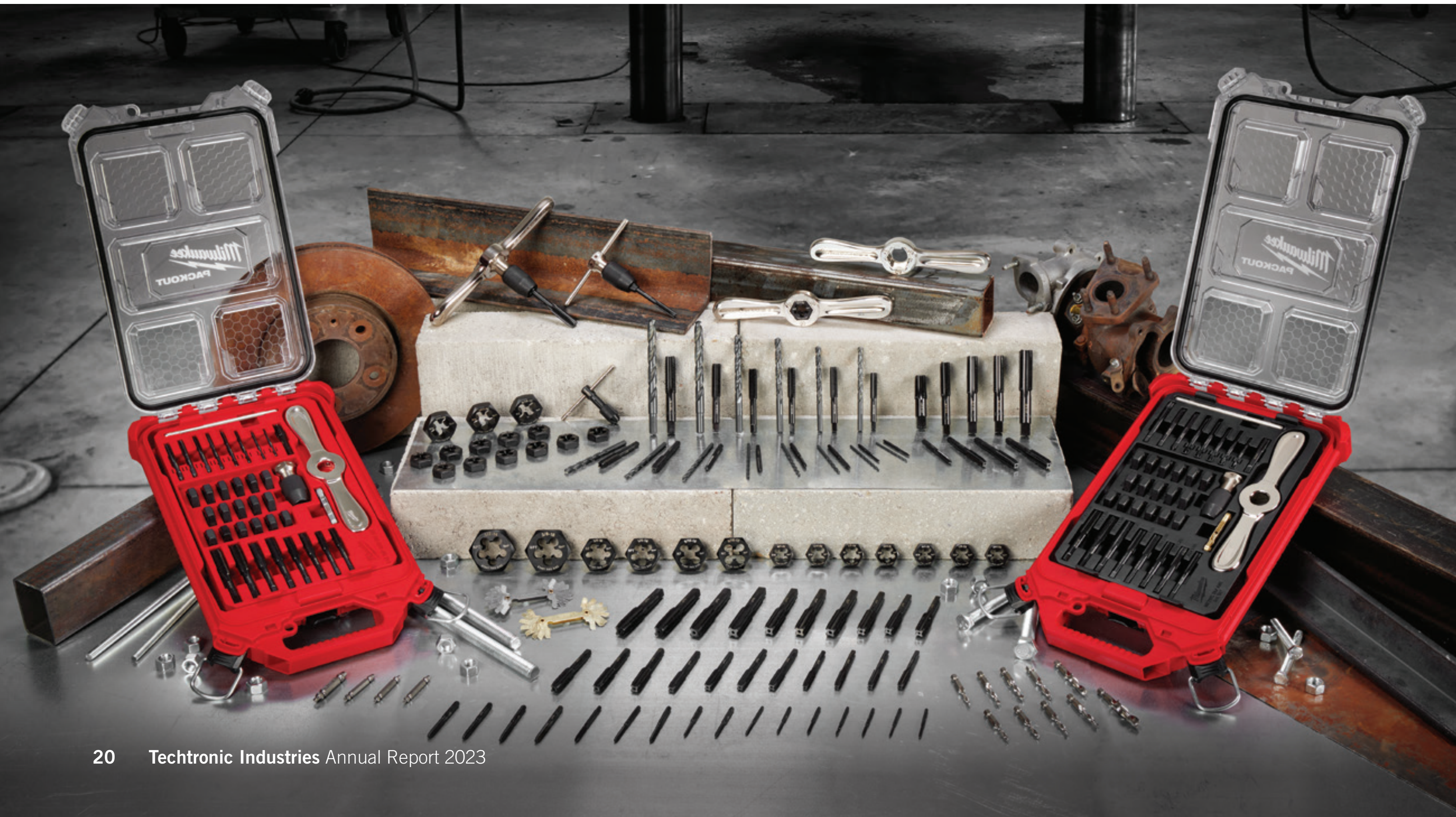
POWER TOOL ACCESSORIES

MILWAUKEE is committed to providing professional users with a broad range of accessory solutions that save time and increase productivity on the jobsite. Our solutions are engineered to deliver maximum life, durability and speed. We continue to lead in multiple product segments through our investment in new technologies and best-in-class manufacturing capabilities.

As a result of our leadership position in carbide technology, we delivered ground-breaking performance in the Oscillating Multi-Tool Blades category. In 2023, we introduced two new Oscillating Multi-Tool Blades, NITRUS CARBIDE Extreme Metal Blades and NITRUS CARBIDE Extreme Material Blades. Both delivering Oscillating Multi-Tool users breakthrough performance with the fastest cutting and longest life blades on the jobsite.

Our focus on the plumbing, mechanical, electrical and automotive industries continued in 2023 with the dedicated launches to our users. The launch of 100+ precision-machined Tap and Die solutions demonstrates our commitment to users through our clearest size markings and innovative 2-in-1 threading handle to consolidate the number of components users need to complete jobs.

Strut Shearing Dies were also added to MILWAUKEE's line of solutions to support electricians and deliver accurate and consistent cuts every time when used with M18 FORCE LOGIC Single Channel Strut Shear. Additionally, MILWAUKEE launched a full line of SHOCKWAVE Impact Duty Lug Nut Wheel Sockets featuring an innovative ARMOR-GUARD Sleeve made with premium, durable plastic for lasting protection against cracking or shredding during wheel installation and removals.



NEW PRODUCTS

DIAMOND ULTRA Blades

Green Concrete Diamond Blades

SHOCKWAVE Impact Duty
1/2" Drive Metric & SAE
Lug Nut Wheel Socket Set

38 Pc SAE Tap and Die
PACKOUT Set

NITRUS CARBIDE
Extreme Metal
Multi-Tool Blades

NITRUS CARBIDE
Extreme Materials
Multi-Tool Blades

SHOCKWAVE Impact Duty
2" 2-in-1 Magnetic
Nut Driver Set

INSIDER
Box Ratchet Sockets

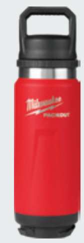
Single Channel Combination
Strut Shearing Dies

The PACKOUT Modular Storage System is the most versatile and durable modular storage system in the industry. Now with over 100 fully interchangeable solutions, the MILWAUKEE PACKOUT Modular Storage System continues to expand to meet the professional's tool storage, transportation and organization needs. In 2023, we introduced an expansion of Shop Storage, bringing the versatility of PACKOUT into the shop so users can fully customize their storage with wall plates, hooks, tool racks, tool holders and a cabinet that connects with all PACKOUT solutions. Also expanding in 2023 was the offering of PACKOUT Structured Tote and Tool bags, additional PACKOUT Drawer Tool Boxes and multiple hydration solutions, including multiple sizes of Insulated Bottles and Tumblers.

NEW PRODUCTS

PACKOUT
10" Structured Tote

PACKOUT
15" Structured Tool Bag



PACKOUT
24oz Insulated Bottle – Red

PACKOUT
30oz Tumbler – Black

PACKOUT
Multi-Depth 3-Drawer
Tool Box

PACKOUT
4-Drawer Tool Box

PACKOUT
Compact Wall Basket

PACKOUT
Large Magnetic Bin

PERSONAL PROTECTIVE EQUIPMENT

MILWAUKEE is dedicated to creating personal protective equipment that addresses the real-world hazards of the jobsite. In 2023, MILWAUKEE introduced their new BOLT Safety Helmet with IMPACT ARMOR Liner that provides the user with advanced slip, trip and fall protection. MILWAUKEE also added a line of cooling products designed for hot environments. These new products are part of the BOLT system that allows a user to secure accessories simultaneously giving them more productivity on the jobsite without sacrificing safety.

MILWAUKEE added additional cut levels in their High Dexterity Gloves and a One Pocket High Visibility Safety Vest to their existing portfolio that also includes eye protection, hearing protection, respirators, knee pads and tethering. MILWAUKEE is committed to providing solutions that help the user STAY SAFE. STAY PRODUCTIVE.

NEW PRODUCTS

BOLT™
SECURE ACCESSORIES SIMULTANEOUSLY

BOLT Safety Helmet
w/ IMPACT ARMOR Liner

Cooling Towel

BOLT
Cooling Safety Helmet Liner

Cut Level 4 High-Dexterity
Nitrile Dipped Gloves

MILWAUKEE continues the commitment to releasing top-performing, trade focused, hand tool solutions. Driven by providing innovation and productivity to users, 2023 saw the launch of numerous hand tool solutions for the electrician. Multiple new cutting pliers launched in 2023, each delivering the easiest cuts and smoothest opens and close for electricians and linemen. Additionally, the new Cushion Grip Screwdrivers offer users the best and most precise fit. These are just a few of the many electrical focused hand tools introduced by MILWAUKEE in 2023.

HAND TOOLS

NEW PRODUCTS

20’ Glow Fish Tape
w/ Non-Conductive Tip

6 Pc Cushion-Grip
Screwdriver Set (USA)

6 Pc 1000V Insulated Slim Tip
Screwdriver Set

14-in-1 Ratcheting
Multi-Bit Driver

10-24 AWG Compact Dipped Grip
Wire Stripper & Cutter

8” Diagonal Dipped Grip
Cutting Pliers (USA)

9” Lineman’s
Dipped Grip Pliers (USA)

8” Long Nose
Comfort Grip Pliers (USA)

25ft Electrician’s Compact Wide Blade
Magnetic Tape Measure w/ 15’ Reach*

9 Pc Hex Key Set – SAE

*Based on Maximum Extension of Average Professional User

RYOBI®

RYOBI continues to innovate and lead the way as the #1 DIY Tool Brand on the planet. The breadth of line, cordless convenience, and value of products, all compatible with a battery interface that has remained consistent since 1996, makes the RYOBI 18V ONE+ Cordless System the platform of choice for users from DIYers to professionals. For tackling more demanding yardwork, the RYOBI 40V system provides gas performance with cordless convenience. The RYOBI 80V system, introduced in 2022, features the most powerful products to date from RYOBI, allowing users to eliminate gas and operate Zero Turn Riding Mowers, Lawn Tractors and more on clean, quiet, zero emission battery power.

RYOBI 18V ONE+ HP & 40V HP Brushless tools utilize advanced technologies and superior ergonomics to deliver high performance tools and a premium user experience like never before. RYOBI WHISPER SERIES products, its quietest range of products, enables users to utilize high performing products that are engineered to be quieter by design. The RYOBI LINK Modular Storage system continues to grow and enables users to easily organize, access, and transport their lives with a wide variety of customizable wall and mobile storage solutions. Rounding out the RYOBI family is the USB LITHIUM cordless platform, now offering over twenty compact and portable tools that are rechargeable via a USB-C port in the included battery.

DIY

HOBBY/CRAFT & MAKER

LAWN & GARDEN

LIFESTYLE & RECREATION

RYOBI Systems

SETTING THE BAR HIGH AS THE #1 DIY TOOL BRAND

REMODEL

STORAGE & ORGANIZATION

TRANSPORTATION MAINTENANCE

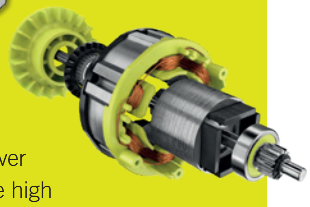
CLEANING

The RYOBI 18V ONE+ System features over 300 innovative product solutions, giving users the ultimate versatility and selection to get the job done. With cordless LITHIUM technology, RYOBI powers through almost anything. From drilling, cutting, fastening, and cleaning, to lighting, plumbing, trimming, mowing, and clearing, the ONE+ System gives users The Power To Do More.

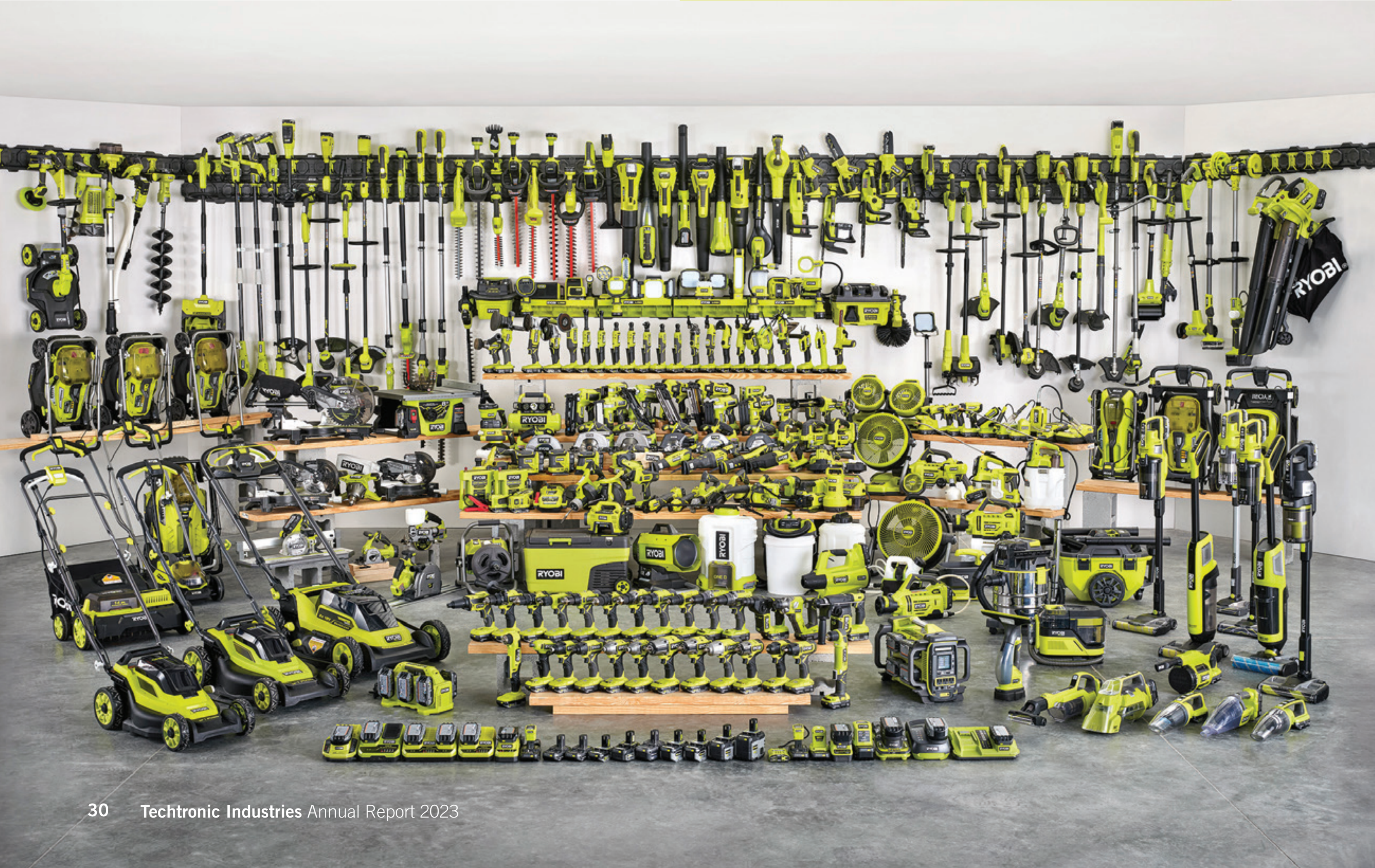
Best of all, RYOBI stayed true to its same 18V battery platform giving its users peace of mind as they expand their collections. The newest products and batteries from RYOBI's 18V ONE+ System are compatible with the same RYOBI tools and batteries from 1996. So no matter our user's interest or skill level, whether they're on the jobsite or at home, there's a ONE+ product for everyone.

300+ 18V ONE+ PRODUCTS

18V ONE+ HP



RYOBI 18V ONE+ HP tools feature premium brushless motors, advanced electronics, and high performance LITHIUM batteries to deliver a best-in-class user experience. These high performance tools utilize advanced technology to deliver more power, runtime, durability, and speed. 18V ONE+ HP tools are designed with superior ergonomics without sacrificing performance.



NEW PRODUCTS

18V ONE+ HP Compact
Brushless 8" Pruning Chainsaw

18V ONE+ AIRSTRIKE
23GA Pin Nailer

18V ONE+ HP Brushless
510 CFM Blower

18V ONE+ Dual Function
Digital Inflator/Deflator

18V ONE+
350 CFM Blower

18V ONE+ HP
Brushless Multi-Tool

18V ONE+ Workbench
LED Light

RYOBI®

40V

85+
40V
PRODUCTS

The RYOBI 40V System, where power meets convenience in the realm of outdoor lawn and garden care. Designed to deliver the strength to tackle any task with confidence, these tools transcend the limitations of traditional gas-powered equipment. Harnessing the energy of LITHIUM battery technology, the 40V System outperforms gas alternatives, offering a seamless outdoor experience without the hassle of maintenance or trips to the gas station.

With a diverse array of tools including mowers, blowers, string trimmers, chainsaws, earth augers, and snow blowers, the 40V System ensures you're equipped for any challenge, regardless of the season or environment. Versatility is key, and with the ability for a single battery to power all your needs, you can focus on the task at hand without interruption.

Leading the transition from gas to cordless, RYOBI 40V sets the gold standard in the cordless outdoor power equipment industry, allowing you to spend less time managing equipment and more time achieving your outdoor goals.

NEW PRODUCTS

40V HP Brushless
16” Carbon Fiber Shaft
String Trimmer

40V HP Brushless
1200 PSI Pressure Washer

40V 550 CFM
Leaf Blower

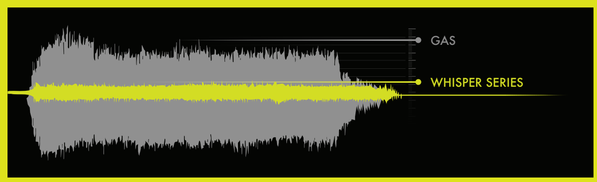
40V HP Brushless
Brush Cutter/String Trimmer

40V HP Brushless
WHISPER SERIES
22” Two-Stage
Snow Blower

RYOBI 18V ONE+ HP, 40V HP, and 80V HP Brushless products deliver more power, runtime, durability, and speed using powerful brushless motors, advanced electronics, and high performance lithium technology. RYOBI HP Brushless products deliver everything users expect in their power tools, outdoor power equipment and beyond, while still providing the RYOBI battery platform compatibility they expect across the 18V ONE+, 40V, and 80V Platforms.

RYOBI's WHISPER SERIES products are engineered to outperform their gas counterparts while being RYOBI's quietest range of products, allowing users to get maximum performance with quieter design.

RYOBI WHISPER SERIES advantage vs Gas Products: A difference you can hear.



NEW PRODUCTS

18V ONE+ HP Brushless
Brush Cutter/String Trimmer

18V ONE+ HP
Compact Brushless Blower

40V HP Brushless
WHISPER SERIES 20" Hybrid
Air Cannon

40V HP Brushless
18" Chainsaw

RYOBI®

Lawn Mowers

18V ONE+

40V

80V

As the Number One Cordless Outdoor Power Brand, RYOBI offers a wide range of mowers across its 18V ONE+, 40V, and 80V families. The 18V ONE+ HP Brushless WHISPER SERIES 20” Lawn Mower harnesses the power of four 18V ONE+ batteries to provide a mower capable of mowing up to 1/3 of an acre on a single battery charge while allowing users to utilize those batteries on any of the additional 300+ 18V ONE+ products. The 80V HP Lithium Riding Lawn Tractor, RYOBI’s newest riding lawn mower, provides the power equivalence of up to 23 HP and cut up to 2.5 acres on a single charge. Combined with a suite of attachments including bagging and mulching options, plus the ability to tow up to 500 lbs, these lawn tractors provide a cordless option to an entirely new segment of customers.

RYOBI’s lineup of over 20 lawn mowers ensure that every user with any size yard can find a cordless option to fit their lawn maintenance needs.

WHISPER SERIES™

RYOBI is well positioned to lead the transition from gas to battery-powered outdoor power equipment and extend our leadership position in noise reduction with an expanded lineup of RYOBI WHISPER SERIES products. These products are focused on addressing the growing number of regions and areas introducing restrictions on the usage of gas-powered outdoor equipment that emit harmful carbon emissions and generate unacceptable levels of noise. RYOBI WHISPER SERIES products are more powerful and engineered to be quieter by design.

FLAGSHIP PRODUCTS

18V ONE+ HP Brushless
WHISPER SERIES
20" Lawn Mower

40V HP Brushless WHISPER SERIES
Self-Propelled AWD Multi-Blade
21" Lawn Mower

80V HP Brushless WHISPER SERIES
30" Cross Cut Self-Propelled
Lawn Mower

80V HP Brushless 42"
Lithium Electric Riding
Lawn Tractor

80V HP Brushless
54" Lithium Electric
Zero Turn Riding Mower

RYOBI USB LITHIUM products, introduced in 2022, power a line of handheld portable solutions replacing tools usually powered by disposable alkalaine batteries. All USB LITHIUM batteries are easily recharged via any USB-C cable.

The system was introduced with a Cordless Screwdriver, Rotary Tool, Power Cutter and Power Carver, and has since expanded to over 20 solutions including categories such as lighting, air movement, and hobby & maker products. RYOBI is excited to continue its growth in this system in 2024 with USB LITHIUM providing compact, rechargeable solutions for cordless power and productivity.

NEW PRODUCTS

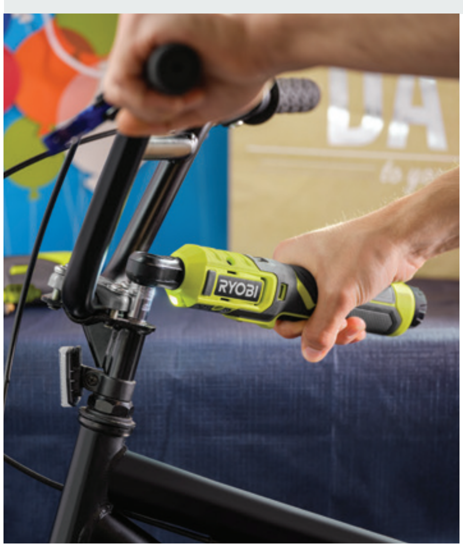
USB LITHIUM
Multi-Head
Screwdriver

USB LITHIUM
3/8" Ratchet

USB LITHIUM LED
Magnetic Clamp Light

USB LITHIUM
Desktop Vacuum

USB LITHIUM
Foam Cutter



The RYOBI LINK Modular Storage System is a game-changer in organization, accessibility, and mobility. With a diverse range of wall and mobile solutions, LINK offers unparalleled customization, empowering users to streamline their lives wherever they go.

From home to the jobsite and everywhere in between, LINK revolutionizes organization, providing users with versatile and durable storage solutions tailored to their needs. With the release of new mobile and wall rail solutions in 2023 and further expansion planned for 2024, the LINK system continues to evolve, ensuring it remains the ultimate storage solution for users seeking seamless organization from the garage to the jobsite and beyond.

ORGANIZE. ACCESS. TRANSPORT.

Allowing users to Organize, Access, and Transport their lives, the RYOBI LINK Modular Storage System seamlessly connects wall and mobile storage needs. LINK creates an endlessly customizable storage solution for all users from homeowners to professionals, allowing them to own their space.

NEW PRODUCTS

LINK
Garage Door Cabinet

LINK
Wall Mounted Cabinet

LINK Compact
Small Parts Organizer

LINK
21" Wire Shelf

LINK
21" Solid Shelf

Cordless Cleaning

RYOBI is a pioneering force in cordless cleaning, redefining industry standards with its expansive product line. From the USB LITHIUM, 18V ONE+, to the 40V platforms, RYOBI offers a comprehensive array of cleaning tools meticulously engineered to cater to diverse user needs.

Anchored by robust vacuums, spot cleaners, scrubbers, power cleaners, and pressure washers, the RYOBI Cordless cleaning family delivers unparalleled performance and versatility. A highlight of 2023 was the introduction of the 18V ONE+ HP SWIFTClean Mid-Size Spot Cleaner boasting 4X more suction and best-in-class stain removal capabilities.

Looking ahead to 2024, RYOBI is set to expand its offerings with three new stick vacuums, led by the groundbreaking 18V ONE+ HP SWIFTClean Wet/Dry Stick Vacuum. This innovative addition not only enhances efficiency by combining vacuuming and mopping into a single task but also empowers users to tackle a myriad of messes on hard floors with ease.

With a commitment to innovation and excellence, RYOBI maintains its position at the forefront of the cordless cleaning industry. Backed by cutting-edge battery technology that powers expansive cordless systems, RYOBI continues to set the standard for comprehensive and effective cleaning solutions.

Cleaning Unplugged

Make chores easier with RYOBI cordless cleaning products. Easy-to-use and ergonomic, RYOBI has all users cleaning needs covered from vacuums to scrubbers, power cleaners and more. Power through the mess without breaking a sweat.

NEW PRODUCTS

USB LITHIUM
Power Scrubber

18V ONE+ HP SWIFTClean
Mid-Size Spot Cleaner

18V ONE+ HP High Capacity
Stick Vacuum

18V ONE+ HP SWIFTClean
Wet/Dry Stick Vacuum

18V ONE+ HP Advanced
Stick Vacuum

RYOBI Power Sources

USB LITHIUM
18V ONE+
40V
80V

RYOBI offers a comprehensive lineup of power solutions designed to meet a spectrum of needs. Whether you're on a jobsite, exploring the outdoors, tailgating with friends, or facing a power outage at home, our range of power solutions ensures your devices remain operational in any situation. Harnessing the reliability of USB LITHIUM, 18V ONE+, 40V, and 80V batteries, alongside dedicated power solutions, RYOBI offers safe and efficient alternatives to gas-powered systems. With products that support running appliances to topping up a mobile device, RYOBI offers a power solution to keep you connected and powered no matter your need.

Cordless Power Stations

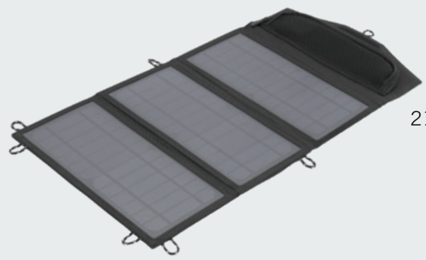
RYOBI's portable power stations are tailored for on-the-go use, making them ideal companions for tailgating, camping, and at home outages. Say goodbye to the noise and fumes of gas generators; RYOBI's battery-powered options provide quiet, emission-free power for a range of devices including cell phones, laptops, lights, TVs, and even refrigerators.

NEW PRODUCTS

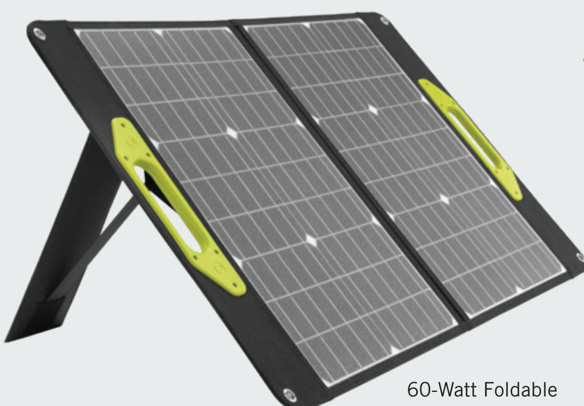
USB LITHIUM
Battery

18V ONE+
1800 Watt Power Station

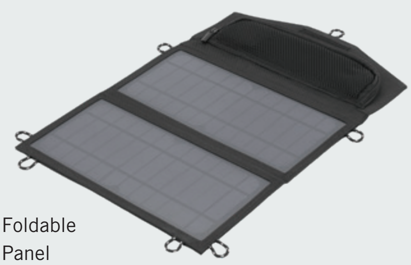
80V Battery
Power Source



21-Watt Foldable
Solar Panel



60-Watt Foldable
Solar Panel



14-Watt Foldable
Solar Panel

The Original Name in Cleaning Innovation is the One That Started It All

HOOVER continues to lead the industry in 2023, designing, developing and delivering new technology while expanding the range of products to transform every aspect of whole-home cleaning. From an increased focus on the ONEPWR cordless cleaning network to an expanded line of cleaning solutions, HOOVER delivers advanced, game-changing innovation for an ever-increasing range of cleaning needs. As the brand that started it all, HOOVER continues to challenge the status quo in the cleaning industry.

NEW PRODUCTS

CLEANSLATE XL
Carpet & Upholstery
Spot Cleaner

WINDTUNNEL
ALL-TERRAIN
Upright Vacuum

ONEPWR EMERGE
ALL-TERRAIN
Cordless Stick Vacuum

SMARTWASH
Carpet Washer

STREAMLINE
Hard Floor Cleaner

World's Fastest Growing Spot Cleaning Brand

Bolstered by the release of the ONEPWR CLEANSLATE and CLEANSLATE XL, HOOVER is proud to be the world's fastest-growing spot cleaning brand. By delivering easy-to-use products packed with advanced cleaning technology, users can now erase spots and stains faster and easier than ever before.

ONEPWR: The World's Most Advanced Cleaning Network

With over 20 cordless cleaning products, the HOOVER ONEPWR system of cordless cleaning products has expanded and improved more than ever in 2023. The introduction of the world's first cordless carpet cleaner, ONEPWR SMARTWASH, has unlocked the potential of the ONEPWR cordless cleaning network. It is now possible to clean hard floors, spot clean, vacuum, carpet clean and more, all with the same battery. HOOVER has "cut the cord" on whole-home cleaning without compromising the performance homeowners expect, all while offering virtually limitless runtime with batteries within the ONEPWR network.

NEW PRODUCTS

ONEPWR SMARTWASH
Cordless Carpet Washer

ONEPWR STREAMLINE
Cordless Hard Floor Cleaner

ONEPWR EVOLVE PET ELITE
Cordless Vacuum

ONEPWR EMERGE PET
Cordless Stick Vacuum

ONEPWR HAND VAC
Cordless Hand Vacuum

ONEPWR CLEANSLATE
Cordless Carpet & Upholstery
Spot Cleaner

World's First Full-size Cordless Carpet Washer

HOOVER has once again delivered true cleaning innovation by leveraging user-driven innovation in engineering and advancements in the ONEPWR system. With the introduction of ONEPWR SMARTWASH, a new age of cordless cleaning technology is ushered in.

DIRT DEVIL Cleans Everything

DIRT DEVIL has leveraged its hard-earned name to transform from a vacuum company to a brand synonymous with all things cleaning. With an incredible lineup of expansion items launched, now, DIRT DEVIL cleans everything. Throughout the home, DIRT DEVIL delivers a truly comprehensive cleaning experience in the kitchen, bathroom and beyond. By giving users the simplicity and functionality they need for cleaning tasks, big and small, DIRT DEVIL has become the brand for trusted, high-quality solutions for every cleaning need.

NEW PRODUCTS

PORTABLE SPOT
Carpet & Upholstery
Spot Cleaner

CARPET WASHER
Full Size Carpet Washer

MULTI-SURFACE REWIND+
Upright Vacuum

MULTI-SURFACE TOTAL PET+
Upright Vacuum

CLEANING SLIPPERS
Hard Floor Cleaner

STEAM MOP
Hard Floor Cleaner

BROOM VAC
Cordless Broom Vacuum

GRAB & GO
Cordless Hand Vacuum

TTI continues to experience ongoing success with VAX's ONEPWR cordless cleaning range — a diverse assortment of vacuums, spot washers, and hard floor cleaners, all fuelled by a versatile, interchangeable lithium-ion battery. Transitioning between various cleaning tasks is made effortless, thanks to the ability to simply transfer the battery between products.

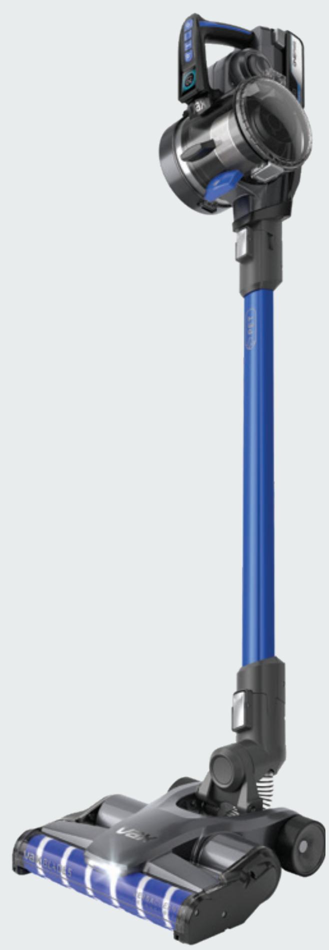
The most recent addition to the ONEPWR system is the VAX BLADE 5 range, designed to combat dust and dirt on all surfaces, from hard floor to carpet.

The highlight of the range is the VAX BLADE 5 Dual Pet and Car; with extra tools for cleaning both home and car, it comes complete with an additional ONEPWR battery, which offers an impressive 90-minute runtime.

NEW PRODUCTS

Glide 2

ONEPWR SPOTWASH



BLADE 5 Dual Pet and Car

ONEPWR 4Ah Battery

VAX is broadening its selection of carpet cleaners and spot washers with the latest addition, the VAX SPOTWASH MAX range. Boasting 30% increased suction power, it stands as our most powerful solution for achieving optimal cleaning outcomes, expertly designed to tackle even the most persistent of stains and spills. What's more, the larger tank capacity allows users to effortlessly clean their entire home and car.

It has also been a successful year for carpet washers, with the launch of the VAX SMARTWASH Pet-Design, which makes deep cleaning carpets quick, easy and thorough. Multiple modes and tools, powerful SpinScrub technology and the addition of Platinum Antibacterial Solution make it VAX's most advanced carpet washer yet.

NEW PRODUCTS

PLATINUM SMARTWASH
Pet-Design

RAPID POWER 2
Reach

SPOTWASH MAX
Pet-Design

VAX PLATINUM
Antibacterial 4L Solution

Management's Discussion and Analysis

REVIEW OF OPERATIONS

Power Equipment

The TTI Power Equipment segment delivered sales of US$12.8 billion in 2023, up 3.8% in reported currency and up 4.1% in local currency.

MILWAUKEE

Our flagship MILWAUKEE business grew 10.7% in local currency with reported sales up 10.3%. All our MILWAUKEE growth categories performed well, with the Hand Tools, PACKOUT Storage, and Personal Protective Equipment (PPE) businesses outperforming the fleet average. In local currency, North America grew 9.9%, Europe delivered 13.7% growth and Rest of World delivered 13.0% growth.

MILWAUKEE significantly expanded its market leadership position in 2023 with the launch of our MILWAUKEE FORGE battery technology. MILWAUKEE pioneered lithium-ion batteries in the power tool industry in 2005. Since then, we have relentlessly advanced this state-of-the-art cell technology. The RED LITHIUM MILWAUKEE FORGE batteries, used in conjunction with the advanced electronics in our MILWAUKEE Superchargers, can reach 80% charge in 15 minutes or less. This advancement significantly boosts productivity for our users on the jobsite and is just another example of demonstrably better product that commands a price premium. This is part of our virtuous cycle of developing innovative products with an accretive gross margin, which funds strategic SG&A investment to drive sales and further gross margin improvement.

Our industry-leading MILWAUKEE M18 platform now contains 284 products for users in verticals like Infrastructure, Construction, Power Utility, Renewable Energy, Mining, Data-Com, and Transportation Maintenance, to name just a few. The MILWAUKEE M18 Strut Shear, commonly used in the Infrastructure vertical, is one example of breakthrough cordless innovation that allows users to make high quality cuts on the jobsite, saving time and energy versus the hydraulic competition.

MILWAUKEE continues to invest in the sub-compact MILWAUKEE M12 system which now features 153 products. The recently launched MILWAUKEE M12 Auto Technician Borescope is an example of a new product intended for users in the expanding Transportation Maintenance vertical.

At the recent World of Concrete event in Las Vegas, Nevada, we announced the addition of 5 MILWAUKEE MX FUEL Light Equipment products, bringing the total of this system to 23. All products, from the MX FUEL RAMMER to the MX FUEL HIGH CYCLE BACKPACK CONCRETE VIBRATOR, were extremely well received. We are at the beginning of our buildout of the MILWAUKEE MX FUEL Light Equipment platform, and this system holds massive future growth potential.

Our MILWAUKEE Hand Tool business continues to grow at impressive rates. This year we launched a range of Made-in-USA electrician's hand tools manufactured in West Bend, Wisconsin. Pliers manufactured in the factory are forged for strength and each cutting edge is laser hardened for long life. Screwdrivers made in our West Bend factory feature patent pending laser etched tips that provide superior grip when fastening.

MILWAUKEE PACKOUT modular storage solutions continue to perform well with end-users. This system now contains 102 interchangeable products that have changed the way professionals transport materials from the jobsite to their vehicles, and to their shops. MILWAUKEE PACKOUT is another example of the success of the network effect at TTI. Like our battery platforms, when we add additional products to the MILWAUKEE PACKOUT system, it enhances the value of the network overall and increases the loyalty of end users already in the system.

Our MILWAUKEE Personal Protective Equipment (PPE) product line continues to gain end-user support and adoption. The innovation within our MILWAUKEE BOLT hard hat and helmet system allows users to customize safety equipment to their specific jobsite needs. With the addition of the MILWAUKEE BOLT compatible Personal Cooling Solutions, this system now contains 49 interchangeable accessories.

RYOBI

Our Consumer Power Equipment business improved in the second half of 2023, led by the strength of our RYOBI brand worldwide. The actions we have taken to size the SG&A and overhead structure of this business to support our DIY growth projections, will allow us to continue to improve profitability in 2024 and beyond.

We are extremely excited to announce the launch of our new RYOBI 18V LITHIUM HP EDGE Batteries. A combination of advanced lithium cell designs and onboard electronics enable these new batteries to enhance the performance of all our existing tools and take the RYOBI ONE+ system to a whole new level of performance.

The RYOBI 18V ONE+ platform now contains 307 products with 186 Power Tools, 89 Outdoor, and 32 Cleaning products. In 2023, we introduced the new RYOBI 18V ONE+ HP AIRSTRIKE Framing Nailer. The performance capability of the new cordless framing nailer showcases our cordless innovation, allowing users to get the performance they need without the compressors, air hoses or gas cartridges of legacy competitors.

The RYOBI 40V platform powers 91 products including our 21inch RYOBI WHISPER Series Mower. This mower is one of many RYOBI products leading the outdoor power equipment industry towards battery-powered cordless solutions. The transition to cordless is increasingly gaining traction as many jurisdictions are beginning to regulate noise and carbon emissions. As an example, in the

United States, the state of Colorado is encouraging cordless adoption by offering consumer rebates for purchasing cordless outdoor power equipment. We are working with our partners to maximize this user conversion opportunity.

Our RYOBI USB LITHIUM series provides compact, portable, rechargeable solutions that are perfect for day-to-day use. Offering a variety of products, from ratchets for household assembly projects, to clamp fans and other products for hobby and craft enthusiasts, this system is rapidly gaining traction. The USB LITHIUM system will have over 23 products by June 2024.

Floorcare & Cleaning

Our Floorcare and Cleaning business delivered sales growth in 2023 of 1.5% in local currency to US$937 million and profit increased US$65.3 million versus last year to US$27.2 million. Our streamlined and refocused approach to this business has allowed us to improve profitability, while developing exciting new products. In Q4 2023, we introduced the industry's first cordless Carpet Washer with the launch of the HOOVER ONEPWR SMARTWASH Carpet Washer.

FINANCIAL REVIEW

Financial Results

Result Analysis

The Group's revenue for the year amounted to US$13.7 billion, an increase of 3.6% as compared to US$13.3 billion in 2022. Profit attributable to Owners of the Company amounted to US$976 million as compared to US$1,077 million in 2022, a decrease of 9.4%. Basic earnings per share for the year was at US53.36 cents as compared to US58.86 cents in 2022.

EBIT amounted to US$1,135 million, a decrease of 5.5% as compared to US$1,201 million in 2022.

Gross Margin

Gross margin improved to 39.5% as compared to 39.3% last year. The margin improvement was the result of mix improvements by MILWAUKEE's growth and the high margin aftermarket battery business and accretive innovative new products.

Operating Expenses

Total operating expenses for the year amounted to US$4,302 million as compared to US$4,025 million in 2022, representing 31.3% of turnover (2022: 30.4%). The increase was mainly due to our strategic investments and promotional activities to drive inventory reductions and the increase in in-field marketing representatives.

Investments in product design and development amounted to US$548 million, representing 4.0% of turnover (2022: 3.7%) reflecting our continuous focus on 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 expansion.

Net interest expense for the year amounted to US$79 million as compared to US$44 million in 2022, representing 0.6% of turnover (2022: 0.3%). The increase was mainly due to the eleven consecutive interest rate increases since 2022.

The effective tax rate, being tax charged for the year to before tax profits was at 7.5% (2022: 6.9%). The Group will continue to leverage its global operations and align its strategy to manage various tax policies changes globally to further improve overall tax efficiencies.

Liquidity And Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$5.7 billion as compared to US$5.2 billion in 2022. Book value per share was at US$3.13 as compared to US$2.84 last year, an increase of 10.2%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2023, the Group's cash and cash equivalents amounted to US$953 million (2022: US$1,429 million), of which 44.6%, 16.2%, 13.8%, and 25.4% were denominated in EUR, US$, AUD and other currencies respectively.

The Group generated free cash flow of US$1,281 million for the year as compared to US$329 million last year. (Free cash flow equals to net cash from operating activities, less purchase of property, plant and equipment, less additions to intangible assets, and add proceeds from disposal of property, plant and equipment).

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 17.1% as compared to 32.1% in 2022.

Bank Borrowings

Long term borrowings accounted for 53.3% of total debts (2022: 38.7%).

The Group's major borrowings continued to be in US$. Borrowings are predominantly Secured Overnight Financing Rate ("SOFR") based. There is a natural hedge mechanism in place as the Group's major revenues are in US$ 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 after interest rate hedging account for 60.3% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US$4,098 million as compared to US$5,085 million in 2022. Inventory days decreased by 31 days from 140 days to 109 days. The Group will continue to focus on managing the inventory level and improve inventory turns. Raw material inventory decreased by 2 days to 22 days while Finished Goods inventory reduced by 29 days to 84 days when compared to last year.

Trade receivable turnover days were at 45 days as compared to 41 days last year. Excluding the gross up of the receivables factored which are without recourse in nature, receivable turnover days were at 45 days as compared to 40 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 at 90 days as compared to 104 days in 2022. The reduction in days is mainly due to our prudent procurement strategy in 2023 as we continued to reduce inventory.

Working capital as a percentage of sales was at 17.7% as compared to 21.2% in 2022.

Capital Expenditure

Total capital expenditures for the year amounted to US$502 million (2022: US$581 million) representing 3.7% of sales.

Capital Commitments and Guarantees

As at December 31, 2023, total capital commitments for the acquisition of property, plant and equipment and equity interest in a subsidiary contracted for but not provided amounted to US$178 million (2022: US$328 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, 2023

(i) the Group's largest customer and five largest customers accounted for approximately 44.0% and 53.6% respectively of the Group's total revenue; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 7.5% and 17.5% 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 47,224 employees as at December 31, 2023 (2022: 44,705) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$2,454 million (2022: US$2,420 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. Our 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 are relentlessly focused on expanding and establishing 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.

Our Commitment to ESG

TTI is committed to operating its business in line with Environmental, Social and Governance (ESG) best practices, and to do so in compliance with all applicable laws and regulations. We understand that a large measure of our ability to grow, innovate and prosper depends on our ESG performance. We have a robust risk management system in place which allows us to identify and address issues in an appropriate and timely manner as well as mitigate risk to our business. We have identified legal and regulatory requirements related to ESG practices that have the potential to have a significant impact to our operations and performance. We had no reports of material ESG-related non-compliance in 2023.

In 2023, we continued to develop our Sustainability Strategy and Implementation Plan to align our actions and goals globally with the United Nations Sustainable Development Goals. We deepened our commitment to clean technology and environmental preservation by focusing on the development of cordless lithium-ion battery-powered products. We made progress towards our goal of reducing absolute Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions by 60% in 2030. Our efforts resulted in a noteworthy 8% improvement in emission intensity in 2023, leading to a total reduction of 8k tonnes of CO_2e emissions. We also made significant progress in the mapping of our Scope 3 emissions, as we work towards our Science Based Target Initiatives (SBTI) commitment. In terms of governance, the ESG Working Committee with the guidance of the ESG Executive Committee and the Board of Directors has continued to implement our sustainability strategy and monitor activities and ESG performance against our goals.

Details on our ESG commitments, relevant policies, standards, specific ESG key performance results and initiatives of 2023 are shared in our ESG Report.

Purchase, Sale or Redemption of Securities

Other than 350,000 shares of the Company purchased on-market by the trustee 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 this Annual Report), a total of 500,000 ordinary shares of the Company were bought back by the Company during the year at prices ranging from HK$67.90 to HK$68.70 per share. The aggregate amount paid by the Company for such buy-backs amounting to US$4,408,000 was charged to the retained earnings.

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

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

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, 2023. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK98.00 cents (approximately US12.61 cents) per share with a total of approximately US$231,355,000 for the year ended December 31, 2023 (2022: HK90.00 cents (approximately US11.58 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 20, 2024. 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 July 5, 2024. This payment, together with the interim dividend of HK95.00 cents (approximately US12.23 cents) per share (2022: HK95.00 cents (approximately US12.23 cents)) paid on September 15, 2023, makes a total payment of HK193.00 cents (approximately US24.84 cents) per share for 2023 (2022: HK185.00 cents (approximately US23.81 cents)).

Closure of Register of Members

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

To ascertain members' eligibility to attend and vote at the 2024 Annual General Meeting, the register of members of the Company will be closed from May 8, 2024 to May 10, 2024, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2024 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 7, 2024.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 20, 2024 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 17, 2024.

Board of Directors

Group Executive Directors

Horst Julius Pudwill
MSc
Chairman

Mr Horst Julius Pudwill, aged 79, is Chairman of TTI, a position he has held since he jointly founded the Group in 1985. Until 2008, he also served as Chief Executive Officer. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations, with the Chief Executive Officer reporting directly to him. Mr Pudwill has extensive experience in international trade, business and commerce. Mr Pudwill is also a director of Sunning Inc. which has an interest in the equity of the Company.

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

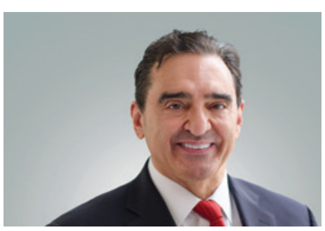
Mr Pudwill is the father of Mr Stephan Horst Pudwill, Vice Chairman and Group Executive Director.

Stephan Horst Pudwill
Vice Chairman

Mr Stephan Horst Pudwill, aged 47, joined the Group in 2004. Mr Pudwill was appointed as Executive Director in 2006 and subsequently was appointed as the Vice Chairman of the Company on October 1, 2016. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic business opportunities within the Group.

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

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



Joseph Galli Jr
BSBA, MBA
Chief Executive Officer

Mr Joseph Galli Jr, aged 65, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

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

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

Group Executive Directors (continued)

Patrick Kin Wah Chan
FCCA, FCPA
Operations Director

Mr Patrick Kin Wah Chan, aged 64, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

Mr Chan is currently the Vice-Chairman of the Dongguan City Association of Enterprises with Foreign Investment, he is also the Vice-Director of Electric Tool Sub-Association of China Electrical Equipment Industrial Association.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Frank Chi Chung Chan
FCCA, FCPA, CPA (Practising)
Group Chief Financial Officer

Mr Frank Chi Chung Chan, aged 70, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

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

Mr Chan is currently an Independent Non-executive Director of Gold Peak Industries (Holdings) Limited which is listed on the stock exchange of Hong Kong.

Camille Jojo

Mr Camille Jojo, aged 67, was first appointed as a Non-executive Director on October 30, 2015 and re-designated as an Executive Director with effect from December 1, 2023. Mr Jojo was appointed as Head of Group Legal, Compliance and Corporate Governance on December 1, 2023. Mr Jojo has practiced as a lawyer in Hong Kong for a continuous period in excess of 35 years as a specialist in (i) civil litigation in the higher courts of Hong Kong; (ii) arbitration; and (iii) regulatory. He graduated with a LL.B. Hons. degree from the University of Cardiff in 1977 and obtained his Professional Qualifying Examination Certificate from Guildford College of Law in 1978. He was qualified and was admitted as a solicitor of the Supreme Court of England and Wales in 1980, as a solicitor of the Supreme Court of Hong Kong in 1982 and as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1984. Mr Jojo was admitted as a fellow of the Chartered Institute of Arbitrators in November 1997. He has been a member of the Law Society Insolvency Law Committee since 1996 and was granted Higher Rights of Audience as a solicitor advocate in respect of civil proceedings in the Hong Kong Courts in 2015. Mr Jojo was awarded the Dispute Resolution Lawyer of the Year 2018 at the 17th Annual Hong Kong Law Awards.

Non-executive Director

Roy Chi Ping Chung
GBS, BBS, JP

Prof Roy Chi Ping Chung GBS BBS JP, aged 71, is a Co-founder of TTI. Prof Chung, previously the Group Managing Director since 1985, was appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007. He has been re-designated to Non-executive Director of the Company with effect from July 1, 2011.

Prof Chung holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom and Doctor of Business Administration Degree from City University of Macau. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded a Doctor of Business Administration, honoris causa by the Hong Kong Metropolitan University and an Honorary Doctor of Business Administration by the City University of Hong Kong in 2023, a Doctor of Business Administration honoris causa by the University of Macau and an Honorary Doctor of Science by the University of Warwick, United Kingdom in 2019, an Honorary Doctor of Business Administration by the Lingnan University in 2015, an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was awarded the Gold Bauhinia Star (GBS) and the Bronze Bauhinia Star (BBS) by the Hong Kong SAR Government in 2017 and 2011 respectively. He was also appointed as Justice of Peace by the Hong Kong SAR Government in 2005 and won the Hong Kong Young Industrialists Award in 1997. In 2014, he was further awarded the Industrialist of the Year.

Prof Chung is currently a Board Member of the West Kowloon Cultural District Authority. He was the Chairman of the Federation of Hong Kong Industries from July 2011 to July 2013 and has been serving as the Honorary President of the Federation since July 2013. He was appointed as Chairman of Vocational Training Council from 2018 to 2019. He is also the Founder and Chairman of Bright Future Charitable Foundation.

Prof Chung is also an Independent Non-executive Director of TK Group (Holdings) Limited, Vitasoy International Holdings Limited and Fujikon Industrial Holdings Limited (resigned with effect from June 23, 2021).

Independent Non-executive Directors

Peter David Sullivan
BS

Mr Peter David Sullivan, aged 75, was appointed as an Independent Non-executive Director on February 1, 2008. He was the Chief Executive Officer and Executive Director of Standard Chartered Bank (Hong Kong) Limited, the largest single franchise in the Standard Chartered Group. Mr Sullivan also held governance responsibility for the franchises in the Standard Chartered Group in Japan, Australia, the Philippines and was vice chairman in Standard Chartered's minority holding in Bohai Bank in Tianjin, China. He also held a number of other major appointments including the Chairman of the Hong Kong Association of Banks and Chairman of the British Chamber of Commerce.

Mr Sullivan is currently Chairman of Circle BMI Health, the largest private hospital group in the United Kingdom. He is a member of the Audit Committee and is Chairman of the Remuneration Committee. He retired as a Non-executive Director of AXA ASIA, AXA China Region Insurance Company Limited, AXA Wealth Management Limited and AXA General Insurance (Hong Kong) Limited in May 2021. He was also a member of the Audit Committee of AXA Asia.

Until retiring, Mr Sullivan was the Lead Independent Director to the boards of the Standard Bank Group and the Standard Bank of South Africa where he held responsibility as Chairman of both the group IT Committee and Remuneration Committee. He was also a member of the Audit Committee and the Capital and Risk Committee.

In addition to his extensive industry experience in Banking, Insurance and Health Care, Mr Sullivan had broad geographic experience having lived and worked in Australia, South Africa, Singapore, the USA, the United Kingdom and Hong Kong. Mr Sullivan is a keen sportsman and played in 15 internationals for the Australian rugby team. He captained the Wallabies in 1972 and was the leader of the team that toured England and Wales in 1973. Mr Sullivan holds a Bachelor of Science (Physical Education) degree from the University of NSW (Wollongong).

Independent Non-executive Directors (continued)

Johannes-Gerhard Hesse

Mr Johannes-Gerhard Hesse (commonly known as Hans-Gerd Hesse), aged 64, was appointed as an Independent Non-executive Director of the Company with effect from October 1, 2016. Mr Hesse holds a graduate degree in Business Administration from the University of Cologne and has acquired extensive business management, strategy, leadership and corporate governance experience in Europe and Asia.

Mr Hesse's professional career turned global in 1988 when joining RJ Reynolds International, a division of RJR Nabisco Inc., where he henceforth held market research and marketing positions in Germany, its regional headquarters in Switzerland and the Czech Republic. In 1996 he was appointed General Manager Hungary and in 1998 Regional Vice President Marketing for the Commonwealth of Independent States & Baltics (i.e. former Soviet Union). In 1999, JT International, a division of Japan Tobacco Inc. ("JTI"), appointed Mr Hesse as General Manager Singapore, Philippines & Australasia. He became Vice President & General Manager China in 2002 and served simultaneously as Vice Chairman on the board of directors of China American Cigarette Co. JV in Xiamen. In 2003 followed his appointment to Vice President Corporate Strategy at JTI's global headquarters. In 2007, Mr Hesse joined JTI's Executive Committee as Regional President Asia Pacific based in Hong Kong, holding concurrently governance and board director responsibilities in affiliates of the JTI Group of Companies in Asia. He retired from these positions before the end of 2010. From 2011 onwards, Mr Hesse started to develop his proprietary investment holding and business advisory company.

Robert Hinman Getz

Mr Robert Hinman Getz, aged 61, was appointed as an Independent Non-executive Director of the Company with effect from January 1, 2020. Mr Getz has over 30 years of experience as a private equity investor and advisor. He has extensive experience in private and public equity and debt transactions and international mergers and acquisitions. Mr Getz holds a Master of Business Administration Degree in Finance from New York University, and a Bachelor of Arts Degree in International Relations, cum laude, from Boston University.

Mr Getz currently serves as the Founder and Managing Partner of Pecksland Capital, a private investment and advisory firm since 2016. Mr Getz previously served as Co-Founder and Managing Director of Cornerstone Equity Investors, a New York based private equity concern, from 1996 to 2016. Before the formation of Cornerstone in 1996, Mr Getz served as a Managing Director and Partner of Prudential Equity Investors and its predecessor firm Prudential Venture Capital.

Mr Getz has served as a Director of numerous United States and international public and private companies in the technology, manufacturing, finance, and metals and mining sectors. Currently, Mr Getz serves as the Non-executive Chairman of the Board of Directors of Haynes International, Inc. (HAYN:NSDQ), a public United States-based integrated developer and producer of specialty alloys primarily for use in the aerospace industry and industrial applications. He also serves as a Non-executive Director of Ero Copper Corp. (ERO:TSE), a public Brazilian copper mining and exploration company. Mr Getz previously served until 2016 as a Non-Executive Director of Newmarket Gold Inc., a public Australian gold mining and exploration company prior to its acquisition by Kirkland Lake Gold in 2017. Mr Getz is a member of the National Association of Corporate Directors.

Independent Non-executive Directors (continued)

Virginia Davis Wilmerding

Ms Virginia Davis Wilmerding, aged 54, was appointed as an Independent Non-executive Director of the Company with effect from April 9, 2021. Ms Wilmerding holds an A.B. degree in East Asian Studies from Princeton University and is an experienced reputational risk advisor, China specialist, and environmental, social and governance (ESG) expert.

Ms Wilmerding is currently a Partner with FGS Global, (formed by the merger of Finsbury Glover Hering and Sard Verbinnen), a global critical issues consultancy advising on the stakeholder economy, splitting her time between New York and Hong Kong. She counsels executives and boards of leading listed Asian, European and U.S. companies on critical issues and complex situations including capital markets transactions, corporate governance and stakeholder activism, U.S.-China geopolitical and regulatory challenges, reputation management and investor engagement. Prior to joining FGS Global, Ms Wilmerding was a Partner at Brunswick Group, where she helped drive dramatic growth in the Asia business from 2010 to 2020.

During Ms Wilmerding's consultancy career over more than 14 years at both firms, she has led the technology sector business across the Asia-Pacific region and has served as one of the global leads of the sustainability and governance practice. Other corporate experience includes business development and joint venture operational roles for Hutchison Whampoa and Lucent Technologies in Hongkong and Shanghai from 1991 to 1996 and heading corporate affairs for U.S. private equity-backed Internet services companies in Boston. She speaks fluent conversational Mandarin and can read and write Chinese.

Ms Wilmerding is a founding steering committee member of the 30% Club Hong Kong and was a Board Trustee of Princeton in Asia (PiA) from 1997-2021, where she served on the Board's executive, nominating and development committees. In 2022, Ms Wilmerding earned the CFA Institute Certificate in ESG Investing and in 2021, she earned the Financial Times Level 7 Non-Executive Director Diploma, a formally accredited, post-graduate qualification for non-executive directors. Ms Wilmerding regularly writes on current affairs and ESG/governance issues, and she published a business advice book for women in 2006 (John Wiley & Sons).

Caroline Christina Kracht

Ms Caroline Christina Kracht, aged 51, was appointed as an Independent Non-executive Director of the Company with effect from March 7, 2022. Ms Kracht is an expert adviser to boards and top management teams on business strategy and corporate finance, mergers and acquisitions, as well as capital markets. She holds a Master Degree in Management (with distinction), the German university degree of Diplom-Kauffrau and a French Diplôme de Grande Ecole from ESCP Business School. Ms Kracht also attended the Advanced Management Program at the Harvard Business School.

Ms Kracht is a co-founder and partner of MoreThan Capital, a Luxembourg based global investment and advisory firm founded, backed, and powered by a global community of business leaders, focused on investing in and helping companies on the verge of scaling-up enter new markets and transform from start-ups into mature businesses. She is also a sector expert in financial services, energy (oil and gas, power, renewables), industrials, chemicals, and other natural resources with global experience working in Asia (PRC, India, Indonesia, Japan, Malaysia, South Korea, Thailand), Europe (Germany, France, UK, Switzerland) and North America (Canada, U.S.).

Independent Non-executive Directors (continued)

Caroline Christina Kracht
(continued)

Ms Kracht was the head of investment banking (Asia-Pacific) and a member of Scotiabank's Asia-Pacific executive team for Scotiabank from 2016 to 2020. She joined Scotiabank in Hong Kong as managing director responsible for energy investment banking across Asia-Pacific in 2011. Prior to this, Ms Kracht spent 13 years with Morgan Stanley with increasingly senior positions in investment banking and firm management in London, San Francisco, Frankfurt and Hong Kong. During Ms Kracht's 22-year career at Scotiabank and Morgan Stanley, the executive management expertise she has gained is directly relevant to strategy, audit, risk and compliance, nomination and remuneration, and ethics committees. She speaks fluent English, German and French.

Ms Kracht is a founder and board director of GJWHF Ltd., a Hong Kong non-profit organization on the economic empowerment of women. She was a member of the advisory board of the Mentoring Programme for Women Leaders of The Women's Foundation (TWF), a Hong Kong non-profit organization dedicated to challenging stereotypes, empowering women in poverty and growing the number of women in leadership positions.

Andrew Philip Roberts

Mr Andrew Philip Roberts, aged 67, was appointed as an Independent Non-executive Director of the Company with effect from January 1, 2024. Mr Roberts is a qualified chartered accountant of the Institute of England and Wales who obtained a BA (Honours) degree in Economics from the University of Manchester. Following his qualification, Mr Roberts gained extensive experience working as an auditor with the global auditing firm of Deloitte during his formative professional years. From 1993 onwards until 2012, Mr Roberts held senior leadership positions in finance at the Anglo-Dutch conglomerate, Shell Group, which included the following appointments: Executive Vice President of Finance in Shell Trading London, Chair of the Supervisory Board in Shell Asset Management, Executive Vice President of Finance in Shell Gas and Power, Executive Vice President of Finance in Shell Retail, Executive Vice President of Finance in Shell Trading North America, Shell Trading Controller and Compliance Officer. His responsibilities whilst at the Shell Group included strategy, planning, corporate governance, compliance, regulatory, risk management and treasury functions and also overall supervision and management of a large global finance team of 430 officers located in overseas offices. Mr Roberts brought a wealth of experience to these roles, exemplifying a demonstrable ability to strategize, plan and successfully operationalize broad and complex portfolios within a robust risk, control and compliance framework.

In addition, Mr Roberts' most recent role was Chief Financial Officer at Shelf Drilling in Dubai where he developed the finance, treasury, tax, internal audit function and associated IT systems with operations in multiple countries pre-IPO.

Corporate Governance Report

The Company is committed to high standard corporate governance to enhance shareholders' interests and promote sustainable development. A quality board of directors (the "Board") with balanced skills, experience and diversity of perspectives is vital to the Company for effective risk management, internal controls and leadership, as well as transparency and accountability to all shareholders. The Board reviews codes of conducts, policies and practices, corporate governance framework and disclosure of this Corporate Governance Report, from time to time, to improve the Company's corporate governance practices in respect of the latest developments on all applicable laws, rules and regulations.

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix C1 (formerly known as 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, 2023, 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 (the "Articles"). Under Article 107(A) of the Articles, 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.

Corporate Governance Policy

Corporate governance is essential in maintaining sustainability. The Board continuously monitors, reviews and develops the policies and practices of corporate governance to ensure the compliance of the laws, rules and regulatory requirements governing the Group as well as the Articles. The Board performs the corporate governance function through, but not limited to, the following:

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

Board of Directors

Roles and Responsibilities

The Board is collectively responsible for leading, supervising and creating directions and strategies for the affairs of the Group with an effective corporate governance framework to strive for long term success of the Company. The Board is also responsible for ensuring ongoing effective communication with shareholders and engagement with key stakeholders. The principal responsibilities of the Board include, but are not limited to, the following:

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

The Board continuously monitors the delegation to Board Committees and senior management of the Group with specific functions and clear instructions as well as reservation for the Board's decision and consideration of specifically identified matters. The Board reviews regularly the formal written procedures adopted by the Company for the governance of delegation and reservation of responsibilities of the Board.

Board Composition

As at the date of this report, the Board consists of six Group Executive Directors, one Non-executive Director and six Independent Non-executive Directors. An analysis of the current composition of the Board of the Company is set out below:

Group Executive Directors

Mr Horst Julius Pudwill (Chairman)
Mr Stephan Horst Pudwill (Vice Chairman)
Mr Joseph Galli Jr (Chief Executive Officer)
Mr Kin Wah Chan (Operations Director)
Mr Chi Chung Chan (Group Chief Financial Officer)
Mr Camille Jojo (re-designated from Non-executive Director to Executive Director with effect from December 1, 2023)

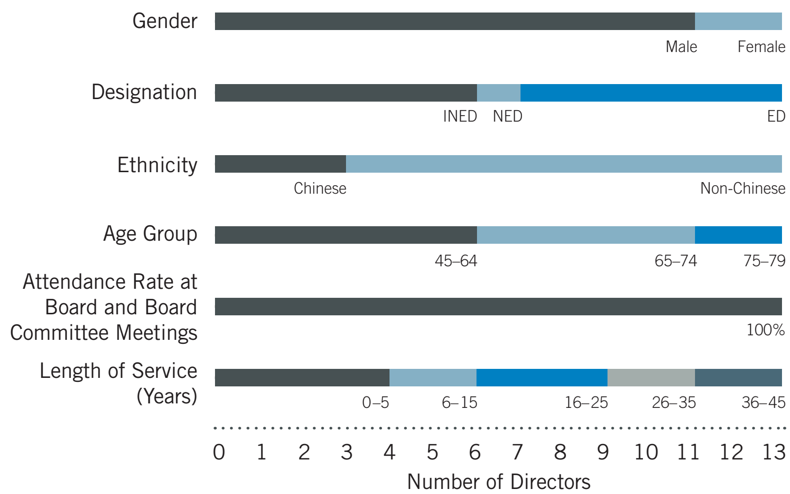
Non-executive Director

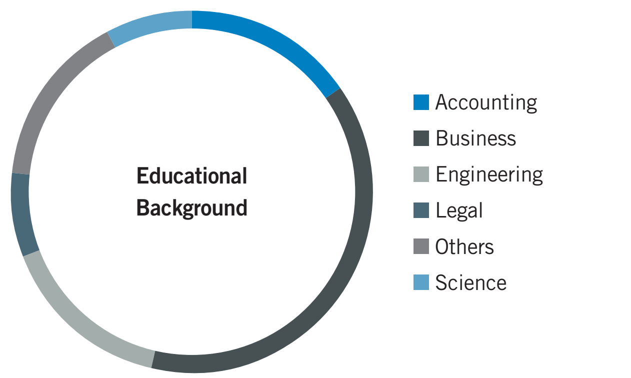
Prof Roy Chi Ping Chung GBS BBS JP

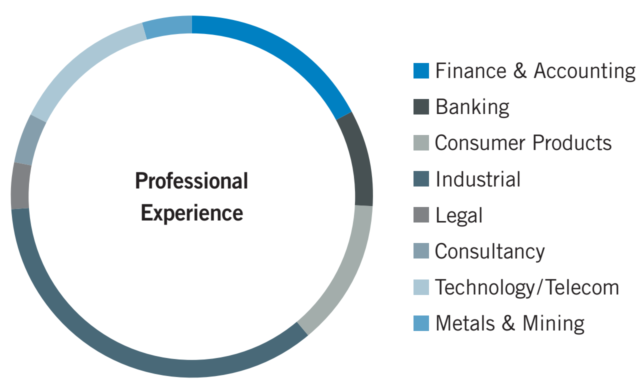
Independent Non-executive Directors

Mr Peter David Sullivan
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz
Ms Virginia Davis Wilmerding
Ms Caroline Christina Kracht
Mr Andrew Philip Roberts (appointed with effect from January 1, 2024)

Biographical details and relevant relationships of the members of the Board are set out on pages 58 to 63 of this annual report. A list of Directors and their roles and functions are published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).







Both the management of the Board and the day-to-day management are important to the Company's success and sustainability. The roles of Chairman and Chief Executive Officer of the Company have been segregated and clearly distinguished in order to promote balance of power, authority and accountability.

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

- enhance effective communication with shareholders and encourage that the views of shareholders are communicated to the Board as a whole.
- oversee and ensure sound practices and procedures.
- ensure all Directors are properly briefed on issues arising at Board meetings and always receive clear, accurate and reliable information in a timely manner.
- lead the Board to perform its responsibilities and act in the best interests of the Company, and ensure the Board works effectively.
- encourage all Directors to make full and active contributions to the Board's affairs to enhance the performance of the Board's responsibilities.

The roles of Chief Executive Officer comprise, but are not limited to, the following:

- enhance the global sales potential of the Company's strong brand portfolio and facilitate the integration of acquisitions, if any.
- take the lead to oversee the global management team in the Group's daily operations.
- oversee or lead the Company's strategic initiatives and management strategies.

To ensure the Board performs effectively and enhances its diversity, appointment of directors is recommended by the Nomination Committee for approval by the Board. By considering the expertise, skills and experience of candidates for directorship, the Nomination Committee makes recommendations to the Board in order to achieve the effective balance and diversity of the Board. Directors are aware that they must be able to contribute sufficient time and attention to the affairs of the Company before accepting their appointment. A formal and detailed orientation is provided for each newly appointed Director to ensure proper understanding of duties and responsibilities of Directors under the Listing Rules, the Articles, and related ordinances and relevant regulatory requirements of Hong Kong. Every newly appointed Director must obtain legal advice from the solicitors of the Company advising on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him/her as Director of the Company. Presentations by external professionals and senior executives of the Company are also provided to ensure a proper understanding of the Company's business and operations. In accordance with the Articles and the Listing Rules, Directors are subject to retirement by rotation at least once every three years. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the next annual general meeting after their appointment.

The Board treasures a culture of openness and independent views as key elements to effectiveness. Independent Non-executive Directors and Non-executive Directors form a majority of the Board, and the Independent Non-executive Directors represent over one-third of the Board as at the date of this report. The Company has complied with Rule 3.10 of the Listing Rules in relation to the requirement of Independent Non-executive Directors. All Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received annual confirmations of independence from each of the Independent Non-executive Directors and they are all still considered to be independent.

The Board has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors and Officers of the Group for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

Directors' Continuous Professional Development

The Company provides regular updates, written materials and training to all Directors on relevant laws, rules and regulations to make sure they are aware of the current trends in the commercial and regulatory environment in which the Company conducts its business. In order to ensure that the Directors' contribution to the Board remains informed and relevant, the Directors are encouraged to participate in various professional development programs such as seminars, webcasts and relevant reading materials, especially in relation to compliance requirements to develop and refresh their knowledge and skills and the latest updates on the relevant rules and regulations.

All Directors participate in continuous professional development as set out in code provision C.1.4 of the Corporate Governance Code. According to the records of training provided by each Director to the Company, the training received by the Directors in 2023 is summarized in the following table:

	Type of Continuous Professional Development Programme		
	Updates on business operations, laws, rules and regulations or corporate governance matters	Updates on directors' roles, functions and duties	Updates on accounting, financial or other professional skills
Group Executive Directors			
Mr Horst Julius Pudwill	√	√	
Mr Stephan Horst Pudwill	√	√	
Mr Joseph Galli Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr Chi Chung Chan	√	√	√
Mr Camille Jojo	√	√	√
Non-executive Director			
Prof Roy Chi Ping Chung GBS BBS JP	√	√	√
Independent Non-executive Directors			
Mr Peter David Sullivan	√	√	
Mr Johannes-Gerhard Hesse	√	√	√
Mr Robert Hinman Getz	√	√	
Ms Virginia Davis Wilmerding	√	√	√
Ms Caroline Christina Kracht	√	√	√

Compliance with the Codes for Securities Transactions

The provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly known as Appendix 10) of the Listing Rules (the "Model Code") has been adopted by the Board. In response to the specific enquiries made, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2023.

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

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

Board Meetings

The Board focuses on the Company's strategies and values for on-going sustainability, success and growth of the Group.
The Company held regular Board meetings, where at least four Board meetings are scheduled in a year with more frequent meetings as and when required. In 2023, six Board meetings were held and the attendance records of each Director are set out in the section headed "Board, Board Committee and General Meetings in 2023" at the end of this report.

Board meeting, Board Committee meeting and Annual General Meeting dates for 2024 were agreed upon at the Board meeting held in August 2023 in order to ensure maximum attendance of Directors and to facilitate the effectiveness of the Board. The meeting agenda is drawn up by the Chairman in consultation with members of the Board to propose any other matters for inclusion in the agenda. Minutes of the Board and Board Committee meetings with sufficient details of matters and concerns discussed are prepared and maintained by the Company Secretary of the Company (the "Company Secretary"), which are sent to the Directors for comments and records. The Company Secretary keeps Board records in safe custody of which are available for inspection by the Directors.

Clear, accurate and reliable information are provided to all Directors in a timely manner to facilitate informed decisions of the Board. Furthermore, all related materials with sufficient details in relation to the Board's issues are accessible to all Directors. To enhance understanding of the business of the Group and Directors' responsibilities under statute and at common law, all Directors are provided with briefings and professional development training as necessary. The Company Secretary provides full support to the Directors in order to ensure Board procedures and all applicable laws, rules and regulations are followed. Directors are also provided with access to senior management of the Group upon request, as well as to independent professional advice on performing their duties at the Company's expenses.

Board Committees

The Board has established three Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to delegate various responsibilities of the Board. Each of these Board Committees has specific written terms of reference which deal clearly with their authority and duties and have been published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

The Directors continuously review the diversity and effectiveness of the Board. To ensure independent views and inputs are available to the Board, Independent Non-executive Directors form the majority of all Board Committees. With active participation and regular attendance of Independent Non-executive Directors, independent insights and opinions are encouraged to be contributed and expressed at the Board Committee meetings. The Board oversees and monitors the delegated authorities and responsibilities through regular reporting by the Board Committees in relation to their activities involved and recommendations and decisions made. The attendance records of each Board Committee are set out in the section headed "Board, Board Committee and General Meetings in 2023" at the end of this report.

Audit Committee

The Audit Committee is chaired by Mr Peter David Sullivan with other members being Mr Johannes-Gerhard Hesse, Mr Robert Hinman Getz and Ms Caroline Christina Kracht (who has been appointed as a member of Audit Committee with effect from March 1, 2023). On December 1, 2023, Mr Camille Jojo has been re-designated from a Non-executive Director to an Executive Director and ceased to be a member of the Audit Committee. As at the date of this report, all members are Independent Non-executive Directors. The Company has complied with Rule 3.21 of the Listing Rules in relation to the requirement of the Audit Committee.

The Audit Committee plays an important role in risk management and internal control aspects. The Audit Committee aims to review and monitor the effectiveness of the risk management and internal control systems to ensure the compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations. The Audit Committee oversees the completeness and integrity of the financial statements of the Company and takes ad hoc responsibilities which may be delegated by the Board from time to time. The Audit Committee is also directly responsible on behalf of the Board for the oversight of the performance of the Company's external auditors, the assessment of the independence and qualifications of the external auditors, the selection, oversight and remuneration of the Company's external auditors and the maintenance of an appropriate relationship with the external auditors.

The Audit Committee held four meetings in 2023 and performed duties summarized below:

- review and assist to maintain the effectiveness of risk management and internal control systems of the Group.
- review and monitor the scope, extent and effectiveness of the internal audit function of the Group.
- review and make recommendations to the Board for the approval of the interim and annual financial statements of the Group.
- monitor and review the Group's accounting principles and practices, financial reporting matters and significant financial matters.
- oversee the relationship between the Company and the external auditors, assess the performance of the external auditors and recommend the re-appointment of the external auditors.
- review the audit and non-audit services provided by the external auditors.
- take up responsibilities delegated by the Board to handle ad hoc matters and to consider various matters to improve the Board's communication.

Nomination Committee

The Nomination Committee is chaired by Mr Horst Julius Pudwill (Chairman of the Board) with the other members being Mr Johannes-Gerhard Hesse, Mr Robert Hinman Getz and Ms Virginia Davis Wilmerding. All members except Mr Horst Julius Pudwill are Independent Non-executive Directors.

The Board recognizes the benefits of board diversity and realizes increasing diversity is vital in maintaining an effective board. The Board should have a balance of skills, experience and diversity of perspectives appropriate for the requirements of the business of the Group in order to effectively discharge its function. The Nomination Committee aims to ensure a fair and transparent process of Board appointments, and in particular, to assist the Board to identify suitably qualified candidates and make recommendations for consideration of the Board and shareholders. When considering suitable Director candidates, the Nomination Committee considers factors including, but not limited to, ethics, integrity, personal skills, professional knowledge and industry experience, as well as the ability to contribute sufficient time and attention to the Board in their recommendations.

The Nomination Committee held two meetings in 2023. The work performed by the Nomination Committee in 2023, with sufficient resources provided by the Company and/or independent professional advice when necessary, included:

- assess the independence of the Independent Non-executive Directors.
- review the Nomination Policy and the Board Diversity Policy.
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2023 Annual General Meeting.
- review the size, composition and structure of the Board regularly.
- make recommendations to the Board on potential Director candidates based on various relevant factors.

The Board currently has two female Directors out of the thirteen Directors with balanced skills, experience and diversity of perspectives to enhance the Company's business and values. The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Gender ratio in the workforce of the Company can be found in the "Environmental, Social and Governance Report" ("ESG Report") which will be published separately. The ESG Report forms part of this report. The Board has adopted the Board Diversity Policy in August 2013, which is published on the Company's website (www.ttigroup.com). Widening diversity at the Board level is essential for sustainable development of the Group and the Board considers that the current gender diversity in respect of the Board taking into account the Group's business model and industry-wide practice and specific needs of the Company is satisfactory. The Nomination Committee would consider various perspectives and measurable objectives, including, but not limited to, age, gender, professional experience, educational background, cultural and length of service while reviewing the composition of the Board with an aim to promote gender diversity culture and avoid a single gender Board. The ultimate decision will be based on merit and contribution that the Directors and any selected candidates will bring to the Board. An analysis of the current Board composition based on these objective criteria is set out on page 65 of this report.

Remuneration Committee

The Remuneration Committee is chaired by Mr Robert Hinman Getz with the other members of the Committee being Mr Peter David Sullivan and Ms Virginia Davis Wilmerding (who has been appointed as a member of the Remuneration Committee with effect from March 1, 2023). On December 1, 2023, Mr Camille Jojo has been re-designated from a Non-executive Director to an Executive Director and ceased to be a member of the Remuneration Committee. As at the date of this report, all members of the Remuneration Committee are Independent Non-executive Directors.

The Remuneration Committee develops and administers fair and transparent procedures for setting policy on the overall human resources strategy of the Group, including those related to the remuneration of the Group's Directors and senior management. The Remuneration Committee is responsible for recommending the remuneration packages of Directors of the Group taking into account their merit, competence and qualifications, individual performance, the Company's operating results and return to shareholders, and considering relevant market practices. The Remuneration Committee consults the Executive Chairman regarding the remuneration packages for the Chief Executive Officer (CEO) and other Executive Directors and makes recommendations to the Board on the remuneration packages of Executive Directors, including, without limitation, base salaries, incentive payments and grants of share awards and share options. The Remuneration Committee also makes recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors. The Remuneration Committee reports directly to the Board on its decisions or recommendations.

The Remuneration Committee held four meetings in 2023 and performed, among other work, the following:

- review and make recommendations on the existing Remuneration Policy for Directors and senior management.
- review and update the peer group used to assess the competitiveness of Executive Director remuneration.
- assess the Executive Directors' performance and remuneration packages.
- recommend pay packages for Executive Directors and CEO to the full Board.
- review and approve material matters in relation to the share schemes adopted by the Company, including, without limitation, the approval of the grant of share awards under the 2018 Share Award Scheme and the review of the rules and operation of the Company's share schemes against the backdrop of the latest amendments to Chapter 17 of the Listing Rules.

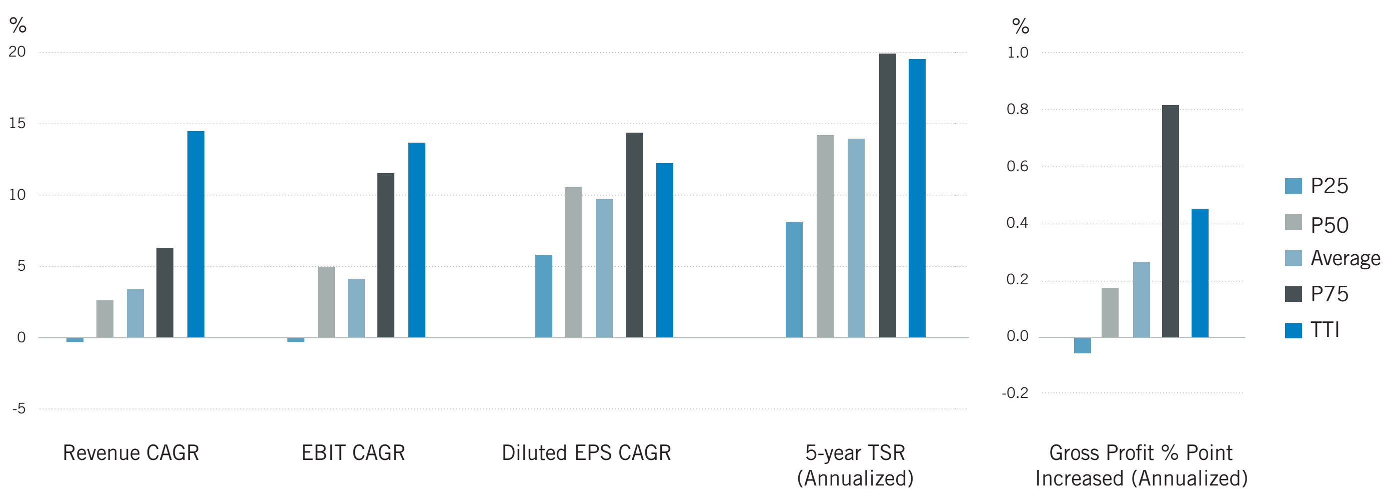
The Board ensures that the Remuneration Committee has access to sufficient internal and third-party resources, including professional advice, to fulfill its duties. The Group engages a global executive compensation consulting firm as an independent third party to advise the Remuneration Committee, including providing assessments of the competitiveness of compensation of the Executive Directors, including the Chairman and the CEO. The compensation packages of the Group's Executive Directors were assessed relative to similar positions at 19 peer companies operating in the same or adjacent industries. The consultant's assessment took into account the Group's absolute shareholder returns, financial and operational performance, as well as performance relative to the peer companies.

GROUP CEO INCENTIVE COMPENSATION

The Remuneration Committee reviewed and recommended to the Board for approval the 2023 incentive payouts for the Executive Chairman, the CEO and other Executive Directors commensurate with the solid relevant financial and operational performance delivered by the Group in 2023, and recognizing the deliberate investments made to position the Group for future growth and profitability improvements.

Compensation delivered to the Executive Directors, and in particular the CEO, is dependent on company performance as assessed on a number of operational and financial metrics as well as progress against key strategic objectives. The Remuneration Committee believes it is extremely important to align executive compensation with long-term shareholder outcomes. As shown in Chart 1 below, over the past five years the Group has generally approximated or exceeded the 75th percentile performance of the 19 peer companies in key financial and operational performance metrics including revenue growth and EBIT growth. Importantly, the Company's stock price and TSR performance over the past five years remains exceptional in both relative and absolute terms. The Company's 5-year TSR is relatively strong, at 19.5% total return, as compared to the peer group median and average of 14.2% and 13.9%, respectively, equaling the 71st perventile performance of the 19 companies included in the company's compensation peer group.

Chart 1: TTI's Five Year Financial Performance as Compared to 19 Peer Companies[1]



1. Five-year TTI performance through FY 2023 measured against most recently available five-year performance for each company in the peer group.

ANNUAL INCENTIVE AWARDS

Over the past five years the Remuneration Committee has modified Mr Galli's compensation package so that it is more focused on performance-based share awards. The Remuneration Committee believes that rewarding the CEO for the achievement of sustained outstanding performance in the form of Group equity meaningfully aligns him with long-term shareholder outcomes and creates further incentives for improved future performance.

LONG-TERM INCENTIVE AWARDS

In 2018 the Board approved multi-year performance-based share awards to Mr Galli ("2018 CEO Share Awards") with the granting of the awards conditional upon the Company's achievement of share price, financial and operational performance criteria ("Performance Criteria") over successive three-year performance periods ending each year from 2019 to 2024. For the three-year period ending in 2023, Mr Galli delivered exceptional financial and operational performance and strong relative share price performance, when measured against the performance of our key competitors. Additionally, a number of strategic objectives were achieved over the past three years, including diversification and expansion of the Group's manufacturing footprint and achievement of good progress towards the Group's ESG goals. As a result of this strong financial and operational performance, during a time of significant economic instability, the last tranche of the 2018 CEO Share Awards (one million shares) was awarded to Mr Galli on January 5, 2024 pursuant to the Company's meeting of the financial and operational goals set out in the 2018 CEO Share Awards plan. These shares are scheduled to vest to Mr Galli on or about January 5, 2025, if he remains in his current role.

Over the last three years, the Group delivered 11.9% compound annual revenue growth and 9.8% compound annual EBIT growth. The Group's revenue growth over this period equaled the 87^{th} percentile of performance of the Primary Peer Group while EBIT growth equaled the 52^{nd} percentile of the Primary Peer Group. Additionally, the Company's profit margin exceeds 58% of the peers and profit margin improvement over the past three years equaled the 57^{th} percentile of peer group performance.

Besides the 2018 CEO Share Awards, the Board approved another multi-year performance-based share award to Mr Galli ("2020 CEO Share Awards") with the granting of the award conditional upon the Company's achievement of financial and operational performance criteria ("Financial and Performance Criteria") for the years between 2022 to 2026. Under the 2020 CEO Share Awards, 1,000,000 shares will be granted each year between 2022 and 2026 and vest the following year if the Financial and Performance Criteria have been achieved. The first and second tranches of 1,000,000 shares each have been granted to Mr Galli (Details are set out in "EQUITY PLAN DESCRIPTIONS" section in this Corporate Governance Report).

MR GALLI'S PERFORMANCE HISTORY

The compensation package awarded to Mr Galli, including his annual cash incentive, were awarded on the basis of the Group's strong financial and operational performance in 2023 including record free cash flow, despite economic disruptions and uncertainty which negatively impacted overall industry results and our key peers' performance.

Mr Galli's overall compensation package is designed and managed with a long-term focus, and rewards him for the Company's very strong growth and performance over the entire period of his tenure as CEO of the Group and incentivizes him to:

- achieve the short-term and long-term financial and operational goals set by the Board,
- to meet the Group's strategic goals in order to position the company for future profitable growth,
- to align his long-term remuneration outcomes with sustained shareholder value creation, and
- ensure his continued service to the Company in his current role.

Since his appointment to the CEO role in February 2008, Techtronic's stock price has increased from HK$8.40 on February 1, 2008 to close at HK$93.05 on December 29, 2023, an increase of 1,008%, greatly exceeding the performance of both the Hang Seng Index (-29%) and the S&P500 Index (+241%) over the same time period. Since February 2008, the Group's equity market capitalization has grown more than 13 times, from approximately HK$12.6 billion to over HK$170 billion (from US$1.62 billion to US$21.88 billion) at the end of December 2023.

EQUITY PLAN DESCRIPTIONS

The Board has one share award scheme in operation, namely the 2018 Share Award Scheme. Following the expiry of the previous share award scheme adopted in 2008, the 2018 Share Award Scheme was first adopted with effect from January 17, 2018 (the "2018 Adoption Date"), and was subsequently amended and restated on May 12, 2023 (the "Share Award Scheme Amendment Date"), and shall be terminated on the earlier of the 10^{th} anniversary of the 2018 Adoption Date or such date of early termination as determined by the Board.

The purpose of the 2018 Share Award Scheme is to recognize the contributions by Eligible Persons as defined below and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Unless otherwise stated, the scheme rules of the schemes are substantially identical and a summary of the principal terms of both schemes is set out below:

Any employee, officer or Director (including, without limitation, any Executive, Non-executive or Independent Non-executive Director) of any member of the Group (the "Eligible Person") will be entitled to participate. Unless terminated earlier by the Board in accordance with the scheme rules, the effective term of the 2018 Share Award Scheme is 10 years commencing on the adoption date of the scheme provided that no contribution to the trust will be made by the Company on or after the 10th anniversary date of the adoption date of the scheme. Details of the 2018 Share Award Scheme were announced by the Company on its adoption date.

The Board may, from time to time, at their absolute discretion select any individual as an Eligible Person for participation in the scheme (the "Selected Grantee") and determine the number of shares to be awarded. The relevant number of shares awarded will either be purchased by the trustee of the scheme on the market or new shares will be subscribed for by the trustee at the cost of the Company and be held in trust until they are vested on the first anniversary of the relevant date of grant (or such longer period as the Board may determine). Upon acceptance of the share awards, no payment is required. When a Selected Grantee has satisfied all vesting conditions specified by the Board (which may include performance targets), the trustee will upon the Company's instruction transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the Selected Grantee.

According to the scheme rules as amended and restated on May 12, 2023, the scheme limits of the 2018 Share Award Scheme have been amended that the Board shall not make any further award of awarded shares which will result in the number of shares awarded by the Board under the 2018 Share Award Scheme and any other share scheme(s) of the Company would represent in excess of 10.00% of the total issued share capital of the Company as at the Share Award Scheme Amendment Date. Where any grant of awarded shares to a Selected Grantee under the 2018 Share Award Scheme would result in shares issued and to be issued in respect of all share options or awarded shares granted to such person (excluding any share options and awarded shares lapsed in accordance with the terms of the 2018 Share Award Scheme or any other share scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1.00% of the total issued share capital of the Company as at the Share Award Scheme Amendment Date, such grant of awarded shares must be separately approved by the shareholders in a general meeting with such Selected Grantee and his/her close associates (or his/her associates if the Selected Grantee is a connected person of the Company) abstaining from voting. Without prejudice to the above, where any grant of awarded shares or share options to a Director (other than an Independent Non-executive Director) or chief executive of the Company, or any of their respective associates would result in the shares issued and to be issued in respect of all awarded shares and share options granted (excluding any awarded shares or share options lapsed in accordance with the terms of the 2018 Share Award Scheme or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.10% of the total issued share capital of the Company as at the Share Award Scheme Amendment Date, such grant of awarded shares must be approved by the shareholders in a general meeting with such Selected Grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. Without prejudice to the above, where any grant of awarded shares under the 2018 Share Award Scheme and share options and awarded shares to be granted under any other share scheme(s) of the Company to an Independent Non-executive Director or a substantial shareholder of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all share options and awarded shares granted (excluding any share options and awarded shares lapsed in accordance with the terms of the 2018 Share Award Scheme or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.10% of the total issued share capital of the Company as at the Share Award Scheme Amendment Date, such grant of awarded shares must be approved by the shareholders in a general meeting with such Selected Grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. The total issued share capital of the Company as at the Share Award Scheme Amendment Date was 1,834,797,941 shares.

Notwithstanding that the 2018 Share Award Scheme does not stipulate that any awarded shares offered must be subject to any performance target or clawback mechanism, the Directors or the Remuneration Committee (as the case may be) have the authority to establish performance targets and/or clawback mechanisms in relation to the granting of awarded shares. The Board is of the view that the flexibility granted to the Directors to specify appropriate conditions, restrictions and/or limitations on a case-by-case basis in their absolute discretion when offering and/or vesting awarded shares to Selected Grantees could provide a more meaningful and functional means to achieve the purpose of the 2018 Share Award Scheme (whether as recognition of past contribution or as incentive to motivate, retain or attract suitable talents) in light of the particular circumstances of each offer of awarded shares. General factors that the Board may take into account for imposing performance targets and clawback mechanisms include, but are not limited to the Group's level and the individual's level. The Board or the Remuneration Committee (as the case may be) will carefully assess whether performance targets, if any, are satisfied before vesting of awarded shares.

Since the 2018 Adoption Date and up to December 31, 2023, a total of 14,096,000 shares had been awarded under the 2018 Share Award Scheme, representing 0.77% of the issued share capital of the Company as at the Share Award Scheme Amendment Date. Recognition of share-based payment expenses under the 2018 Share Award Scheme during the year was US$38,116,000. During the year ended December 31, 2023, a total of 1,437,500 shares had been awarded under the 2018 Share Award Scheme to twelve Directors of the Company, representing 0.08% of the issued share capital of the Company as at the Share Award Scheme Amendment Date. The total payout, including related expenses, amounted to US$20,578,000. In addition, during the year ended December 31, 2023, 1,575,000 shares were transferred to five Directors and a Selected Grantee upon vesting under the 2018 Share Award Scheme. As at December 31, 2023, details of the awarded shares granted under the 2018 Share Award Scheme of the Company were as follows:

				Number of awarded shares							
Share awards holders	Date of Award	Share award scheme category	Number of awarded shares	As at January 1, 2023	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2023	Vesting Period	Closing price at the Date of Award (HK$)	Purchase price (HK$)
Directors											
Mr Horst Julius Pudwill	21.3.2018	2018	500,000	–	–	–	–	–	15.3.2019 – 15.3.2022	47.00	30.29
	20.5.2019	2018	300,000	–	–	–	–	–	20.5.2020 – 20.5.2022	50.20	28.15
	21.12.2020	2018	1,000,000	–	–	–	–	–	21.12.2020 – 21.12.2021	107.00	44.55
	30.12.2021	2018	300,000	300,000	–	(300,000)	–	–	3.4.2023 – 30.12.2023	154.90	115.13
	22.12.2023	2018	125,000	–	125,000	–	–	125,000	22.12.2026	92.50	111.23
Mr Stephan Horst Pudwill	21.3.2018	2018	50,000	–	–	–	–	–	15.3.2019 – 15.3.2022	47.00	30.29
	21.12.2020	2018	100,000	–	–	–	–	–	21.12.2020 – 21.12.2021	107.00	44.55
	30.12.2021	2018	50,000	25,000	–	(25,000)	–	–	30.12.2022 – 30.12.2023	154.90	115.13
	22.12.2023	2018	75,000	–	75,000	–	–	75,000	22.12.2026	92.50	111.23
				–							
Mr Joseph Galli Jr (4)	21.3.2018	2018	514,000	–	–	–	–	–	15.3.2019 – 15.3.2022	47.00	30.29
	3.1.2020	2018	1,000,000	1,000,000	–	–	–	1,000,000	On or about 1.1.2025	64.70	44.38
	21.12.2020	2018	1,000,000	–	–	–	–	–	21.12.2020	107.00	44.55
	4.3.2021	2018	1,000,000	–	–	–	–	–	4.3.2021	121.40	80.25
	4.3.2021	2018	1,000,000	1,000,000	–	–	–	1,000,000	On or about 1.1.2025	121.40	80.25
	31.12.2021	2018	1,000,000	1,000,000	–	–	–	1,000,000	On or about 1.1.2025	155.20	121.14
	3.3.2022	2018	1,000,000	–	–	–	–	–	3.3.2022	136.10	130.19
	3.3.2022	2018	1,000,000	1,000,000	–	(1,000,000)	–	–	23.3.2023	136.10	130.19
	30.12.2022	2018	1,000,000	1,000,000	–	–	–	1,000,000	On or about 1.1.2025	87.10	142.95
	22.12.2023	2018	1,000,000	–	1,000,000	–	–	1,000,000	22.12.2024	92.50	111.23
Mr Kin Wah Chan	21.3.2018	2018	50,000	–	–	–	–	–	15.3.2019 – 15.3.2022	47.00	30.29
	21.12.2020	2018	100,000	–	–	–	–	–	21.12.2020 – 21.12.2021	107.00	44.55
	30.12.2021	2018	50,000	25,000	–	(25,000)	–	–	30.12.2022 – 30.12.2023	154.90	115.13
	22.12.2023	2018	75,000	–	75,000	–	–	75,000	22.12.2026	92.50	111.23

Share awards holders	Date of Award	Share award scheme category	Number of awarded shares	Number of awarded shares: As at January 1, 2023	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2023	Vesting Period	Closing price at the Date of Award (HK$)	Purchase price (HK$)
Directors (continued)											
Mr Chi Chung Chan	21.3.2018	2018	50,000	–	–	–	–	–	15.3.2019 – 15.3.2022	47.00	30.29
	21.12.2020	2018	100,000	–	–	–	–	–	21.12.2020 – 21.12.2021	107.00	44.55
	30.12.2021	2018	50,000	25,000	–	(25,000)	–	–	30.12.2022 – 30.12.2023	154.90	115.13
	22.12.2023	2018	75,000	–	75,000	–	–	75,000	22.12.2026	92.50	111.23
Mr Camille Jojo	2.1.2019	2018	10,000	–	–	–	–	–	2.1.2019	41.10	28.15
	20.5.2019	2018	150,000	–	–	–	–	–	20.5.2020 – 20.5.2022	50.20	38.30
	3.1.2020	2018	12,500	–	–	–	–	–	3.1.2020	64.70	44.62
	21.12.2020	2018	10,000	–	–	–	–	–	21.12.2021 – 21.12.2022	107.00	44.55
	31.12.2020	2018	10,500	–	–	–	–	–	31.12.2020	110.60	49.67
	30.12.2021	2018	18,000	–	–	–	–	–	30.12.2021 – 30.12.2022	154.90	115.13
	30.12.2022	2018	11,000	–	–	–	–	–	30.12.2022	87.10	142.95
	22.12.2023	2018	12,500	–	12,500	–	–	12,500	22.12.2026	92.50	111.23
Prof Roy Chi Ping Chung GBS BBS JP	21.12.2020	2018	10,000	–	–	–	–	–	21.12.2021 – 21.12.2022	107.00	44.55
	30.12.2021	2018	12,500	–	–	–	–	–	30.12.2022	154.90	115.13
	22.12.2023	2018	12,500	–	12,500	–	–	12,500	22.12.2024	92.50	111.23
Mr Peter David Sullivan	21.12.2020	2018	10,000	–	–	–	–	–	21.12.2021 – 21.12.2022	107.00	44.55
	30.12.2021	2018	12,500	–	–	–	–	–	30.12.2022	154.90	115.13
	22.12.2023	2018	12,500	–	12,500	–	–	12,500	22.12.2024	92.50	111.23
Mr Johannes-Gerhard Hesse	21.12.2020	2018	10,000	–	–	–	–	–	21.12.2021 – 21.12.2022	107.00	44.55
	30.12.2021	2018	12,500	12,500	–	–	–	12,500	2.5.2024[6]	154.90	115.13
	22.12.2023	2018	12,500	–	12,500	–	–	12,500	22.12.2024	92.50	111.23
Mr Robert Hinman Getz	21.12.2020	2018	10,000	5,000	–	–	–	5,000	N/A[7]	107.00	44.55
	30.12.2021	2018	12,500	12,500	–	–	–	12,500	N/A[8]	154.90	115.13
	22.12.2023	2018	12,500	–	12,500	–	–	12,500	22.12.2024	92.50	111.23

Share awards holders	Date of Award	Share award scheme category	Number of awarded shares	Number of awarded shares: As at January 1, 2023	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2023	Vesting Period	Closing price at the Date of Award (HK$)	Purchase price (HK$)
Directors (continued)											
Ms Virginia Davis Wilmerding	30.12.2021	2018	12,500	12,500	–	–	–	12,500	N/A[9]	154.90	115.13
	22.12.2023	2018	12,500	–	12,500	–	–	12,500	22.12.2024	92.50	111.23
Ms Caroline Christina Kracht	22.12.2023	2018	12,500	–	12,500	–	–	12,500	22.12.2024	92.50	111.23
Total for directors			**12,976,000**	**5,417,500**	**1,437,500**	**(1,375,000)**	**–**	**5,480,000**			
Employees	20.5.2019	2018	1,100,000	400,000	–	(200,000)	–	200,000	20.5.2020 – 20.5.2024	50.20	45.30
	21.12.2020	2018	10,000	–	–	–	–	–	20.5.2021	107.00	44.55
	21.12.2020	2018	10,000	–	–	–	–	–	30.7.2021	107.00	44.55
Total for employees			**1,120,000**	**400,000**	**–**	**(200,000)**	**–**	**200,000**			
Total for all categories			**14,096,000**	**5,817,500**	**1,437,500**	**(1,575,000)**	**–**	**5,680,000**			

Notes:

(1) All the awarded shares are purchased on the market. All awarded shares were granted to Directors only during the year ended December 31, 2023. No share awards were cancelled or lapsed during the year ended December 31, 2023.

(2) At the end of the year, the average fair value per share is HK$98.98. The average fair value of the awarded shares is based on the average purchase cost.

(3) During the reporting year, a total of 350,000 shares were purchased at an aggregate consideration of US$3,525,000 for satisfying the awards granted pursuant to the 2018 Share Award Scheme.

(4) As to the agreement for the separate 5,000,000 awarded shares to be granted to Mr Joseph Galli Jr between 2020 to 2024 in five equal tranches (i.e. 1,000,000 awarded shares per year) provided the Company meets certain performance criteria each year, all the tranches of 1,000,000 shares each were awarded to Mr Galli on January 3, 2020, March 4, 2021, December 31, 2021, December 30, 2022 and January 5, 2024 respectively. Details of the last tranche of 1,000,000 shares granted on January 5, 2024 as disclosed above are not included. These shares are scheduled to vest to Mr Galli on or about January 5, 2025 if he remains in his current role. The above mentioned performance criteria are set out in the "Remuneration Committee" section in this Corporate Governance Report.

As to the agreement for the 5,000,000 shares might be granted subject to, inter alia, the achievement of performance criteria (i.e. reaching a specific EBIT target each year) for the years between 2022 to 2026 respectively, the 1,000,000 shares for 2022 were awarded to Mr Galli on March 3, 2022 and vested on March 23, 2023. The 1,000,000 shares for the year 2023 were awarded to Mr Galli on December 22, 2023 and will be vested on 1st anniversary of the date of award. If the respective performance criteria are not completed for a year, the grant for that year will lapse. Details of the remaining 3,000,000 shares to be granted as disclosed above are not included. The above mentioned performance criteria are set out in the "Remuneration Committee" section in this Corporate Governance Report.

(5) The performance targets of the awarded shares granted in 2023 to Executive Directors are generally assessed at two respective levels, namely the individual level and the Group's level. None of the awarded shares granted in 2023 to the Non-executive Director and the Independent Non-executive Directors are subject to any performance targets assessment by the Company.

(6) The Board has exercised its discretion under the scheme rules to amend the vesting date of the 12,500 shares which were awarded to Mr Johannes-Gerhard Hesse from December 30, 2022 to May 2, 2024.

(7) The Board has exercised its discretion under the scheme rules to amend the vesting date of the 5,000 shares which were awarded to Mr Robert Hinman Getz from December 21, 2022 to upon his cessation as a director of the Company.

(8) The Board has exercised its discretion under the scheme rules to amend the vesting date of the 12,500 shares which were awarded to Mr Robert Hinman Getz from December 30, 2022 to upon his cessation as a director of the Company.

(9) The Board has exercised its discretion under the scheme rules to amend the vesting date of the 12,500 shares which were awarded to Ms Virginia Davis Wilmerding from December 30, 2022 to upon her cessation as a director of the Company.

The closing price of the Company's shares immediately before the various dates on which the share awards were granted was HK$91.30 in 2023. The fair value of awarded shares at the date of grant in 2023 was HK$111.23.

The weighted average closing price of the Company's shares immediately before the various dates on which the share awards were vested during 2023 was HK$86.01. The number of shares that may be issued in respect of share awards granted under the 2018 Share Award Scheme and the share options granted under Scheme E (details are set out in the section headed "Share Options" in Report of the Directors) during 2023 divided by the weighted average number of shares in issue for the year is 0.28%.

The number of shares available for grant under (i) 2018 Share Award Scheme at the beginning of the year was 170,843,694; and (ii) under the approved scheme mandate at the end of the year was 183,479,794 pursuant to the amended and restated rules of the 2018 Share Award Scheme. The total number of shares available for issue under the 2018 Share Award Scheme is 183,479,794, which represents (i) approximately 10.00% of the issued share capital of the Company as at December 31, 2023; and (ii) approximately 10.01% of the issued share capital of the Company as at the date of this Annual Report. The number of shares that may be issued in respect of share awards granted under the 2018 Share Award Scheme and the share options granted under Scheme E is 163,085,794, representing approximately 8.89% of the issued share capital of the Company as at December 31, 2023.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

When the trustee purchases the Company's shares on the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognized on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under the share award scheme. Accordingly, the related expense of the granted shares vested is reversed from the employee share-based compensation reserve. The difference arising from this transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimate of the number of shares that are expected to ultimately vest. The impact of the revision of the estimate, if any, is recognized in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

The fair value of the share award is estimated based on the share price of the Company on date of purchase/grant.

None of the share awards granted under the 2018 Share Award Scheme before January 1, 2023 were subject to any performance-based targets or clawback mechanisms except for those granted to Mr Joseph Galli Jr as detailed in Note 4 on page 75. The Remuneration Committee is of the view that these are justifiable as all such decisions were (i) made before the corresponding new requirements under Chapter 17 of the Listing Rules became effective on January 1, 2023 and within the authority and discretion of the Board as stipulated under the rules of the 2018 Share Award Scheme; and (ii) aligned with the purpose of the 2018 Share Award Scheme as a recognition and reward of the grantee's contributions to the Group's continuing operation and development and which in turn is beneficial to the shareholders and the Company as a whole from a business sustainability and stability perspective.

Save as disclosed above, no other person was granted share awards for the year ended December 31, 2023.

Change in Directors' Emoluments

Ms Caroline Christina Kracht, an Independent Non-executive Director, was appointed as member of the Audit Committee with effect from March 1, 2023 and will be entitled to the Audit Committee fee which has been fixed by the Board.

Ms Virginia Davis Wilmerding, an Independent Non-executive Director, was appointed as member of the Remuneration Committee with effect from March 1, 2023 and will be entitled to the Remuneration Committee fee which has been fixed by the Board.

An increase of US$10,000 to the board retainer fee for Non-executive Directors and Independent Non-executive Directors and an increase of US$5,000 in the Chair fee to both the Chairman of the Audit Committee and the Remuneration Committee, which was approved by all the Executive Directors of the Company, has taken effect from April 1, 2023.

Mr Camille Jojo, a Non-executive Director, was re-designated to an Executive Director and ceased to be a member of the Audit Committee and Remuneration Committee with effect from December 1, 2023.

Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are followed. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is also responsible for facilitating information flow and communication among Directors as well as with shareholders and management of the Company. The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary undertook over 15 hours of professional training to update her skills and knowledge every year.

Accountability and Audit

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

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

Risk Management and Internal Controls

Effective risk management and internal control systems are vital in order to achieve long term goals of the Group through identifying and evaluating the Group's risks and formulating appropriate mitigating controls. The Board is responsible for continuously monitoring and reviewing key internal control policies which include delegated authorities, non-audit services, treasury management policy, policy on market disclosure and investor and media relations, as well as key risk management functions which include legal, insurance, human resources, capital management and treasury. The Board conducts an annual review of the effectiveness of the risk management and internal control systems of the Company, which is designed to manage and minimize risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided.

The internal audit function is essential for providing an independent and objective assurance to the Audit Committee and the Board in controlling the internal business environment. The internal audit function continuously maintains an independent review on key business aspects in accordance with the annual audit plan, and reports the key findings to the Board through the Audit Committee. In addition, the internal auditor of the Company reports periodically to the Audit Committee and communicates with the Chairman of the Audit Committee regularly so as to evaluate and manage significant risks that may be identified throughout. The internal audit function also annually performs risk assessment to build the audit plan of the Group.

The Board, together with the Audit Committee, focuses on strengthening the Group's risk management culture, ensuring the whole risk management framework is adequate and effective and oversees the internal audit function. The Group continuously reviews its risk framework in light of substantial changes and pursues improvements of enterprise risk management. A whistle blowing policy (the "Complaint Resolution Policy and Procedure") has been adopted in order to detect and identify improprieties and bring the issues to the attention of the management, the Audit Committee as well as the Board. Furthermore, the Group regularly conducts in-house anti-bribery training sessions to bolster the Group's anti-corruption culture, awareness and knowledge.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's risk management and internal control systems that have been put in place. The reviews covering financial, operational, and compliance controls and risk management performed in 2023 included:

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

The Company identifies, assesses and prioritizes the risks that are most relevant to the Company's success according to their likelihood and impact. Risk assessment is conducted with the objective to improve the design and effectiveness of the Company's internal controls. Mitigation plans or controls enhancements are developed and implemented by business units based on the risk assessment. The Company also reviews its risk framework on an ongoing basis considering substantial changes and pursues improvements of enterprise risk management.

The procedures and internal controls for handling and disseminating of inside information are governed by the Model Code, the Code for Securities Transactions by Relevant Employees, the Complaint Resolution Policy and Procedure, the Policy on Market Disclosure, Investor and Media Relations, with a view to ensuring compliance with the Articles and the statutory and regulatory requirements that the Group is subject to.

In light of the above reviews and policies, the Board confirms that the Group's risk management and internal controls systems are effective and adequate.

External Auditor

Deloitte Touche Tohmatsu, the external auditor of the Group, provided the following audit and non-audit services to the Group in 2023:

Nature of Services	Amount (US$ million)
External Audit Services	3.03
Taxation Services	0.13
Other Services	0.06

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

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

The Audit Committee and the external auditor of the Group meet twice a year without the presence of the management of the Group to enhance independent reporting by the external auditor of the Group. In order to maintain effective communication with shareholders, the external auditor attended the 2023 Annual General Meeting to answer questions about the accounting policies, the auditor's independence, the conduct of the audit and the preparation and content of the auditor's report.

Investor Relations and Shareholder Communications

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

Shareholders Communication Policy

The Board has adopted the Shareholders Communication Policy on March 22, 2012, which primarily covers the current practices for communicating with shareholders and is published on the Company's website (www.ttigroup.com). All the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations conducted at press conferences, which are published on the Company's website (www.ttigroup.com), provide timely, efficient and accurate information to shareholders and investors. Essential information is communicated to the shareholders mainly through the Company's financial reports, general meetings and the information published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk). In addition, the Company holds regular meetings with institutional shareholders and analysts and encourages shareholders to attend annual general meetings to communicate with Directors and management of the Company directly. Important shareholders' dates in the coming financial year are set out in the section headed "Corporate Information" of this annual report. The Board reviews the implementation of the Shareholders Communication Policy on a regular basis (including steps taken at the general meetings, the handling of queries received and the multiple channels of communication and engagement in place) and considered it has been properly and effectively implemented during the year.

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

Shareholders' Rights

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Pursuant to Article 64 of the Articles and sections 566-568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company (the "Requisitionists"), may request the Directors to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the Requisitionists and sent to the registered office of the Company which is currently located at 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

If the Directors do not, within 21 days after the date on which they become subject to the requirement, proceed duly to convene an EGM for a day not more than 28 days after the date of the notice convening the EGM, the Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM. The EGM must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call an EGM. Any reasonable expenses incurred by the Requisitionists by reason of the failure of the Directors duly to convene an EGM shall be repaid to the Requisitionists by the Company.

PROCEDURE FOR NOMINATING A PERSON FOR ELECTION AS A DIRECTOR

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

PROCEDURE FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

PROCEDURE FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Section 615 of the Companies Ordinance, shareholders may submit a written requisition to circulate a resolution at an annual general meeting ("AGM") if they: (a) represent at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the AGM to which the request relates; or (b) are at least 50 shareholders having a right to vote on the resolution at the AGM to which the request relates.

The written requisition must: (a) identify the resolution of which notice is to be given; (b) be signed by the requisitionists; (c) be sent to the registered office of the Company for the attention of the Company Secretary; and (d) be received by the Company not later than six weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM. Shareholders are requested to refer to Section 580 and 615 of the Companies Ordinance for further details.

Constitutional Document

No change has been made to the Company's constitutional document during 2023. The constitutional document of the Company was published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

Board, Board Committee and General Meetings in 2023

A summary of attendance of Board, Board Committee and general meetings in 2023 are detailed in the following table:

	Meetings attended/Held in 2023				
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Number of meeting(s) held during the year	6	4	2	4	1
Group Executive Directors					
Mr Horst Julius Pudwill	6/6		2/2		1/1
Mr Stephan Horst Pudwill	6/6				1/1
Mr Joseph Galli Jr	6/6				1/1
Mr Kin Wah Chan	6/6				1/1
Mr Chi Chung Chan	6/6				1/1
Mr Camille Jojo(1)	6/6	4/4		3/3	1/1
Non-executive Director					
Prof Roy Chi Ping Chung GBS BBS JP	6/6				1/1
Independent Non-executive Directors					
Mr Peter David Sullivan	6/6	4/4		4/4	1/1
Mr Johannes-Gerhard Hesse	6/6	4/4	2/2		1/1
Mr Robert Hinman Getz	6/6	4/4	2/2	4/4	1/1
Ms Virginia Davis Wilmerding(2)	6/6		2/2	3/3	1/1
Ms Caroline Christina Kracht(3)	6/6	3/3			1/1
Date(s) of meeting(s)	18.1.2023	28.02.2023	28.2.2023	28.2.2023	12.5.2023
	1.3.2023	11.5.2023	8.8.2023	12.5.2023	
	11.5.2023	8.8.2023		8.8.2023	
	8.6.2023	9.11.2023		1.12.2023	
	9.8.2023				
	9.11.2023				

Notes:

(1) Mr Camille Jojo was re-designated from a Non-Executive Director to an Executive Director and ceased to be a member of the Audit Committee and Remuneration Committee with effect from December 1, 2023.

(2) Ms Virginia Davis Wilmerding was appointed as a member of the Remuneration Committee with effect from March 1, 2023.

(3) Ms Caroline Christina Kracht was appointed as a member of the Audit Committee with effect from March 1, 2023.

Report of the Directors

The directors have the pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2023.

Principal Activities and Business Review

The Company acts as an investment holding company.

The principal activities of the principal subsidiaries and an associate are set out in Notes 51 and 52 to the consolidated financial statements, respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Company Ordinance"), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred, and an indication of likely future development in the Group's business, can be found in the "Chairman's Statement", "Chief Executive Officer's Message", "Review of Operations", "Management's Discussion and Analysis", "Corporate Governance Report", and "Financial Summary" sections of this Annual Report, and the "Environmental, Social and Governance Report" (the "ESG Report"), which will be published separately. The above sections and the ESG Report form part of this report.

Results and Appropriations

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 96.

An interim dividend of HK95.00 cents (approximately US12.23 cents) per share amounting to approximately US$224,334,000 was paid to the shareholders during the year.

The directors recommend the payment of a final dividend of HK98.00 cents (approximately US12.61 cents) per share to the shareholders on the register of members on May 20, 2024, amounting to approximately US$231,355,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately US$1,387,000 on moulds and tooling, office equipment, furniture and fixtures for approximately US$18,859,000 and plant and machinery for approximately US$28,426,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 39 to the consolidated financial statements.

Other than 350,000 shares of the Company purchased on-market by the trustee for satisfying the awarded shares granted under the Company's share award scheme (details which are set out in the Corporate Governance Report), a total of 500,000 ordinary shares were bought back by the Company during the year at prices ranging from HK$67.90 to HK$68.70 per share. The aggregate amount paid by the Company for such buy-backs amounting to US$4,408,000 was charged to the retained earnings.

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

Directors

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

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman*
Mr Stephan Horst Pudwill, *Vice Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
Mr Kin Wah Chan
Mr Chi Chung Chan
Mr Camille Jojo (re-designated from Non-executive Director to Executive Director with effect from December 1, 2023)

Non-executive Director:

Prof Roy Chi Ping Chung GBS BBS JP

Independent Non-executive Directors:

Mr Peter David Sullivan
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz
Ms Virginia Davis Wilmerding
Ms Caroline Christina Kracht
Mr Andrew Philip Roberts (appointed with effect from January 1, 2024)

In accordance with Article 107(A) of the Articles, Mr Stephan Horst Pudwill, Prof Roy Chi Ping Chung GBS BBS JP, Mr Peter David Sullivan, Mr Johannes-Gerhard Hesse and Ms Virginia Davis Wilmerding will retire at the forthcoming Annual General Meeting. With the exception of Prof Roy Chi Ping Chung GBS BBS JP who will not stand for re-election, all other retiring Directors, being eligible, will offer themselves for re-election. In accordance with Article 98 of the Articles, Mr Andrew Philip Roberts, who was appointed on January 1, 2024, shall retire at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election.

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

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

The term of office for each of the Non-executive Director and Independent Non-executive Directors is the period up to his/her retirement by rotation in accordance with Article 107(A) of the Articles.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended December 31, 2023 and during the period from January 1, 2024 to the date of this Report are available on the Company's website (www.ttigroup.com).

Directors' and Chief Executive's Interests

As at December 31, 2023, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives)[1]	Interests in underlying shares pursuant to equity derivatives[1]	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	146,714,000[2]	805,500	364,439,294	19.87%
	Interests of spouse	760,000	–		
	Interests of controlled corporation	216,159,794[3]	–		
Mr Stephan Horst Pudwill	Beneficial owner	5,234,500[4]	6,250,000	45,492,000	2.48%
	Beneficiary of a trust	34,007,500[5]	–		
Mr Joseph Galli Jr	Beneficial owner	16,916,000[6]	750,000	17,666,000	0.96%
Mr Kin Wah Chan	Beneficial owner	766,000[7]	4,950,000	5,716,000	0.31%
Mr Chi Chung Chan	Beneficial owner	1,125,000[8]	5,250,000	6,375,000	0.35%
Mr Camille Jojo	Beneficial owner	151,500[9]	286,000	437,500	0.02%
Prof Roy Chi Ping Chung GBS BBS JP	Beneficial owner	49,190,948[10]	486,000	86,751,978	4.73%
	Interests of controlled corporation	37,075,030[11]	–		
Mr Peter David Sullivan	Beneficial owner	532,000[12]	139,000	671,000	0.04%
Mr Johannes-Gerhard Hesse	Beneficial owner	35,000[13]	471,000	506,000	0.03%
Mr Robert Hinman Getz	Beneficial owner	85,674[14]	214,000	299,674	0.02%
Ms Virginia Davis Wilmerding	Beneficial owner	25,000[15]	89,500	114,500	0.01%
Ms Caroline Christina Kracht	Beneficial owner	12,500[16]	60,000	72,500	less than 0.01%

Directors' and Chief Executive's Interests
(continued)

Notes:

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

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

(2) These included Mr Horst Julius Pudwill's interests in 125,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Horst Julius Pudwill's awarded shares are set out in the Corporate Governance Report.

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

	No. of shares
Sunning Inc.	179,084,764
Cordless Industries Company Limited*	37,075,030
	216,159,794

(4) These included Mr Stephan Horst Pudwill's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Stephan Horst Pudwill's awarded shares are set out in the Corporate Governance Report.

(5) These shares were held by a trust of which Mr Stephan Horst Pudwill is one of the beneficiaries.

(6) These included Mr Joseph Galli Jr's interests in 5,000,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023 and 4,000,000 awarded shares which agreed but not yet granted to Mr Galli. Details of Mr Joseph Galli Jr's awarded shares are set out in the Corporate Governance Report.

(7) These included Mr Kin Wah Chan's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Kin Wah Chan's awarded shares are set out in the Corporate Governance Report.

(8) These included Mr Chi Chung Chan's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Chi Chung Chan's awarded shares are set out in the Corporate Governance Report.

(9) These included Mr Camille Jojo's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Camille Jojo's awarded shares are set out in the Corporate Governance Report.

(10) These included Prof Roy Chi Ping Chung GBS BBS JP's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Prof Roy Chi Ping Chung GBS BBS JP's awarded shares are set out in the Corporate Governance Report.

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

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

(12) These included Mr Peter David Sullivan's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Peter David Sullivan's awarded shares are set out in the Corporate Governance Report.

(13) These included Mr Johannes-Gerhard Hesse's interests in 25,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Johannes-Gerhard Hesse's awarded shares are set out in the Corporate Governance Report.

(14) These included Mr Robert Hinman Getz's interests in 30,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Mr Robert Hinman Getz's awarded shares are set out in the Corporate Governance Report.

(15) These included Ms Virginia Davis Wilmerding's interests in 25,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Ms Virginia Davis Wilmerding's awarded shares are set out in the Corporate Governance Report.

(16) These included Ms Caroline Christina Kracht's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2023. Details of Ms Caroline Christina Kracht's awarded shares are set out in the Corporate Governance Report.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2023.

Share Options

Share Option Schemes

The Company has two share option schemes in place - Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and subsequently amended and restated on May 12, 2023 ("Scheme E Amendment Date"), and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. Below are the summary of the principal terms of Scheme D:

The Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company: (i) employees; or (ii) Directors; or (iii) secondees; or (iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or (v) business partners; or (vi) suppliers; or (vii) customers; or (viii) advisers of the Group.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board for the grant thereof. Share options may be exercised at any time, subject to vesting conditions, from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of the shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1.0% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Options may be exercised at any time immediately after vesting on each of the first and, depending on the vesting conditions, second and third anniversary of the relevant date of grant of the share option to the tenth anniversary of such date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the scheme rules of Scheme E were amended and restated with effect from May 12, 2023 as below:

The Board may, as its discretion and on such terms as it may think fit, grant such share options to eligible participants as it may in its absolute discretion select in accordance with the terms of Scheme E. Eligible participants include (i) employees; (ii) Directors; (iii) related entity participants and (iv) service providers.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board for the grant thereof. Share options may be exercised at any time, subject to vesting conditions, from the first date of vesting to the tenth anniversary of the date of grant. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer.

Share Options (continued)

According to the scheme rules as amended and restated on May 12, 2023, the overall limit on the number of shares under share options from time to time under Scheme E and any other share scheme(s) of the Company shall not, in aggregate, exceed 10.00% of the total issued share capital of the Company as at Scheme E Amendment Date. Within the scheme mandate limit, the total number of shares which may be issued upon exercise of all options to be granted to service providers shall not exceed 1.00% of the total issued share capital of the Company as at Scheme E Amendment Date. Where any grant of share options to a share option grantee under Scheme E would result in shares issued and to be issued in respect of all share options or awarded shares granted to such person (excluding any share options and awarded shares lapsed in accordance with the terms of Scheme E or any other share scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1.00% of the total issued share capital of the Company as at Scheme E Amendment Date, such grant of share options must be separately approved by the shareholders in general meeting with such share option grantee and his/her close associates (or his/her associates if the share option grantee is a connected person of the Company) abstaining from voting. Without prejudice to the above, where any grant of share options or awarded shares to a Director (other than an Independent Non-executive Director) or chief executive of the Company, or any of their respective associates would result in the shares issued and to be issued in respect of all share options and awarded shares granted (excluding any share options or awarded shares lapsed in accordance with the terms of Scheme E or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.10% of the total issued share capital of the Company as at Scheme E Amendment Date, such grant of share options or awarded shares must be approved by the shareholders in general meeting with such share option grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. Without prejudice to the above, where any grant of share options or awarded shares to an Independent Non-executive Director or a substantial shareholder of the Company, or any of their respective associates, would result in the shares issued and to be issued in respect of all share options and awarded shares granted (excluding any share options or awarded shares lapsed in accordance with the terms of Scheme E or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.10% of the total issued share capital of the Company as at Scheme E Amendment Date, such grant of share options or awarded shares must be approved by the shareholders in general meeting with such share option grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. The total issued share capital of the Company as at Scheme E Amendment Date was 1,834,797,941 shares.

The Directors or the Remuneration Committee (as the case may be) have the authority to establish performance target and/or clawback mechanism in relation to the granting of share options. The Board is of the view that the flexibility granted to the Directors to specify appropriate conditions, restrictions and/or limitations on a case-by-case basis in their absolute discretion when offering and/or vesting share options to eligible participants could provide a more meaningful and functional means to achieve the purpose of Scheme E (whether as recognition of past contribution or as incentive to motivate, retain or attract suitable talents) in light of the particulars circumstances of each offer of share options. General factors that the Board may take into account for imposing performance targets and clawback mechanisms include, but not limited to the Group's level and the individual's level. The Board or the Remuneration Committee (as the case may be) will carefully assess whether performance targets, if any, are satisfied upon receipt of any notice of exercise of share options from a grantee.

Options may be exercised at any time immediately after each of the first, and depending on the vesting conditions, second and third anniversary of the relevant date of grant of the share option to the tenth anniversary of such date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

The following tables disclose movements in the Company's share options during the year:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	22.12.2020	E	23,500	–	–	–	23,500	105.500	22.12.2021 – 21.12.2030(4)
	30.12.2021	E	32,000	–	–	–	32,000	154.900	30.12.2022 – 29.12.2031(4)
	22.8.2023	E	–	750,000	–	–	750,000	81.050	22.8.2024 – 21.8.2033(5)
Mr Stephan Horst Pudwill	20.3.2014	D	750,000	–	–	–	750,000	21.600	20.3.2015 – 19.3.2024(4)
	11.9.2015	D	250,000	–	–	–	250,000	29.650	11.9.2016 – 10.9.2025(4)
	17.3.2017	D	500,000	–	–	–	500,000	32.100	17.3.2018 – 16.3.2027(4)
	14.3.2018	E	250,000	–	–	–	250,000	47.900	14.3.2019 – 13.3.2028(4)
	20.5.2019	E	500,000	–	–	–	500,000	51.080	20.5.2020 – 19.5.2029(4)
	15.5.2020	E	500,000	–	–	–	500,000	65.250	15.5.2021 – 14.5.2030(7)
	22.12.2020	E	2,000,000	–	–	–	2,000,000	105.500	22.12.2021 – 21.12.2030(8)
	30.12.2021	E	1,000,000	–	–	–	1,000,000	154.900	30.12.2022 – 29.12.2031(6)
	22.8.2023	E	–	500,000	–	–	500,000	81.050	22.8.2024 – 21.8.2033(7)
Mr Joseph Galli Jr	22.8.2023	E	–	750,000	–	–	750,000	81.050	22.8.2024 – 21.8.2033(5)
Mr Kin Wah Chan	17.3.2017	D	200,000	–	–	–	200,000	32.100	17.3.2018 – 16.3.2027(4)
	14.3.2018	E	250,000	–	–	–	250,000	47.900	14.3.2019 – 13.3.2028(4)
	20.5.2019	E	500,000	–	–	–	500,000	51.080	20.5.2020 – 19.5.2029(4)
	15.5.2020	E	500,000	–	–	–	500,000	65.250	15.5.2021 – 14.5.2030(7)
	22.12.2020	E	2,000,000	–	–	–	2,000,000	105.500	22.12.2021 – 21.12.2030(8)
	30.12.2021	E	1,000,000	–	–	–	1,000,000	154.900	30.12.2022 – 29.12.2031(6)
	22.8.2023	E	–	500,000	–	–	500,000	81.050	22.8.2024 – 21.8.2033(7)
Mr Chi Chung Chan	17.3.2017	D	500,000	–	–	–	500,000	32.100	17.3.2018 – 16.3.2027(4)
	14.3.2018	E	250,000	–	–	–	250,000	47.900	14.3.2019 – 13.3.2028(4)
	20.5.2019	E	500,000	–	–	–	500,000	51.080	20.5.2020 – 19.5.2029(4)
	15.5.2020	E	500,000	–	–	–	500,000	65.250	15.5.2021 – 14.5.2030(7)
	22.12.2020	E	2,000,000	–	–	–	2,000,000	105.500	22.12.2021 – 21.12.2030(8)
	30.12.2021	E	1,000,000	–	–	–	1,000,000	154.900	30.12.2022 – 29.12.2031(6)
	22.8.2023	E	–	500,000	–	–	500,000	81.050	22.8.2024 – 21.8.2033(7)
Mr Camille Jojo	14.3.2018	E	50,000	–	–	–	50,000	47.900	14.3.2019 – 13.3.2028(4)
	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029(4)
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030(4)
	30.12.2021	E	32,000	–	–	–	32,000	154.900	30.12.2022 – 29.12.2031(4)
	22.8.2023	E	–	60,000	–	–	60,000	81.050	22.8.2024 – 21.8.2033(3)

Share Options (continued)

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors (continued)									
Prof Roy Chi Ping Chung GBS BBS JP	17.3.2017	D	150,000	–	–	–	150,000	32.100	17.3.2018 – 16.3.2027(4)
	14.3.2018	E	100,000	–	–	–	100,000	47.900	14.3.2019 – 13.3.2028(4)
	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029(4)
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030(4)
	30.12.2021	E	32,000	–	–	–	32,000	154.900	30.12.2022 – 29.12.2031(4)
	22.8.2023	E	–	60,000	–	–	60,000	81.050	22.8.2024 – 21.8.2033(3)
Mr Peter David Sullivan	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030(4)
	30.12.2021	E	32,000	–	–	–	32,000	154.900	30.12.2022 – 29.12.2031(4)
	22.8.2023	E	–	60,000	–	–	60,000	81.050	22.8.2024 – 21.8.2033(3)
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	–	–	–	135,000	36.300	19.6.2018 – 18.6.2027(4)
	14.3.2018	E	100,000	–	–	–	100,000	47.900	14.3.2019 – 13.3.2028(4)
	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029(4)
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030(4)
	30.12.2021	E	32,000	–	–	–	32,000	154.900	30.12.2022 – 29.12.2031(4)
	22.8.2023	E	–	60,000	–	–	60,000	81.050	22.8.2024 – 21.8.2033(3)
Mr Robert Hinman Getz	15.5.2020	E	75,000	–	–	–	75,000	65.250	15.5.2021 – 14.5.2030(5)
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030(4)
	30.12.2021	E	32,000	–	–	–	32,000	154.900	30.12.2022 – 29.12.2031(4)
	22.8.2023	E	–	60,000	–	–	60,000	81.050	22.8.2024 – 21.8.2033(3)
Ms Virginia Davis Wilmerding	19.8.2021	E	29,500	–	–	–	29,500	167.200	19.8.2022 – 18.8.2031(4)
	22.8.2023	E	–	60,000	–	–	60,000	81.050	22.8.2024 – 21.8.2033(3)
Ms Caroline Christina Kracht	22.8.2023	E	–	60,000	–	–	60,000	81.050	22.8.2024 – 21.8.2033(3)
Total for directors			**16,331,000**	**3,420,000**	**–**	**–**	**19,751,000**		
Employees	17.3.2017	D	70,000	–	(20,000)	–	50,000	32.100	17.3.2018 – 16.3.2027(4)
	19.6.2017	E	100,000	–	(100,000)	–	–	36.300	19.6.2018 – 18.6.2027(4)
	14.3.2018	E	150,000	–	–	–	150,000	47.900	14.3.2019 – 13.3.2028(4)
	20.5.2019	E	194,000	–	–	–	194,000	51.080	20.5.2020 – 19.5.2029(4)
	22.12.2020	E	94,000	–	–	–	94,000	105.500	22.12.2021 – 21.12.2030(4)
	22.11.2023	E	–	250,000	–	–	250,000	81.480	22.11.2024 – 21.11.2033(4)
Total for employees			**608,000**	**250,000**	**(120,000)**	**–**	**738,000**		
Total for all categories			**16,939,000**	**3,670,000**	**(120,000)**	**–**	**20,489,000**		

(1) The number of shares that may be issued in respect of share options granted under Scheme D is 117,281,565, representing approximately 6.39% of the issued shares of the Company as at December 31, 2023. The total number of shares available for issue in respect of which share options may be granted under Scheme D is 150,505,065 shares, which represented approximately 8.20% of the issued shares of the Company as at December 31, 2023.

(2) Since the adoption of Scheme E on May 19, 2017, no share options was granted to any service provider of the Company and therefore the number of shares that may be issued to service providers remained at 18,347,979 shares throughout the year. The number of shares that may be issued in respect of share options and awarded shares granted under Scheme E and the 2018 Share Award Scheme is 163,085,794, representing approximately 8.89% of the issued shares of the Company as at December 31, 2023. The total number of shares available for issue in respect of which share options may be granted under Scheme E are 183,479,794 shares, which represented (i) approximately 10.00% of the issued shares of the Company as at December 31, 2023; and (ii) approximately 10.01% of the issued shares of the Company as at the date of this Annual Report. The number of share options available for grant under Scheme E (i) at the beginning of the year was 168,012,694; and (ii) under the approved scheme mandate at the end of the year was 183,479,794 pursuant to the amended and restated rules of Scheme E.

(3) 100% of the share options granted be vested on the 1st anniversary of the date of grant.

(4) 50% of the share options granted be vested on the 1st anniversary of the date of grant and the remaining 50% be vested on the 2nd anniversary of the date of grant.

(5) three equal batches of share options be vested on 1st anniversary, 2nd anniversary and 3rd anniversary of the date of grant respectively.

(6) 33.00%, 33.00% and 34.00% be vested on the 1st anniversary, 2nd anniversary and 3rd anniversary of the date of grant respectively.

(7) 33.20%, 33.40% and 33.40% be vested on the 1st anniversary, 2nd anniversary and 3rd anniversary of the date of grant respectively.

(8) 33.30%, 33.30% and 33.40% be vested on the 1st anniversary, 2nd anniversary and 3rd anniversary of the date of grant respectively.

(9) The Company had 20,489,000 shares options outstanding, which represented approximately 1.12% of the issued shares of the Company as at December 31, 2023. 3,670,000 share options were granted during the year. No share option was cancelled or lapsed during the year. None of the grants of share options to any participants is in excess of the 1% individual limit.

(10) The group recognized a total expenses of US$8,829,000 (2022: US$15,366,000) for the year ended December 31, 2023 in relation to share options granted by the Company.

(11) The number of shares that may be issued in respect of share awards granted under 2018 Share Award Scheme (details are set out in the Corporate Governance Report) and share options granted under Scheme E during the year divided by the weighted average number of shares in issue for the year is 0.28%.

(12) The weighted average closing price of the Company's shares immediately before the various dates on which the share options were granted during 2023 was HK$78.81.

(13) The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$78.60 to HK$81.75 in 2023.

(14) The weighted average closing prices of the Company's shares immediately before various dates during 2023 and 2022 on which the share options was exercised were HK$81.33 (2022: HK$87.98) respectively.

(15) The fair value of the share options granted in 2023 measured at various dates on which the share options were granted was ranged from HK$23.12 to HK$23.15. The weighted average fair value of the share options granted in 2023 was HK$23.12 per option.

Save as disclosed above, no other person was granted share options for the year ended December 31, 2023.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award scheme (details of which are set out in this Annual Report), at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Director's Interests in Transactions, Arrangements and Contracts of Significance

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

Directors' Indemnities

Pursuant to the Articles, every director of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance) which he/she may sustain or incur in or about the execution of the duties of his/her office. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Equity-linked Agreements

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in the Corporate Governance Report), the Group has not entered into any equity-linked agreements during the year.

Substantial Shareholders' Interests

As at December 31, 2023, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares	(L/S/LP)*	Approximate aggregate percentage of interests
JPMorgan Chase & Co.(1)	182,415,282	(L)	9.94%
	4,564,654	(S)	0.25%
	111,491,009	(LP)	6.08%
The Bank of New York Mellon Corporation(2)	91,822,534	(L)	5.01%
	35,813,385	(S)	1.95%
	53,690,030	(LP)	2.93%
The Capital Group Companies, Inc.(3)	147,533,933	(L)	8.04%

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

Notes:

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

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)***	**Deemed interests**	**(L/S/LP)***	**Approximate percentage of interests**
JPMorgan Chase & Co.	(1a)	–	–	182,415,282	(L)	9.94%
		–	–	4,564,654	(S)	0.25%
		–	–	111,491,009	(LP)	6.08%
JPMorgan Asset Management (Taiwan) Limited	(1b)	220,500	(L)	–	–	0.01%
55I, LLC	(1b)	825	(L)	–	–	0.00%
J.P. Morgan SE	(1b)	12,500	(L)	–	–	0.00%
J.P. Morgan Securities LLC	(1b)	2,126,903	(L)	–	–	0.12%
		282,000	(S)	–	–	0.02%
JPMORGAN CHASE BANK, N.A. – LONDON BRANCH	(1b)	111,491,009	(L)	–	–	6.08%
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	(1b)	5,649,500	(L)	–	–	0.31%
J.P. Morgan Investment Management Inc.	(1b)	47,239,861	(L)	–	–	2.58%
J.P. Morgan Prime Inc.	(1b)	7,500	(L)	–	–	0.00%
JPMorgan Asset Management (Japan) Limited	(1b)	143,200	(L)	–	–	0.01%
J.P. Morgan Trust Company of Delaware	(1b)	66,775	(L)	–	–	0.00%
JPMorgan Chase Bank, National Association	(1b)	5,208,916	(L)	–	–	0.28%
		56,140	(S)	–	–	0.00%
JPMorgan Asset Management (Asia Pacific) Limited	(1b)	4,685,000	(L)	–	–	0.26%
J.P. MORGAN SECURITIES PLC	(1b)	5,529,978	(L)	–	–	0.30%
		4,226,514	(S)	–	–	0.23%
J.P. Morgan Private Wealth Advisors LLC	(1b)	32,815	(L)	–	–	0.00%
JPMorgan Asset Management (Asia) Inc.	(1b)	–	–	5,048,700	(L)	0.28%
JPMorgan Asset Management Holdings Inc.	(1b)	–	–	57,938,886	(L)	3.16%
JPMorgan Chase Holdings LLC	(1b)	–	–	60,172,879	(L)	3.28%
		–	–	282,000	(S)	0.02%
55 Institutional Partners, LLC	(1b)	–	–	825	(L)	0.00%
J.P. Morgan International Finance Limited	(1b)	–	–	5,542,478	(L)	0.30%
		–	–	4,226,514	(S)	0.23%
JPMorgan Chase Bank, National Association	(1b)	–	–	117,033,487	(L)	6.38%
		–	–	4,226,514	(S)	0.23%
J.P. Morgan Broker-Dealer Holdings Inc.	(1b)	–	–	2,134,403	(L)	0.12%
		–	–	282,000	(S)	0.02%
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	(1b)	–	–	5,649,500	(L)	0.31%
J.P. Morgan Securities LLC	(1b)	–	–	7,500	(L)	0.00%
J.P. MORGAN CAPITAL HOLDINGS LIMITED	(1b)	–	–	5,529,978	(L)	0.30%
		–	–	4,226,514	(S)	0.23%

Substantial Shareholders' Interests (continued)

Remarks:

(1a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 182,415,282 shares of long position, 4,564,654 shares of short position and 111,491,009 shares of lending pool respectively was as controlled corporation.

(1b) JPMorgan Asset Management (Taiwan) Limited, 55I, LLC, J.P. Morgan SE, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. - LONDON BRANCH, JPMORGAN ASSET MANAGEMENT (UK) LIMITED, J.P. Morgan Investment Management Inc., J.P. Morgan Prime Inc., JPMorgan Asset Management (Japan) Limited, J.P. Morgan Trust Company of Delaware, JPMorgan Chase Bank, National Association, JPMorgan Asset Management (Asia Pacific) Limited, J.P. MORGAN SECURITIES PLC, J.P. Morgan Private Wealth Advisors LLC, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, 55 Institutional Partners, LLC, J.P. Morgan International Finance Limited, JPMorgan Chase Bank, National Association, J.P. Morgan Broker-Dealer Holdings Inc., JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, J.P. Morgan Securities LLC and J.P. MORGAN CAPITAL HOLDINGS LIMITED were all directly or indirectly owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

(2) The following is a breakdown of the interest in shares in the Company held by The Bank of New York Mellon Corporation:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)***	**Deemed interests**	**(L/S/LP)***	**Approximate percentage of interests**
The Bank of New York Mellon Corporation	(2a)	–	–	91,822,534	(L)	5.01%
		–	–	35,813,385	(S)	1.95%
		–	–	53,690,030	(LP)	2.93%
The Bank of New York Mellon	(2b)	91,765,694	(L)	–	–	5.00%
		35,813,385	(S)	–	–	1.95%
BNY Mellon, National Association	(2b)	56,415	(L)	–	–	0.00%
B.N.Y. Holdings (Delaware) Corporation	(2b)	–	–	425	(L)	0.00%
BNY Mellon Trust of Delaware	(2b)	425	(L)	–	–	0.00%

Remarks:

(2a) The Bank of New York Mellon Corporation is listed on New York Stock Exchange. The capacity of The Bank of New York Mellon Corporation in holding the 91,822,534 shares of long position, 35,813,385 shares of short position and 53,690,030 shares of lending pool respectively was as controlling corporation.

(2b) The Bank of New York Mellon, BNY Mellon, National Association, B.N.Y. Holdings (Delaware) Corporation and BNY Mellon Trust of Delaware were all directly or indirectly owned by The Bank of New York Mellon Corporation and by virtue of the SFO, The Bank of New York Mellon Corporation was deemed to be interested in the shares held by these subsidiaries.

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

Name	Remarks	Total interests in shares: Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	Approximate percentage of interests
The Capital Group Companies, Inc.	(3a)	–	–	147,533,933	(L)	8.04%
Capital Research and Management Company	(3b)	144,937,933	(L)	–	–	7.90%
		–	–	2,596,000	(L)	0.14%
Capital Group International, Inc.	(3b)	–	–	2,596,000	(L)	0.14%
Capital International Limited	(3b)	312,500	(L)	–	–	0.02%
Capital International Sarl	(3b)	490,500	(L)	–	–	0.03%
Capital International, Inc.	(3b)	1,743,000	(L)	–	–	0.10%
Capital Group Investment Management Private Limited	(3b)	50,000	(L)	–	–	0.00%

Remarks:

(3a) The capacity of The Capital Group Companies, Inc. in holding the 147,533,933 shares of long position was as controlled corporation.

(3b) Capital Research and Management Company, Capital Group International, Inc., Capital International Limited, Capital International Sarl, Capital International, Inc. and Capital Group Investment Management Private Limited were all directly or indirectly owned by The Capital Group Companies, Inc. and by virtue of the SFO, The Capital Group Companies, Inc. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at December 31, 2023.

Dividend Policy

Stable dividend payment to shareholders of the Company is our primary objective. The Board determines the interim dividend and recommends the final dividend which requires the approval of shareholders of the Company. In proposing any dividend payout, the Board of Directors shall take into account, inter alia, the Group's operations, earnings, financial condition, cash availability, capital expenditure and future development requirements and other factors that may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Ordinance and the Articles.

Connected Transactions

On December 22, 2023, 1,000,000 shares in the Company have been granted as awarded shares under the share award scheme of the Company to Chief Executive Officer, Mr Joseph Galli Jr, who is a connected person of the Company as defined under the Listing Rules and therefore constituted a connected transaction of the Company when aggregated with the grant of award of 1,000,000 Shares to him on December 30, 2022 and the grant of 750,000 share options to him on August 22, 2023. The awarded shares are to be vested on the 1st anniversary of the date of grant subject to performance criteria. Details of such grant and the vesting terms are set out in the Corporate Governance Report and the Company's announcement dated December 22, 2023. Such grant serves as a recognition and reward of Mr Galli's contributions to the Company's continuing operation and development. No consideration are required for such grant and upon acceptance of the awarded shares, no payment is required.

The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules for the above grants of awarded shares to connected persons of the Company.

Environmental, Social and Governance ("ESG")

The Company has adopted the latest ESG reporting guidelines issued by the Stock Exchange. The ESG Report together with this annual report will be published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk) in due course in compliance with the ESG reporting guidelines as set out in Appendix C2 (formerly known as Appendix 27) to the Listing Rules.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2023.

Donations

During the year, the Group made charitable and other donations totalling US$1,074,000.

Auditor

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

Horst Julius Pudwill
Chairman

Hong Kong
March 6, 2024

Independent Auditor's Report

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 96 to 193, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

RECOGNITION OF INCOME AND DEFERRED TAX

We identified the recognition of income and deferred tax as a key audit matter as the Group operates in a complex multinational tax environment, in which the tax amounts, including provisions for potential tax exposures and, the recognition of the deferred tax, are associated with a high degree of estimation and judgement.

As disclosed in Note 10 to the consolidated financial statements, as at December 31, 2023, the Group has recognized US$79 million of income tax expense in the consolidated statement of profit or loss.

How our Audit Addressed the Key Audit Matter

Our procedures in relation to management's assessment about the recognition of income and deferred tax included:

- Understanding and evaluating the management's processes and relevant controls regarding the estimation of the amount of income tax and deferred tax to be recognized;
- Understanding and evaluating management's judgements and assumptions pertaining to uncertain tax matters, we considered the status of the relevant tax authority inquiries, judgmental positions taken in the tax returns, the outcome of previous inquiries by tax authorities and developments in the tax environment;
- Involving our tax specialists to evaluate and challenge the adequacy of management's key assumptions and read the latest correspondence with the tax authorities to assess management's estimates; and
- Evaluating management's assessment supporting the recognition of deferred tax.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Stephen David Smart.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 6, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	Notes	2023 US$'000	2022 US$'000
Revenue	6	**13,731,411**	13,253,917
Cost of sales		**(8,311,775)**	(8,041,340)
Gross profit		**5,419,636**	5,212,577
Other income	7	**16,820**	13,517
Interest income	8	**44,956**	25,852
Selling, distribution and advertising expenses		**(2,347,219)**	(2,191,001)
Administrative expenses		**(1,406,210)**	(1,349,840)
Research and development costs		**(548,338)**	(484,343)
Finance costs	9	**(124,056)**	(69,868)
Profit before share of result of an associate and taxation		**1,055,589**	1,156,894
Share of result of an associate		**27**	3
Profit before taxation		**1,055,616**	1,156,897
Taxation charge	10	**(79,276)**	(79,747)
Profit for the year attributable to Owners of the Company	11	**976,340**	1,077,150
Other comprehensive (loss) income:			
Item that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		**(38)**	19,376
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		**(18,553)**	(63,367)
Exchange differences on translation of foreign operations		**(18,383)**	(128,382)
Other comprehensive loss for the year		**(36,974)**	(172,373)
Total comprehensive income for the year attributable to Owners of the Company		**939,366**	904,777
Earnings per share (US cents)	15		
Basic		**53.36**	58.86
Diluted		**53.17**	58.67

Consolidated Statement of Financial Position

As at December 31, 2023

	Notes	2023 US$'000	2022 US$'000
Non-current assets			
Property, plant and equipment	16	**2,310,537**	2,085,871
Right of use assets	17	**866,009**	683,289
Goodwill	18	**604,297**	598,674
Intangible assets	19	**1,298,419**	1,124,013
Interest in an associate	21	**2,056**	2,029
Financial assets at fair value through profit or loss	22	**8,732**	9,744
Deposits		**112,000**	177,300
Finance lease receivables	23	**5,781**	8,487
Derivative financial instruments	29	**8,084**	8,002
Deferred tax assets	42	**63,354**	81,082
		5,279,269	4,778,491
Current assets			
Inventories	24	**4,098,161**	5,084,951
Right to returned goods asset	25	**8,734**	10,563
Trade and other receivables	26	**1,811,592**	1,639,563
Deposits and prepayments		**187,349**	232,127
Bills receivable	27	**8,423**	6,887
Finance lease receivables	23	**2,706**	2,589
Tax recoverable		**5,013**	36,231
Trade receivables from an associate	28	**6,927**	5,026
Derivative financial instruments	29	**14,455**	76,774
Financial assets at fair value through profit or loss	22	**26,114**	13,466
Bank balances, deposits and cash	30	**953,240**	1,428,930
		7,122,714	8,537,107
Current liabilities			
Trade and other payables	31	**3,373,231**	3,777,427
Bills payable	32	**18,424**	20,267
Warranty provision	33	**235,597**	205,350
Tax payable		**47,558**	56,750
Derivative financial instruments	29	**16,062**	50,474
Lease liabilities	34	**153,523**	139,520
Discounted bills with recourse	35	**2,708**	2,003
Unsecured borrowings – due within one year	38	**920,151**	1,952,947
Refund liabilities from right of return	25	**16,215**	17,577
		4,783,469	6,222,315
Net current assets		**2,339,245**	2,314,792
Total assets less current liabilities		**7,618,514**	7,093,283

	Notes	2023 US$'000	2022 US$'000
Capital and Reserves			
Share capital	39	**685,392**	684,710
Reserves		**5,062,158**	4,520,771
Equity attributable to Owners of the Company and total equity		**5,747,550**	5,205,481
Non-current Liabilities			
Lease liabilities	34	**734,369**	565,561
Unsecured borrowings – due after one year	38	**1,030,971**	1,198,002
Retirement benefit obligations	41	**47,825**	47,671
Other payables	31	**31,530**	60,346
Deferred tax liabilities	42	**26,269**	16,222
		1,870,964	1,887,802
Total equity and non-current liabilities		**7,618,514**	7,093,283

The consolidated financial statements on pages 96 to 193 were approved and authorized for issue by the Board of Directors on March 6, 2024 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Share capital US$'000	Shares held for share award scheme US$'000	Translation reserve US$'000	Employee share-based compensation reserve US$'000	Defined benefit obligations remeasurement reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000
At January 1, 2022	683,395	(105,740)	(103,714)	31,341	(11,781)	81,900	4,147,117	4,722,518
Profit for the year	–	–	–	–	–	–	1,077,150	1,077,150
Remeasurement of defined benefit obligations	–	–	–	–	22,007	–	–	22,007
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	–	–	–	–	–	(63,671)	–	(63,671)
Deferred tax liability on remeasurement of defined benefit obligations	–	–	–	–	(2,631)	–	–	(2,631)
Deferred tax asset on hedging reserve	–	–	–	–	–	304	–	304
Exchange differences on translation of foreign operations	–	–	(128,382)	–	–	–	–	(128,382)
Other comprehensive (loss) income for the year	–	–	(128,382)	–	19,376	(63,367)	–	(172,373)
Total comprehensive (loss) income for the year	–	–	(128,382)	–	19,376	(63,367)	1,077,150	904,777
Shares issued on exercise of options	1,315	–	–	(258)	–	–	–	1,057
Vesting of awarded shares	–	21,651	–	(21,651)	–	–	–	–
Shares for share award scheme	–	(9,796)	–	–	–	–	–	(9,796)
Recognition of share-based payments	–	–	–	47,346	–	–	–	47,346
Final dividend – 2021	–	–	–	–	–	–	(236,104)	(236,104)
Interim dividend – 2022	–	–	–	–	–	–	(224,317)	(224,317)
At December 31, 2022	684,710	(93,885)	(232,096)	56,778	7,595	18,533	4,763,846	5,205,481
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**976,340**	**976,340**
Remeasurement of defined benefit obligations	**–**	**–**	**–**	**–**	**162**	**–**	**–**	**162**
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	**–**	**–**	**–**	**–**	**–**	**(19,208)**	**–**	**(19,208)**
Deferred tax liability on remeasurement of defined benefit obligations	**–**	**–**	**–**	**–**	**(200)**	**–**	**–**	**(200)**
Deferred tax asset on hedging reserve	**–**	**–**	**–**	**–**	**–**	**655**	**–**	**655**
Exchange differences on translation of foreign operations	**–**	**–**	**(18,383)**	**–**	**–**	**–**	**–**	**(18,383)**
Other comprehensive loss for the year	**–**	**–**	**(18,383)**	**–**	**(38)**	**(18,553)**	**–**	**(36,974)**
Total comprehensive (loss) income for the year	**–**	**–**	**(18,383)**	**–**	**(38)**	**(18,553)**	**976,340**	**939,366**
Shares issued on exercise of options	**682**	**–**	**–**	**(132)**	**–**	**–**	**–**	**550**
Buy-back and cancellation of shares	**–**	**–**	**–**	**–**	**–**	**–**	**(4,408)**	**(4,408)**
Vesting of awarded shares	**–**	**23,479**	**–**	**(23,479)**	**–**	**–**	**–**	**–**
Shares for share award scheme	**–**	**(3,525)**	**–**	**–**	**–**	**–**	**–**	**(3,525)**
Recognition of share-based payments	**–**	**–**	**–**	**46,945**	**–**	**–**	**–**	**46,945**
Final dividend – 2022	**–**	**–**	**–**	**–**	**–**	**–**	**(212,525)**	**(212,525)**
Interim dividend – 2023	**–**	**–**	**–**	**–**	**–**	**–**	**(224,334)**	**(224,334)**
At December 31, 2023	**685,392**	**(73,931)**	**(250,479)**	**80,112**	**7,557**	**(20)**	**5,298,919**	**5,747,550**

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 US$'000	2022 US$'000
Operating Activities		
Profit before taxation	**1,055,616**	1,156,897
Adjustments for:		
Amortization/write-off of intangible assets	**198,268**	132,434
Depreciation of property, plant and equipment	**269,041**	240,428
Depreciation of right of use assets	**166,178**	139,998
Fair value loss (gain) on foreign currency forward contracts	**8,968**	(4,339)
Fair value (gain) loss on acquisition right of certain property, plant and equipment	**(82)**	300
Fair value (gain) loss on listed equity securities	**(14,024)**	2,806
Fair value loss on unlisted equity securities	**1,000**	–
Finance costs	**124,056**	69,868
Gain on early termination of leases	**(65)**	(178)
Gain on sale and leaseback transactions	**–**	(9,072)
Impairment loss (reversal of impairment loss) on trade receivables under expected credit loss model	**9,738**	(12,268)
Interest income	**(44,956)**	(25,852)
Loss on disposal of property, plant and equipment	**18,079**	16,497
Share-based payments expense	**46,945**	47,346
Share of result of an associate	**(27)**	(3)
Write down of inventories	**24,247**	61,611
Operating cash flows before movements in working capital	**1,862,982**	1,816,473
Decrease (increase) in inventories	**946,369**	(361,235)
(Increase) decrease in trade and other receivables, deposits and prepayments	**(126,471)**	119,405
Decrease (increase) in right to returned goods asset	**1,829**	(871)
(Increase) decrease in bills receivable	**(1,536)**	756
(Increase) decrease in trade receivables from an associate	**(1,901)**	1,574
Decrease in trade and other payables	**(438,262)**	(178,038)
Decrease in refund liabilities from right of return	**(1,362)**	(5,190)
Decrease in bills payable	**(1,843)**	(27,282)
Increase in warranty provision	**29,034**	26,195
Increase (decrease) in retirement benefit obligations	**316**	(6,462)
Net payment for purchase of shares for share award scheme	**(3,525)**	(9,796)
Cash generated from operations	**2,265,630**	1,375,529
Interest paid	**(124,056)**	(69,868)
Hong Kong Profits Tax paid	**(3,188)**	(1,904)
Overseas tax paid	**(55,569)**	(73,527)
Hong Kong Profits Tax refunded	**14,573**	41
Overseas tax refunded	**6,485**	2,832
Net Cash from Operating Activities	**2,103,875**	1,233,103

	Notes	2023 US$'000	2022 US$'000
Investing Activities			
Acquisition of a subsidiary	43	**(4,524)**	(37,060)
Additions to intangible assets		**(372,588)**	(404,876)
Interest received		**44,956**	25,852
(Payment for) Proceeds from early termination of leases		**(435)**	6
Proceeds from disposal of listed equity securities		**1,376**	–
Proceeds from disposal of property, plant and equipment		**51,417**	3,643
Proceeds from sale and leaseback transactions		**–**	78,572
Purchase of property, plant and equipment		**(501,573)**	(580,990)
Purchase of unlisted equity securities		**–**	(4,800)
Repayment in finance lease receivables		**2,589**	423
Net Cash used in Investing Activities		**(778,782)**	(919,230)
Financing Activities			
Increase in discounted bills with recourse		**705**	146
Dividends paid	14	**(436,859)**	(460,421)
New unsecured borrowings obtained		**5,597,039**	4,839,103
Proceeds from issue of shares		**550**	1,057
Repayment of lease liabilities		**(159,919)**	(137,333)
Repayment of unsecured borrowings		**(6,798,749)**	(4,955,291)
Payment on repurchase and cancellation of shares		**(4,408)**	–
Net Cash used in Financing Activities		**(1,801,641)**	(712,739)
Net Decrease in Cash and Cash Equivalents		**(476,548)**	(398,866)
Cash and Cash Equivalents at Beginning of the Year		**1,428,930**	1,874,401
Effect of Foreign Exchange Rate Changes		**858**	(46,605)
Cash and Cash Equivalents at End of the Year		**953,240**	1,428,930
Analysis of the Balances of Cash and Cash Equivalents			
Represented by:			
Bank balances, deposits and cash		**953,240**	1,428,930
		953,240	1,428,930

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. General Information

Techtronic Industries Company Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacturing and trading of electrical and electronic products.

The consolidated financial statements are presented in United States dollars ("US$"), which is also the functional currency of the Company.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2.1 Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 *Extension of the Temporary Exemption from HKFRS 9* that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after January 1, 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

2.2 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

2.3 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after January 1, 2022;

(ii) the Group also, as at January 1, 2022, recognized 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 difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognized as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group's financial position and performance.

2.4 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the "Pillar Two legislation"). The revised standard requires that entities apply the amendments both retrospectively and immediately upon issuance. The revised standard also requires entities to separately disclose its qualitative and quantitative exposure relative to the Pillar Two. This disclosure requirement is effective for Pillar Two legislation enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023.

For group entities operating in jurisdictions where the Pillar Two legislation is enacted or substantially enacted but not yet in effect, the Group has applied the temporary exception upon issue of these amendments. The qualitative and quantitative information about the Group's exposure to Pillar Two income taxes is set out in Note 10.

The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

2.5 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

2.6 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in Note 41, the Company and several subsidiaries are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on May 1, 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after January 1, 2024.

[3] Effective for annual periods beginning on or after January 1, 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKRS 16 *Lease Liability in a Sale and Leaseback*

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognize a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognizing in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 *Leases* ("HKFRS 16") is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Changes in Other Accounting Policies (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The 2020 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:

- 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*.
- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after January 1, 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at December 31, 2023, the Group's right to defer settlement for borrowings of US$1,030,971,000 are subject to compliance with certain financial ratios only after the reporting period. Such borrowings were classified as non-current as the Group met such ratios at December 31, 2023. Upon the application of the 2022 Amendments, such borrowings will still be classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group's other liabilities as at December 31, 2023.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

BUSINESS COMBINATIONS

Business Combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right of use assets ("ROU assets") are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

BUSINESS COMBINATIONS (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

INTEREST IN AN ASSOCIATE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The result and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of an associate. Changes in net assets of an associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

INTANGIBLE ASSETS

Intangible Assets Acquired Separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Internally-Generated Intangible Assets – Research and Development Expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

LEASES

Definition of a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a Lessee

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

ROU Assets

The cost of ROU assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

ROU assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents ROU assets as a separate line item on the consolidated statement of financial position.

Refundable Rental Deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of ROU assets.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

LEASES (continued)

The Group as a Lessee (continued)

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease Modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant ROU asset.

The Group as a Lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

SALE AND LEASEBACK TRANSACTIONS

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the ROU asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognizes any gain or loss that relates to the rights transferred to the buyer-lessor only. ROU asset and lease liability with fixed payments are subsequently measured in accordance with the Group's accounting policies above.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

(a) any below-market terms is accounted for as a prepayment of lease payments; and

(b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

PROPERTY, PLANT & EQUIPMENT ("PP&E")

PP&E are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold land and construction in progress as described below. PP&E are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of items of PP&E, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

PP&E in the course of construction for production, supply or administrative purpose is carried at cost, less any recognized impairment loss. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of PP&E when completed and ready for its intended use. Depreciation of these assets, on the same basis as other PP&E, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold is presented as "ROU assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as PP&E.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

IMPAIRMENT ON PP&E, ROU ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its PP&E, ROU assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. The recoverable amount of PP&E, ROU assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established. The recoverable amount is determined for the CGU to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

BANK BALANCES, DEPOSITS AND CASH

Bank balances, deposits and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Assets

Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except for derivatives designated as cash flow hedge relationship.

Amortized Cost and Interest Income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial Assets at FVTPL

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9

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

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

The Group always recognizes lifetime ECL for trade receivables.

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

(i) Significant Increase in Credit Risk

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

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)

(i) Significant Increase in Credit Risk (continued)

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)

(v) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset (i.e. gross carrying amount less loss allowance for ECL).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss; and
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.

Financial Liabilities and Equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

Financial Liabilities at Amortized Cost

Financial liabilities (including unsecured borrowings, trade and other payables, bills payable and discounted bills with recourse) are subsequently measured at amortized cost, using the effective interest method.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 Business Combinations applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Financial Liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of Hedging Relationship and Effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in the hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of Hedge Accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Derecognition of Financial Assets and Liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and has not retained control of the transferred asset, the Group derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

OVER TIME REVENUE RECOGNITION (COMMISSION AND ROYALTY INCOME): MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (i.e. royalty income), the Group recognizes revenue in the amount to which the Group has the right to invoice.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

REFUND LIABILITIES

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

SALE WITH A RIGHT OF RETURN/EXCHANGE

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

TAXATION

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

TAXATION (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the ROU assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the ROU assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to ROU assets and lease liabilities are assessed on a net basis. Excess of depreciation on ROU assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used, by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of an associate that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognized in the other comprehensive income.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

BORROWING COSTS

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

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

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

When the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognized on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under the share award scheme. Accordingly, the related expense of the granted shares vested is reversed from the employee share-based compensation reserve. The difference arising from this transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimate of the number of shares that are expected to ultimately vest. The impact of the revision of the estimate, if any, is recognized in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognized as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

RETIREMENT BENEFIT SCHEMES

Payments to defined contribution retirement benefit schemes and the MPF Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

The Group accounts for the employer's MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation. The Group applies the practical expedient in HKAS 19.93(b) to account for employer's MPF voluntary contributions as the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered. For mandatory contributions, the Group applies HKAS 19.93(a) and attributes the contributions to period of services for the purpose of calculation of the negative service costs. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees.

For defined benefit retirement benefits plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information (continued)

Material Accounting Policy Information (continued)

RETIREMENT BENEFIT SCHEMES (continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligations recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interests and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. Key Sources of Accounting Estimates

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Capitalization, Useful Lives and Estimated Impairment of Deferred Development Costs

Determining the development costs, including the time and costs for individual projects, to be capitalized requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life. As at December 31, 2023, the carrying amount of deferred development costs of the Group was US$1,004,916,000 (2022: US$836,933,000). The estimation of their useful lives impacts the level of annual amortization recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material impairment loss may arise and need to be recognized. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

Income Taxes

The Group operates in a complex multinational tax environment. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, estimation is required in determining the Group's provision for taxation charge as there are many complex transactions and calculations, of which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payable carried as liabilities in the consolidated statement of financial position as at December 31, 2023 was US$47,558,000 (2022: US$56,750,000).

As at December 31, 2023, deferred tax assets of US$71,647,000 (2022: US$52,761,000) in relation to unused tax losses and US$78,010,000 (2022: US$64,051,000) in relation to employee related provisions has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax assets mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of the deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal or further recognition takes place.

5. 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.

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, 2023

	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Segment revenue				
External sales	**12,794,548**	**936,863**	**—**	**13,731,411**
Inter-segment sales	**—**	**37,885**	**(37,885)**	**—**
Total segment revenue	**12,794,548**	**974,748**	**(37,885)**	**13,731,411**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	**1,107,509**	**27,207**	**—**	**1,134,716**
Interest income				**44,956**
Finance costs				**(124,056)**
Profit before taxation				**1,055,616**

For the year ended December 31, 2022

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	12,329,071	924,846	—	13,253,917
Inter-segment sales	—	61,836	(61,836)	—
Total segment revenue	12,329,071	986,682	(61,836)	13,253,917

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	1,238,993	(38,080)	—	1,200,913
Interest income				25,852
Finance costs				(69,868)
Profit before taxation				1,156,897

5. Segment Information (continued)

Segment Revenue and Results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned or loss incurred by each segment without allocation of interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

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

Other Segment Information

For the year ended December 31, 2023

Amounts included in the measure of segment results:

	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Consolidated US$'000**
Loss on disposal of property, plant and equipment	**15,781**	**2,298**	**18,079**
Write down of inventories	**18,509**	**5,738**	**24,247**
Impairment loss (reversal of impairment loss) on trade receivables under ECL model	**10,057**	**(319)**	**9,738**
Write-off of intangible assets	**32,533**	**2,522**	**35,055**
Depreciation and amortization	**555,642**	**42,790**	**598,432**
Gain on early termination of leases	**(65)**	**—**	**(65)**

For the year ended December 31, 2022

Amounts included in the measure of segment results:

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Consolidated US$'000
Loss on disposal of property, plant and equipment	14,089	2,408	16,497
Gain on sale and leaseback transactions	(9,072)	—	(9,072)
Write down of inventories	59,161	2,450	61,611
Reversal of impairment loss on trade receivables under ECL model	(10,777)	(1,491)	(12,268)
Write-off of intangible assets	10,817	1,192	12,009
Depreciation and amortization	462,536	38,315	500,851
Gain on early termination of leases	(178)	—	(178)

5. Segment Information (continued)

Revenue from Major Products

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

	2023 **US$'000**	2022 US$'000
Power Equipment	**12,794,548**	12,329,071
Floorcare & Cleaning	**936,863**	924,846
Total	**13,731,411**	13,253,917

Geographical Information

The Group's revenue from external customers by geographical location determined based on the location of the customer and information about its non-current assets by geographical location, determined based on the location of the group entity owning the assets are detailed below:

	Revenue from external customers		**Non-Current Assets***	
	2023 **US$'000**	2022 US$'000	**2023** **US$'000**	2022 US$'000
North America	**10,513,310**	10,232,470	**2,861,778**	2,695,426
Europe	**2,093,341**	1,927,755	**244,686**	196,590
Other countries	**1,124,760**	1,093,692	**1,978,579**	1,608,318
Total	**13,731,411**	13,253,917	**5,085,043**	4,500,334

* Non-current assets exclude interest in an associate, financial assets at FVTPL, deposits, derivative financial instruments and deferred tax assets.

Information about Major Customer

During the years ended December 31, 2023 and 2022, the Group's largest customer contributed total revenue of US$6,046,986,000 (2022: US$6,333,127,000), of which US$6,016,567,000 (2022: US$6,293,896,000) was under the Power Equipment segment and US$30,419,000 (2022: US$39,231,000) was under the Floorcare & Cleaning segment. There is no other customer contributing more than 10% of total revenue.

6. Revenue

Revenue represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission and royalty income received during the year and is analyzed as follows:

	2023 **US$'000**	2022 US$'000
Sales of goods	**13,720,454**	13,238,728
Commission and royalty income	**10,957**	15,189
	13,731,411	13,253,917

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

The Group sells products mainly to the wholesale market. Revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location or pick up point (delivery).

Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognized for sales which are considered highly probable and where a significant reversal of the cumulative revenue recognized will not occur. A contract liability is recognized for sales in which revenue has not yet been recognized. The Group's right to recover the product when customers exercise their right to return products is recognized as a right to returned goods asset and a corresponding adjustment to cost of sales.

As at December 31, 2023, revenue for unsatisfied contracts to be recognized by the Group over one year is immaterial. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for contracts with period of one year or less is not disclosed.

7. Other Income

Other income in both 2023 and 2022 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2023 **US$'000**	2022 US$'000
Interest on:		
Unsecured borrowings	**104,625**	58,810
Lease liabilities	**19,431**	11,058
	124,056	69,868

10. Taxation Charge

	2023 US$'000	2022 US$'000
Current tax:		
Hong Kong Profits Tax	**(1,519)**	(1,344)
Under provision in prior years	**(12,598)**	(559)
	(14,117)	(1,903)
Overseas taxation	**(36,509)**	(64,554)
Under provision in prior years	**(73)**	(453)
	(36,582)	(65,007)
Deferred tax (Note 42):		
Current year	**(20,627)**	1,636
Deferred tax asset impairment	**(8,281)**	(14,452)
Change in tax rates	**331**	(21)
	(28,577)	(12,837)
	(79,276)	(79,747)

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.

The taxation charge for the year is reconciled as follows:

	2023 US$'000	2023 %	2022 US$'000	2022 %
Profit before taxation	**1,055,616**		1,156,897	
Tax at Hong Kong Profits Tax rate	**(174,177)**	**16.5%**	(190,888)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**158,033**	**(15.0%)**	139,542	(12.1%)
Tax effect of expenses not deductible for tax purposes	**(44,570)**	**4.2%**	(33,032)	2.9%
Tax effect of income not taxable for tax purposes	**7,085**	**(0.7%)**	2,422	(0.2%)
Utilization of deductible temporary differences previously not recognized	**2,517**	**(0.2%)**	3,368	(0.3%)
Tax effect of tax losses and temporary differences not recognized	**(7,547)**	**0.7%**	14,325	(1.2%)
Deferred tax asset impairment	**(8,281)**	**0.8%**	(14,452)	1.2%
Under provision in respect of prior years	**(12,671)**	**1.2%**	(1,012)	0.1%
Tax effect of changes in tax rates	**331**	**0.0%**	(21)	0.0%
Tax effect of share of result of an associate	**4**	**0.0%**	1	0.0%
Taxation charge for the year	**(79,276)**	**7.5%**	(79,747)	6.9%

Details of deferred tax are set out in Note 42.

10. Taxation Charge (continued)

For the year ended December 31, 2023, deferred tax asset of US$655,000 (2022: US$304,000) and deferred tax liability of US$200,000 (2022: US$2,631,000) related to remeasurement of defined benefit obligations and fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting have been recognized in other comprehensive income respectively.

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group has completed a comprehensive assessment of its estimated tax exposure to any Pillar Two income taxes for the year ended December 31, 2023.

The estimated tax exposure is based on the 2023 financial information, applying Pillar II rules proposed to be enacted in 2024 or later (based on latest published Pillar Two materials from Organization for Economic Co-operation and Development), assuming as if Pillar Two legislation was effectively enacted in all of the jurisdictions covering the Group's constituent entities in 2023 and making use of the safe harbour rules. As of December 31, 2023, no Pillar Two legislation is effective in the jurisdictions where the group entities is operating.

If the Pillar Two legislation had been globally enacted and effective for the year ended December 31, 2023 and, the estimated tax exposure had been recognized, the Group's effective tax rate would increase from 7.51% to 7.53%.

The table below depicts the jurisdictions affected and the determination of the additional tax exposure:

Jurisdiction	Jurisdictional Local Effective Tax Rate %	Pillar II Jurisdictional Globe Income US$'000	Pillar II Substance Based Income Exclusion US$'000	Pillar II 15% Tax on Globe Income US$'000	Pillar II Substance Based Exclusion Tax Effect US$'000	Pillar II Jurisdictional Covered Tax US$'000	Pillar II Jurisdictional Top Up Tax US$'000
Macao	11.996%	6,707	(125)	1,006	(3)	(805)	198
Dubai	0.000%	783	(417)	117	(62)	—	55
		7,490	(542)	1,123	(65)	(805)	253

11. Profit for the Year

	2023 **US$'000**	2022 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortization of intangible assets	**163,213**	120,425
Auditors' remuneration	**3,801**	3,714
Cost of inventories recognized as an expense	**8,311,775**	8,041,340
Depreciation of property, plant and equipment	**269,041**	240,428
Depreciation of right of use assets	**166,178**	139,998
Fair value loss (gain) on foreign currency forward contracts	**8,968**	(4,339)
Fair value (gain) loss on acquisition right of certain property, plant and equipment	**(82)**	300
Fair value (gain) loss on listed equity securities	**(14,024)**	2,806
Fair value loss on unlisted equity securities	**1,000**	—
Gain on early termination of leases	**(65)**	(178)
Gain on sale and leaseback transactions	**—**	(9,072)
Impairment loss (reversal of impairment loss) on trade receivables under ECL model	**9,738**	(12,268)
Loss on disposal of property, plant and equipment	**18,079**	16,497
Net exchange gain	**(4,534)**	(112,125)
Expenses relating to short-term leases and low-value assets recognized in respect of:		
Motor vehicles	**4,787**	3,716
Plant and machinery	**8,258**	6,619
Office equipment, furniture and fixtures	**22,317**	20,659
Premises	**6,973**	13,696
Other assets	**1,531**	1,560
Unconditional government grants	**(309)**	(685)
Write down of inventories	**24,247**	61,611
Write-off of intangible assets	**35,055**	12,009
Staff costs		
Directors' remuneration		
Fees	**746**	644
Other emoluments	**66,734**	76,843
	67,480	77,487
Other staff costs	**1,836,614**	1,836,729
Contributions to retirement benefits schemes (other than those included in the Directors' emoluments)		
Defined contribution plans	**34,374**	29,838
Defined benefit plans (Note 41)	**2,082**	865
	1,940,550	1,944,919

Staff costs disclosed above do not include an amount of US$513,326,000 (2022: US$475,188,000) of staff costs incurred relating to research and development activities.

12. Directors' Emoluments

The emoluments paid or payable to each of the twelve (2022: twelve) directors, disclosed pursuant to the applicable Listing Rules and the CO, were as follows:

For the year ended December 31, 2023

		Other emoluments				
	Fees US$'000	**Basic salaries and allowances US$'000**	**Contributions to retirement benefits schemes US$'000**	**Bonus US$'000**	**Share-based payments US$'000**	**Total US$'000**
Mr Horst Julius Pudwill (Note i)	—	**1,849**	**2**	**10,103**	**2,223**	**14,177**
Mr Stephan Horst Pudwill (Note i)	—	**1,019**	**2**	**2,200**	**2,556**	**5,777**
Mr Joseph Galli Jr (Note i)	—	**1,848**	**11**	**13,100**	**17,598**	**32,557**
Mr Kin Wah Chan (Note i)	—	**912**	**2**	**2,641**	**2,556**	**6,111**
Mr Chi Chung Chan (Note i)	—	**909**	—	**2,940**	**2,556**	**6,405**
Mr Camille Jojo (Note i, iv)	**98**	**193**	—	—	**103**	**394**
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	**108**	—	—	—	**106**	**214**
Mr Peter David Sullivan (Note iii)	**108**	**54**	—	**512**	**106**	**780**
Mr Johannes-Gerhard Hesse (Note iii)	**108**	**30**	—	—	**185**	**323**
Mr Robert Hinman Getz (Note iii)	**108**	**59**	—	—	**142**	**309**
Ms Virginia Davis Wilmerding (Note iii)	**108**	**18**	—	—	**114**	**240**
Ms Caroline Christina Kracht (Note iii)	**108**	**17**	—	—	**68**	**193**
Total	**746**	**6,908**	**17**	**31,496**	**28,313**	**67,480**

For the year ended December 31, 2022

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,826	2	10,803	2,994	15,625
Mr Stephan Horst Pudwill (Note i)	—	988	2	2,200	5,270	8,460
Mr Joseph Galli Jr (Note i)	—	1,851	10	14,100	16,781	32,742
Mr Kin Wah Chan (Note i)	—	912	2	2,641	5,270	8,825
Mr Chi Chung Chan (Note i)	—	909	—	2,940	5,270	9,119
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	94	—	—	—	366	460
Mr Camille Jojo (Note ii)	94	29	—	—	601	724
Mr Peter David Sullivan (Note iii)	94	47	—	—	366	507
Mr Johannes-Gerhard Hesse (Note iii)	94	29	—	—	261	384
Mr Robert Hinman Getz (Note iii)	94	50	—	—	212	356
Ms Virginia Davis Wilmerding (Note iii)	94	4	—	—	107	205
Ms Caroline Christina Kracht (appointed on March 7, 2022) (Note iii)	80	—	—	—	—	80
Total	644	6,645	16	32,684	37,498	77,487

12. Directors' Emoluments (continued)

Note i: The individuals represent the Executive Directors of the Company and the Group. The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group. Mr Joseph Galli Jr serves as the Chief Executive Officer of the Group.

Note ii: The individuals represent the Non-Executive Directors of the Company. The Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

Note iii: The individuals represent the independent Non-Executive Directors of the Company. The Independent Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company.

Note iv: Mr Camille Jojo re-designated from Non-executive Director to Executive Director with effect from December 1, 2023.

The bonuses were based on past performance of the Group.

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option schemes and share award scheme, respectively, as estimated at the date of grant and award. The share-based payments represent the costs of share options and share awards granted to directors as charged to the Company's profit and loss, but not as income of respective directors. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 45 and 46 respectively.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2022: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2022: one) individuals for the year ended December 31, 2023 were as follows:

	2023 **US$'000**	2022 US$'000
Basic salaries and allowances	**1,596**	905
Contributions to retirement benefits schemes	**342**	183
Bonus	**15,635**	10,515
Share-based payments	**—**	—
	17,573	11,603

The emoluments of these two (2022: one) highest paid individuals for the year ended December 31, 2023 were within the following bands:

	No. of persons	
HK$	**2023**	2022
63,000,001 to 63,500,000	**1**	—
73,000,001 to 73,500,000	**1**	—
90,000,001 to 90,500,000	**—**	1

During each of the two years ended December 31, 2023 and 2022, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

14. Dividends

	2023 **US$'000**	2022 US$'000
Dividends recognized as distributions during the year:		
Final dividend paid:		
2022: HK90.00 cents (approximately US11.58 cents) (2021: HK1 dollar (approximately US12.87 cents)) per share	**212,525**	236,104
Interim dividend paid:		
2023: HK95.00 cents (approximately US12.23 cents) (2022: HK95.00 cents (approximately US12.23 cents)) per share	**224,334**	224,317
	436,859	460,421

The final dividend of HK98.00 cents (approximately US12.61 cents) per share with a total of approximately US$231,355,000 in respect of the year ended December 31, 2023 (2022: final dividend of HK90.00 cents (approximately US11.58 cents) per share in respect of the year ended December 31, 2022) has been proposed by the directors of the Company and is subject to approval by the shareholders in the Annual General Meeting.

15. Earnings per Share

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

	2023 **US$'000**	2022 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**976,340**	1,077,150
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,863,359**	1,829,931,694
Effect of dilutive potential ordinary shares:		
Share options	**3,258,878**	4,199,642
Share awards	**3,060,683**	1,900,192
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,836,182,920**	1,836,031,528

The computation of diluted earnings per share does not assume the exercise of the Company's share options and vesting of Company's share awards which the exercise price of those share options and adjusted exercise price of those share awards were higher than the average market price for shares for both years.

16. Property, Plant and Equipment

	Freehold land and land and buildings (Note) US$'000	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Vessels US$'000	Aircraft US$'000	Construction in progress US$'000	Total US$'000
Cost										
At January 1, 2022	554,533	114,782	323,045	614,749	10,471	370,579	7,106	67,493	597,674	2,660,432
Currency realignment	(1,713)	(5,484)	(5,109)	(21,513)	(152)	(9,447)	—	—	(2,019)	(45,437)
Additions	—	5,862	19,524	49,017	849	3,130	—	2,467	500,141	580,990
Acquisition of a subsidiary (Note 43)	—	1,057	141	1,327	—	106	—	—	569	3,200
Disposals	(68,197)	(6,430)	(32,394)	(11,284)	(342)	(72,051)	—	—	(4,622)	(195,320)
Reclassification	94,075	17,948	59,998	63,633	257	111,812	—	—	(347,723)	—
At December 31, 2022	578,698	127,735	365,205	695,929	11,083	404,129	7,106	69,960	744,020	3,003,865
Currency realignment	**2,055**	**(865)**	**1,366**	**(3,486)**	**(119)**	**(2,953)**	**—**	**—**	**(5,222)**	**(9,224)**
Additions	**2,833**	**10,920**	**18,859**	**28,426**	**232**	**1,387**	**10**	**36,782**	**402,124**	**501,573**
Acquisition of a subsidiary (Note 43)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**68,339**	**68,339**
Disposals	**(24,718)**	**(8,256)**	**(10,612)**	**(29,122)**	**(1,291)**	**(66,948)**	**—**	**(26,374)**	**(1,401)**	**(168,722)**
Reclassification	**338,899**	**14,025**	**35,566**	**153,410**	**1,266**	**71,534**	**—**	**—**	**(614,700)**	**—**
At December 31, 2023	**897,767**	**143,559**	**410,384**	**845,157**	**11,171**	**407,149**	**7,116**	**80,368**	**593,160**	**3,395,831**
Depreciation and Impairment										
At January 1, 2022	65,661	60,464	195,266	295,904	6,348	172,318	6,610	4,975	—	807,546
Currency realignment	(1,454)	(3,098)	(3,548)	(12,083)	(116)	(4,001)	—	—	—	(24,300)
Provided for the year	14,579	15,739	37,839	69,734	1,645	96,188	494	4,210	—	240,428
Eliminated on disposals	(2,321)	(4,258)	(29,805)	(8,954)	(241)	(60,101)	—	—	—	(105,680)
At December 31, 2022	76,465	68,847	199,752	344,601	7,636	204,404	7,104	9,185	—	917,994
Currency realignment	**115**	**(519)**	**882**	**(1,743)**	**(41)**	**(1,209)**	**—**	**—**	**—**	**(2,515)**
Provided for the year	**20,091**	**15,082**	**40,599**	**84,410**	**1,348**	**102,859**	**3**	**4,649**	**—**	**269,041**
Eliminated on disposals	**(1,173)**	**(6,886)**	**(10,024)**	**(15,995)**	**(1,012)**	**(56,635)**	**—**	**(7,501)**	**—**	**(99,226)**
At December 31, 2023	**95,498**	**76,524**	**231,209**	**411,273**	**7,931**	**249,419**	**7,107**	**6,333**	**—**	**1,085,294**
Carrying amounts										
At December 31, 2023	**802,269**	**67,035**	**179,175**	**433,884**	**3,240**	**157,730**	**9**	**74,035**	**593,160**	**2,310,537**
At December 31, 2022	502,233	58,888	165,453	351,328	3,447	199,725	2	60,775	744,020	2,085,871

Note: Buildings with a carrying amount of US$9,601,000 (2022: US$11,371,000) are erected on leasehold land that is presented as ROU assets on the consolidated statement of financial position.

16. Property, Plant and Equipment (continued)

The above PP&E, other than freehold land and construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Land and buildings	Over the Shorter of lease term or useful life of twenty to fifty years
Leasehold improvements	2½% – 37½%
Office equipment, furniture and fixtures	10% – 33⅓%
Plant and machinery	5% – 33⅓%
Motor vehicles	10% – 33⅓%
Moulds and tooling	18% – 33⅓%
Vessels	20% – 25%
Aircraft	6%

The carrying amounts of properties shown above comprise:

	2023 **US$'000**	2022 US$'000
Properties situated outside Hong Kong are analyzed as follows:		
Freehold land	**673,729**	431,519
Land and buildings	**70,593**	11,371
	744,322	442,890
Land and buildings situated in Hong Kong	**57,947**	59,343
	802,269	502,233

The cost of the Group's PP&E includes amounts of US$261,645,000 (2022: US$233,661,000) in respect of fully depreciated PP&E that are still in use.

17. Right of Use Assets

	Land and buildings US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Aircraft US$'000	Leasehold land US$'000	Total US$'000
Cost							
At January 1, 2022	687,348	13,058	8,940	131,054	12,582	38,873	891,855
Currency realignment	(16,937)	(33)	(256)	(3,727)	—	(3,057)	(24,010)
Additions	232,501	9,457	534	51,424	—	—	293,916
Acquisition of a subsidiary (Note 43)	1,701	11	—	—	—	—	1,712
Early termination/end of leases	(25,800)	(1,153)	(224)	(11,025)	(12,582)	—	(50,784)
At December 31, 2022	878,813	21,340	8,994	167,726	—	35,816	1,112,689
Currency realignment	**4,587**	**2**	**80**	**1,939**	**—**	**(1,010)**	**5,598**
Additions	**269,484**	**1,039**	**6,693**	**71,966**	**—**	**—**	**349,182**
Acquisition of a subsidiary (Note 43)	**12,008**	**—**	**—**	**—**	**—**	**—**	**12,008**
Early termination/end of leases	**(65,555)**	**(2,961)**	**(859)**	**(32,111)**	**—**	**—**	**(101,486)**
At December 31, 2023	**1,099,337**	**19,420**	**14,908**	**209,520**	**—**	**34,806**	**1,377,991**
Depreciation							
At January 1, 2022	247,090	4,683	3,629	61,444	11,219	10,425	338,490
Currency realignment	(8,423)	(8)	(128)	(2,216)	—	(835)	(11,610)
Provided for the year	100,733	4,527	1,498	31,306	1,201	733	139,998
Elimination on early termination/end of leases	(13,765)	(1,129)	(224)	(9,940)	(12,420)	—	(37,478)
At December 31, 2022	325,635	8,073	4,775	80,594	—	10,323	429,400
Currency realignment	**2,384**	**1**	**44**	**862**	**—**	**(291)**	**3,000**
Provided for the year	**115,682**	**5,417**	**2,132**	**42,250**	**—**	**697**	**166,178**
Elimination on early termination/end of leases	**(60,299)**	**(2,921)**	**(416)**	**(22,960)**	**—**	**—**	**(86,596)**
At December 31, 2023	**383,402**	**10,570**	**6,535**	**100,746**	**—**	**10,729**	**511,982**
Carrying amounts							
At December 31, 2023	**715,935**	**8,850**	**8,373**	**108,774**	**—**	**24,077**	**866,009**
At December 31, 2022	553,178	13,267	4,219	87,132	—	25,493	683,289

17. Right of Use Assets (continued)

During the year ended December 31, 2022, the Group disposed certain PP&E (mainly Land and buildings) with carrying amount of approximately US$67,595,000 at consideration of US$78,572,000 to an independent third party. Subsequently, the Group entered into a lease agreement with the purchaser to leaseback the PP&E for 36 months. The transaction constituted a sales and leaseback transaction and the Group recognized ROU assets and lease liabilities of approximately US$11,735,000 and US$13,640,000 respectively.

	2023 **US$'000**	2022 US$'000
Expense relating to short-term leases	**21,457**	27,549
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**22,409**	18,701
Total cash outflow for leases	**223,216**	194,641

For both years, the Group leased land and buildings, office equipment, furniture and fixtures, plant and machinery, motor vehicles, aircraft and leasehold land for its operations. Lease contracts are entered into for term of up to 50 years (2022: 50 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for property, plant and machinery, office equipment, furniture and fixtures and motor vehicles. As at December 31, 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases Committed

As at December 31, 2023, the Group entered into new leases for certain PP&E that have not yet commenced, with average non-cancellable period that ranges from 2 to 10 years (2022: 2 to 6 years) with extension options, the total future undiscounted cash flows under which amounts to US$44,643,000 (2022: US$12,212,000) over the non-cancellable period.

Details of the lease maturity analysis of the lease liabilities are set out in Note 34.

18. Goodwill

	US$'000
At January 1, 2022	577,237
Currency realignment	(3,668)
Arising on acquisition of a subsidiary (Note 43)	25,105
At December 31, 2022	598,674
Currency realignment	**1,659**
Arising on acquisition of a subsidiary (Note 43)	**3,964**
At December 31, 2023	**604,297**

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

19. Intangible Assets

	Deferred development costs US$'000	Patents US$'000	Trademarks US$'000	Manufacturing know-how US$'000	Retailer and service relationships US$'000	Non compete agreement US$'000	Total US$'000
Cost							
At January 1, 2022	1,024,593	109,512	239,212	1,753	9,900	1,300	1,386,270
Currency realignment	(78)	(280)	—	—	—	—	(358)
Additions	388,266	15,401	1,209	—	—	—	404,876
Arising on acquisition of a subsidiary (Note 43)	—	2,015	—	—	—	—	2,015
Written off in the year	(37,958)	(309)	—	—	—	—	(38,267)
At December 31, 2022	1,374,823	126,339	240,421	1,753	9,900	1,300	1,754,536
Currency realignment	**105**	**161**	**—**	**—**	**—**	**—**	**266**
Additions	**357,108**	**15,297**	**183**	**—**	**—**	**—**	**372,588**
Written off in the year	**(54,808)**	**(454)**	**(170)**	**—**	**—**	**—**	**(55,432)**
At December 31, 2023	**1,677,228**	**141,343**	**240,434**	**1,753**	**9,900**	**1,300**	**2,071,958**
Amortization							
At January 1, 2022	452,144	64,626	14,772	876	2,767	1,300	536,485
Currency realignment	(61)	(68)	—	—	—	—	(129)
Provided for the year	112,065	6,468	37	130	1,725	—	120,425
Eliminated on write-off	(26,258)	—	—	—	—	—	(26,258)
At December 31, 2022	537,890	71,026	14,809	1,006	4,492	1,300	630,523
Currency realignment	**99**	**81**	**—**	**—**	**—**	**—**	**180**
Provided for the year	**154,530**	**7,805**	**88**	**130**	**660**	**—**	**163,213**
Eliminated on write-off	**(20,207)**	**—**	**(170)**	**—**	**—**	**—**	**(20,377)**
At December 31, 2023	**672,312**	**78,912**	**14,727**	**1,136**	**5,152**	**1,300**	**773,539**
Carrying amounts							
At December 31, 2023	**1,004,916**	**62,431**	**225,707**	**617**	**4,748**	**—**	**1,298,419**
At December 31, 2022	836,933	55,313	225,612	747	5,408	—	1,124,013

Deferred development costs are internally-generated by capitalizing the costs pertaining to the development of new products or enhancement of existing products.

Included in trademarks of the Group, US$224,440,000 (2022: US$224,440,000) are trademarks considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely. The trademarks will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

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

19. Intangible Assets (continued)

The above intangible assets, other than trademarks with indefinite useful lives, are amortized on a straight-line basis, at the following rates per annum:

Deferred development costs	14 1/3% – 33 1/3%
Patents	10% – 25%
Trademarks with finite useful lives	6 2/3% – 10%
Manufacturing know-how	10%
Retailer and service relationships	5% – 6 2/3%
Non compete agreement	6 2/3%

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

As explained in Note 5, the Group uses the types of goods sold as the basis for preparing the operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19, the majority of the amounts have been allocated to four major individual CGUs, including three units in the Power Equipment segment and one unit in the Floorcare & Cleaning segment. The carrying amounts of goodwill and trademarks as at December 31, 2023 allocated to these units are as follows:

	Goodwill		Trademarks	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Power Equipment – MET	**467,881**	466,705	**126,607**	126,607
Power Equipment – TTI OPE	**16,509**	16,509	**30,648**	30,648
Power Equipment – Drebo	**21,523**	21,040	**—**	—
Floorcare & Cleaning – RAM/Hoover/VAX	**75,748**	75,748	**67,179**	67,179
Others	**22,636**	18,672	**6**	6
	604,297	598,674	**224,440**	224,440

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

Power Equipment – MET ("MET")

The recoverable amounts of MET's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 8.0% (2022: 7.5%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on MET's past performance, management's expectations of the market development, the success of the new products launched, managing the working capital and the continuance of costs controlling strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2022: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of MET's goodwill and intangible assets to exceed the estimated recoverable amounts.

Power Equipment – TTI OPE ("TTI OPE")

The recoverable amounts of TTI OPE's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9.0% (2022: 9.0%) per annum.

Cash flow projections during the budget period for TTI OPE are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on TTI OPE's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of TTI OPE's goodwill and intangible assets to exceed the estimated recoverable amounts.

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

Power Equipment – Drebo ("Drebo")

The recoverable amounts of Drebo's goodwill have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10.0% (2022: 9.5%) per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Drebo's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a 3.0% (2022: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Drebo's goodwill to exceed the estimated recoverable amount.

Floorcare & Cleaning – RAM/Hoover/VAX ("RAM/Hoover/VAX")

The recoverable amounts of RAM/Hoover/VAX's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13.0% (2022: 12.5%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimations are based on RAM/Hoover/VAX's past performance, management's expectations of the market development, managing the working capital and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2022: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of RAM/Hoover/VAX's goodwill and intangibles to exceed the estimated aggregate recoverable amounts.

21. Interest in an Associate

	2023 US$'000	2022 US$'000
Cost of investment in an associate	**1,470**	1,470
Share of post-acquisition profits	**586**	559
Share of net assets	**2,056**	2,029

Summarized financial information in respect of an associate, Wuerth Master Power Tools Limited ("Wuerth"), is set out below. The summarized financial information below represents amounts shown in Wuerth's financial statements prepared in accordance with HKFRSs.

Wuerth is accounted for using equity method in the consolidated financial statements.

	2023 US$'000	2022 US$'000
Non-current assets	**2,642**	1,944
Current assets	**8,739**	7,490
Current liabilities	**7,186**	5,293
Net assets	**4,195**	4,141

	2023 US$'000	2022 US$'000
Profit for the year	**54**	8

21. Interest in an Associate (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in Wuerth recognized in the consolidated financial statements:

	2023 US$'000	2022 US$'000
Net assets	**4,195**	4,141
Proportion of the Group's ownership interest	**49.0%**	49.0%
The Group's share of net assets	**2,056**	2,029
Carrying amount of the Group's interest	**2,056**	2,029

Particulars of an associate as at December 31, 2023 and 2022 are set out in Note 52.

22. Financial Assets at FVTPL

	Notes	2023 US$'000	2022 US$'000
Club membership debentures	(a)	**4,887**	4,899
Unlisted equity securities	(b)	**3,800**	4,800
Listed equity securities	(c)	**26,114**	13,466
Other		**45**	45
		34,846	23,210
Analyzed for reporting purposes as:			
Current assets		**26,114**	13,466
Non-current assets		**8,732**	9,744
		34,846	23,210

Notes:

(a) As at December 31, 2023 and 2022, the club membership debentures measured at fair value with reference to recent transaction prices for similar comparables with similar characteristics.

(b) As at December 31, 2023, the unlisted equity securities represented the interests in private companies incorporated in the United States of America ("US"). The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in a private market.

(c) The Group's listed equity securities were carried at fair value using the market bid prices on the reporting date.

23. Finance lease receivables

The finance lease receivables represent the sublease arrangement entered by the Group as a lessor for land and building during the year. The term of finance lease entered into is approximately four years. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Finance lease receivables comprise:				
Within one year	**2,821**	2,746	**2,706**	2,589
In the second year	**2,899**	2,821	**2,828**	2,706
In the third year	**2,979**	2,899	**2,953**	2,828
In the fourth year	**—**	2,979	**—**	2,953
	8,699	11,445	**8,487**	11,076
Less: Unearned finance income	**(212)**	(369)	**N/A**	N/A
Present value of minimum lease payment receivables	**8,487**	11,076	**8,487**	11,076
Analyzed as:				
Current			**2,706**	2,589
Non-current			**5,781**	8,487
			8,487	11,076

Interest rate implicit in the above finance lease was 1.60% (2022:1.60%).

The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the finance lease is denominated in the respective functional currency of the group entity.

Details of impairment assessment are set out in Note 37.2.4.

24. Inventories

	2023	2022
	US$'000	US$'000
Raw materials	**837,642**	870,652
Work in progress	**97,318**	102,190
Finished goods	**3,163,201**	4,112,109
	4,098,161	5,084,951

25. Right to Returned Goods Asset/Refund Liabilities from Right of Return

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's various returns policies.

The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for the sold products expected to be returned.

The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

26. Trade and Other Receivables

	2023 US$'000	2022 US$'000
Trade receivables	**1,757,327**	1,559,646
Less: Allowances for credit losses	**(57,848)**	(58,387)
	1,699,479	1,501,259
Other receivables	**112,113**	138,304
	1,811,592	1,639,563

As at January 1, 2022, all trade receivables amounted US$1,900,147,000 are derived from contracts with customers.

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:

	2023 US$'000	2022 US$'000
0 to 60 days	**1,291,677**	1,090,446
61 to 120 days	**335,205**	328,173
121 days or above	**72,597**	82,640
Total trade receivables	**1,699,479**	1,501,259

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

As at December 31, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$317,836,000 (2022: US$315,617,000) which are past due as at the reporting date. The past due over 90 days balances that are presumed in default in accordance with the Group's accounting policy of US$26,022,000 (2022: US$29,486,000) are not considered as in default as they are due from a number of independent customers that have a good payment track record with the Group.

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days.

In accordance with receivables purchase agreements, certain trade receivables have been factored to banks (the "Factored Trade Receivables"). As the Group still retained the credit risks with respect to default payments, the Group has continued to recognize the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of US$19,500,000 (2022: US$54,426,000) were recognized as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

27. Bills Receivable

All the Group's bills receivable at December 31, 2023 and 2022 are aged within 120 days based on invoice date.

28. Trade Receivables from an Associate

The trade receivables from an associate are aged within 120 days based on invoice date and are unsecured, non-interest bearing and are repayable on demand.

29. Derivative Financial Instruments

	2023 US$'000	2022 US$'000
Assets		
Acquisition right of certain property, plant and equipment	**8,084**	8,002
Foreign currency forward contracts – under hedge accounting	**8,461**	49,146
Foreign currency forward contracts – not under hedge accounting	**652**	10,564
Cross-currency interest rate swaps – under hedge accounting	**5,342**	17,064
	22,539	84,776

	2023 US$'000	2022 US$'000
Liabilities		
Foreign currency forward contracts – under hedge accounting	**14,815**	50,474
Foreign currency forward contracts – not under hedge accounting	**1,247**	—
	16,062	50,474

Acquisition Right of Certain PP&E

As at December 31, 2023 and 2022, the Group owned a right to acquire certain PP&E which was acquired as part of the acquisition of the Oreck business from the Oreck Bankruptcy Estate. The right is expected to be exercised in 2032. The fair value of the PP&E was US$8,084,000 valued on September 30, 2023 (2022: US$8,002,000 valued on September 30, 2022) by Kroll, an independent valuer not related to the Group.

Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Foreign Currency Forward Contracts under Hedge Accounting

At the end of the reporting period, the Group had the following foreign currency forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to future foreign currency sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

29. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts under Hedge Accounting (continued)

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

2023

Notional amounts in millions ("M")	Maturity
Sell AUD 411.0M, Buy US$	**January 30, 2024 to December 30, 2024**
Sell EUR 645.0M, Buy US$	**January 26, 2024 to December 27, 2024**
Sell US$ 266.9M, Buy RMB	**January 26, 2024 to December 27, 2024**
Sell US$ 485.5M, Buy EUR	**January 11, 2024 to July 3, 2025**
Sell GBP 30.9M, Buy EUR	**January 11, 2024 to June 13, 2024**
Sell GBP 57.1M, Buy US$	**January 5, 2024 to December 5, 2024**
Sell CHF 3.8M, Buy EUR	**January 11, 2024 to December 12, 2024**
Sell PLN 159.0M, Buy EUR	**January 11, 2024 to December 12, 2024**
Sell CAD 475.4M, Buy US$	**January 31, 2024 to June 28, 2024**
Sell MXN 284.7M, Buy US$	**January 31, 2024 to June 28, 2024**

2022

Notional amounts in M	Maturity
Sell AUD 575.5M, Buy US$	January 30, 2023 to December 28, 2023
Sell EUR 545.0M, Buy US$	January 26, 2023 to December 28, 2023
Sell US$ 44.9M, Buy HK$	January 5, 2023 to February 16, 2023
Sell US$ 877.6M, Buy RMB	January 30, 2023 to December 29, 2023
Sell US$ 103.8M, Buy EUR	January 5, 2023 to December 21, 2023
Sell GBP 59.1M, Buy US$	January 6, 2023 to December 22, 2023
Sell GBP 70.5M, Buy EUR	January 12, 2023 to December 18, 2023
Sell CHF 7.0M, Buy EUR	January 12, 2023 to December 14, 2023
Sell NOK 68.0M, Buy EUR	January 12, 2023 to March 9, 2023

For the foreign currency forward contracts held at December 31, 2023, a fair value loss of US$6,221,000 (December 31, 2022: fair value loss of US$171,465,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss upon maturity.

During the year, a fair value loss of US$1,265,000 (2022: fair value gain of US$84,333,000) was reclassified from reserves to profit or loss upon maturity.

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

2023

Notional amounts in M	Maturity
Buy EUR 2.4M, Sell AUD	**January 19, 2024 to December 20, 2024**
Buy US$ 25.8M, Sell AUD	**January 17, 2024 to December 20, 2024**
Buy US$ 49.0M, Sell NZD	**January 17, 2024 to December 20, 2024**

2022

Notional amounts in M	Maturity
Buy EUR 3.0M, Sell AUD	January 23, 2023 to December 21, 2023
Buy US$ 70.4M, Sell AUD	January 20, 2023 to December 22, 2023
Buy US$ 62.2M, Sell NZD	January 24, 2023 to December 22, 2023
Buy US$ 244.8M, Sell CAD	January 31, 2023 to June 30, 2023

29. Derivative Financial Instruments (continued)

Cross-currency Interest Rate Swaps

The Group uses cross-currency interest rate swaps designated as effective hedging instrument to minimize its exposures to interest rate risk on US$ and HK$ floating borrowings and foreign currency risk on the intercompany advances which affects the consolidated profit or loss.

The cross-currency interest rate swaps with total notional amount of US$144,180,000 (2022: US$210,300,000) have fixed currency payments in EUR at exchange rate of EUR to US$ at 1.102 and 1.077 (2022: at 1.102 and 1.077) and fixed interest payments monthly in EUR at 0.305% and 0.520% per annum (2022: 0.305% and 0.520% per annum) for periods up until October 2024, April 2024, April 2025 (2022: October 2023, October 2024, April 2024 and April 2025).

The Group also has HK$750,000,000 fixed currency payments in HK$ at exchange rate of EUR to HK$ at 8.5190 and fixed interest payments monthly in EUR at 4.068% per annum for periods up until July 2025.

The floating rate index and the currency exposure of the cross-currency interest rate swaps match with the floating rate US$ and HK$ bank borrowings and the currency exposure of the intercompany advances respectively.

During the year, a fair value loss of US$11,722,000 (December 31, 2022: fair value gain of US$23,461,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

The fair value of the cross-currency interest rate swaps is determined by using the discounted cash flow method based on Secured Overnight Financing Rate ("SOFR") yield curves, Hong Kong Interbank Offered Rate ("HIBOR") yield curves and the forward exchange rates between US$ and EUR & HK$ and EUR estimated at the end of the reporting period.

Major terms of the cross-currency interest rate swaps were as follows:

2023

Notional amounts	**Maturity**	**Receive floating**	**Pay fixed**
US$99,180,000	**October 9, 2024**	**SOFR +0.96448%**	**0.305%**
US$18,000,000	**April 23, 2024**	**SOFR +0.96448%**	**0.520%**
US$27,000,000	**April 23, 2025**	**SOFR +0.96448%**	**0.520%**
HK$750,000,000	**July 3, 2025**	**HIBOR +0.68%**	**4.068%**

2022

Notional amounts	Maturity	Receive floating*	Pay fixed
US$66,120,000	October 16, 2023	LIBOR +0.85%	0.305%
US$99,180,000	October 9, 2024	LIBOR +0.85%	0.305%
US$18,000,000	April 23, 2024	LIBOR +0.85%	0.520%
US$27,000,000	April 23, 2025	LIBOR +0.85%	0.520%

* The receive floating would be changed from "London Interbank Offered Rate ("LIBOR") + 0.85%" to "SOFR + Credit Adjustment Spread + 0.85%" on rate switch date June 30, 2023.

30. Bank Balances, Deposits and Cash

Bank balances carry interest at market rates which ranged from 0.05% to 6.18% (2022: 0.001% to 6.00%) per annum.

31. 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:

	2023 **US$'000**	2022 US$'000
0 to 60 days	**1,017,375**	1,306,486
61 to 120 days	**495,930**	533,961
121 days or above	**142,062**	232,838
Total trade payables	**1,655,367**	2,073,285
Other payables	**1,749,394**	1,764,488
Total trade and other payables	**3,404,761**	3,837,773
Non-current portion of other payables	**(31,530)**	(60,346)
	3,373,231	3,777,427

The credit period on the purchase of goods ranges from 30 days to 120 days (2022: 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.

The other payables mainly represents accruals of various selling, general and administrative expenses of US$1,621,560,000 (2022: US$1,554,656,000). The non-current other payables mainly represents accruals of long-term incentive benefits offered to certain management executives of the Group.

32. Bills Payable

All the Group's bills payable at December 31, 2023 and 2022 are aged within 120 days based on invoice date.

33. Warranty Provision

	US$'000
At January 1, 2022	182,765
Currency realignment	(3,610)
Provision in the year	157,724
Utilization of provision	(131,529)
At December 31, 2022	205,350
Currency realignment	**1,213**
Provision in the year	**159,173**
Utilization of provision	**(130,139)**
At December 31, 2023	**235,597**

The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims and industry averages for defective products. It is expected that the majority of this expenditure will be utilized in the next financial year.

34. Lease Liabilities

	2023 **US$'000**	2022 US$'000
Amounts payable under lease liabilities:		
Within one year	**153,523**	139,520
In more than one year but not more than two years	**138,297**	110,402
In more than two years but not more than five years	**262,697**	224,702
More than five years	**333,375**	230,457
	887,892	705,081
Less: Amount due for settlement within 12 months shown under current liabilities	**(153,523)**	(139,520)
Amount due for settlement after 12 months shown under non-current liabilities	**734,369**	565,561

The weighted average incremental borrowing rates applied to lease liabilities ranged from 1.10% to 4.90% (2022: from 1.10% to 2.80%).

Lease obligations that are denominated in major currencies other than the functional currencies of the relevant group entities are set out below:

	EUR **US$'000**	**AUD** **US$'000**	**VND** **US$'000**	**GBP** **US$'000**
As at December 31, 2023	**78,840**	**73,908**	**34,194**	**27,227**
As at December 31, 2022	35,387	18,811	49,654	22,340

35. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 5.14% per annum (2022: 2.01% per annum) have maturity profiles of less than 120 days.

36. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt which includes unsecured borrowings and discounted bills with recourse, net of cash and cash equivalents and equity attributable to Owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing Ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not exceeding 35% determined as the proportion of net debt to equity. The Group will continue to execute very disciplined control and management of its working capital and generate free cash inflows through the growth of the business.

The gearing ratio at the year end was as follows:

	2023 **US$'000**	2022 US$'000
Bank balances, deposits and cash	**953,240**	1,428,930
Debt[(i)]	**(1,934,330)**	(3,098,526)
Net debt	**(981,090)**	(1,669,596)
Equity[(ii)]	**5,747,550**	5,205,481
Net debt to equity ratio	**17.07%**	32.07%

(i) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from Factored Trade Receivables as detailed in Notes 35, 38 and 26 respectively.

(ii) Equity includes all capital and reserves attributable to the owners of the Company.

In addition, based on management recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

37. Financial Instruments

37.1 Categories of Financial Instruments

	2023 US$'000	2022 US$'000
Financial assets		
FVTPL		
Financial assets at FVTPL	**34,846**	23,210
	34,846	23,210
Derivative financial instruments		
Acquisition right of certain property, plant and equipment	**8,084**	8,002
Foreign currency forward contracts – under hedge accounting	**8,461**	49,146
Foreign currency forward contracts – not under hedge accounting	**652**	10,564
Cross-currency interest rate swaps – under hedge accounting	**5,342**	17,064
	22,539	84,776
Financial assets at amortized cost		
Trade and other receivables	**1,811,592**	1,639,563
Bills receivable	**8,423**	6,887
Trade receivables from an associate	**6,927**	5,026
Bank balances, deposits and cash	**953,240**	1,428,930
	2,780,182	3,080,406
Financial liabilities		
Derivative financial instruments		
Foreign currency forward contracts – under hedge accounting	**14,815**	50,474
Foreign currency forward contracts – not under hedge accounting	**1,247**	—
	16,062	50,474
Financial liabilities at amortized cost		
Trade and other payables	**3,404,761**	3,837,773
Bills payable	**18,424**	20,267
Discounted bills with recourse	**2,708**	2,003
Unsecured borrowings	**1,951,122**	3,150,949
	5,377,015	7,010,992

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies

The Group's corporate treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed internally on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

37.2.1 FOREIGN CURRENCY RISK MANAGEMENT

Subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 21.8% (2022: 21.2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst 16.4% (2022: 12.7%) of purchases are denominated in the group entity's respective functional currency.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Foreign Currency				
EUR	**510,754**	303,238	**566,186**	340,216
US$	**7,010,431**	5,400,972	**1,839,858**	1,884,521

Note: For group entities with their functional currency as the US$, monetary assets and monetary liabilities denominated in HK$ have no material foreign currency risk exposure as the HK$ is pegged with the US$.

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposure. The foreign exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into forward contracts in relation to the foreign currency amounting to US$248,517,000 (2022: US$519,161,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness (see Note 29 for details).

The Group also uses cross-currency interest rate swaps to reduce currency exposure to hedge against the debts which are effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.1 FOREIGN CURRENCY RISK MANAGEMENT (continued)

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in the functional currency against foreign currency. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of cross-currency interest rate swaps held at the reporting date. A positive number below indicates an increase in profit for the year where functional currency weakens 5% (2022: 5%) against foreign currency. For a 5% (2022: 5%) strengthening of functional currency against the foreign currency, there would be an equal and opposite impact on the profit for the year and the amounts below would be negative.

	Impact of US$		Impact of EUR	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Profit for the year(i)	**(239,113)**	(163,703)	**2,563**	1,721

(i) This is mainly attributable to the net exposure on receivables, payables and unsecured borrowings denominated in US$ & EUR as foreign currency at the reporting date.

37.2.2 INTEREST RATE RISK MANAGEMENT

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note. The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 38 for details of these borrowings) and bank balances and deposits. The Group's cash flow interest rate risk is mainly concentrated on SOFR and EURO Interbank Offered Rate ("EURIBOR") arising from the Group's US$ and EUR denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk to be low. The management continuously monitors interest rate fluctuations and will consider further hedging the interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate unsecured borrowings (see Note 38 for details of these borrowings), discounted bills with recourse, finance lease receivables and lease liabilities.

During the year, the Group obtained new unsecured borrowings of US$5,597 million (2022: US$4,839 million) which are either at a fixed rate, SOFR, HIBOR, Shanghai Interbank Offered Rate ("SHIBOR") or EURIBOR based. The proceeds were used for refinancing the Group's borrowings.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.2 INTEREST RATE RISK MANAGEMENT (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year without considering the cross-currency interest rate swaps entered at the end of the reporting period. A 50 basis points (2022: 50 basis points) increase or decrease in SOFR and EURIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2023 would decrease/increase by US$4,750,000 (2022: decrease/increase by US$10,004,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable-rate debt instruments.

37.2.3 OTHER PRICE RISK

The Group is exposed to price risk mainly through its listed equity securities.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of listed equity securities measured at fair value at the reporting date.

If the prices of the listed equity securities had been 10% higher, the profit before tax for the year ended December 31, 2023 of the Group would have increased by US$2,611,000 (2022: increase by US$1,347,000) as a result of the changes in the fair values of the listed equity securities.

37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT

As at December 31, 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group amounted to US$2,788,669,000 (2022: US$3,091,482,000). The Group's credit risk exposures are primarily attributable to trade and other receivables, bills receivables, trade receivables from an associate, finance lease receivables and bank balances and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment using an ECL model on trade receivables collectively which are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 27.0% (2022: 31.6%) and 41.7% (2022: 49.1%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of Group has delegated a team responsible for determination of credit limits and credit approvals.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

Bank balances and deposits

The credit risks on bank balances and deposits are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ Other items
Minimal risk	The counterparty has minimal risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired	12m ECL
Low risk	The counterparty has a low risk of default and occasionally repays after due dates.	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	The counterparty has a medium risk of default and occasionally repays after due dates.	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

The tables below detail the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	**2023** External credit rating	**2023** Gross carrying amount US$'000	2022 External credit rating	2022 Gross carrying amount US$'000
Trade receivables	26	(Note 1)	Lifetime ECL (not credit-impaired)	**N/A**	**1,757,327**	N/A	1,559,646
Other receivables	26	(Note 2)	12m ECL	**N/A**	**112,113**	N/A	138,304
Bills receivable	27	N/A	12m ECL	**A To AA-**	**8,423**	A To AA-	6,887
Trade receivables from an associate	28	(Note 2)	12m ECL	**N/A**	**6,927**	N/A	5,026
Finance lease receivables	23	(Note 2)	12m ECL	**N/A**	**8,487**	N/A	11,076
Bank balances and deposits	30	N/A	12m ECL	**A To AA-**	**953,240**	A To A+	1,428,930

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a collective assessment grouped by internal credit rating.
2. Trade receivables from an associate and other receivables amounted to US$6,927,000 and US$112,113,000 (2022: US$5,026,000 and US$138,304,000) respectively have no fixed repayment terms. The Group has assessed these balances on a 12m ECL basis as there has been no significant increase in the credit risk since initial recognition.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operations. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively as at December 31, 2023.

	2023			2022		
	Average loss rate	**Gross carrying amount US$'000**	**Allowances for credit losses US$'000**	Average loss rate	Gross carrying amount US$'000	Allowances for credit losses US$'000
Internal credit rating						
Minimal risk	**Less than 1%**	**319,352**	**—**	Less than 1%	346,104	—
Low risk	**1-5%**	**1,380,461**	**35,202**	1-5%	1,164,637	34,766
Medium risk	**6-20%**	**32,308**	**2,919**	6-20%	22,582	2,525
High risk	**Over 20%**	**25,206**	**19,727**	Over 20%	26,323	21,096
		1,757,327	**57,848**		1,559,646	58,387

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at December 31, 2023, the Group provided US$57,848,000 (2022: US$58,387,000) for credit losses allowances for trade receivables.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulties and there is no realistic prospect of recovery.

The following table shows the movement in the lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) US$'000
As at January 1, 2022	75,913
Currency realignment	(511)
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,566,204,000	(70,655)
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,213,542,000	58,387
Write-offs	(4,747)
As at December 31, 2022	58,387
Currency realignment	**666**
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,202,599,000	**(48,110)**
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,437,975,000	**57,848**
Write-offs	**(10,943)**
As at December 31, 2023	**57,848**

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2023, the Group has available unutilized overdrafts facilities and short and medium term bank loan facilities of approximately US$307 million (2022: US$306 million) and US$5,468 million (2022: US$3,570 million) respectively.

Liquidity Tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on agreed repayment dates. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis, and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities/settlement as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2023 US$'000
2023								
Non-derivative financial liabilities								
Trade and other payables	—	(2,239,051)	(841,826)	(292,354)	(27,702)	(3,828)	(3,404,761)	(3,404,761)
Bills payable	—	(1,568)	(5,692)	(11,164)	—	—	(18,424)	(18,424)
Lease liabilities	1.10%-4.90%	(12,794)	(25,715)	(117,733)	(142,446)	(631,837)	(930,525)	(887,892)
Discounted bills with recourse	5.14%	(124)	(2,607)	—	—	—	(2,731)	(2,708)
Unsecured borrowings	0.31%-6.47%	(585,282)	(143,808)	(196,747)	(283,853)	(807,711)	(2,017,401)	(1,951,122)
Refund liabilities from right of return	—	(7,226)	—	(8,989)	—	—	(16,215)	(16,215)
		(2,846,045)	(1,019,648)	(626,987)	(454,001)	(1,443,376)	(6,390,057)	(6,281,122)
2023								
Derivatives – net settlement								
Acquisition right of certain property, plant and equipment	—	—	—	—	—	8,084	8,084	8,084
Cross-currency interest rate swaps contracts	—	872	1,657	1,853	1,259	—	5,641	5,342
Foreign currency forward contracts – US$	—	—	282	(1,990)	—	—	(1,708)	(1,708)
		872	1,939	(137)	1,259	8,084	12,017	11,718
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	13,746	24,779	68,672	—	—	107,197	107,197
– RMB	—	—	—	266,179	—	—	266,179	266,179
– GBP	—	6,592	12,282	53,009	—	—	71,883	71,883
– US$	—	122,629	559,778	656,477	99,625	—	1,438,509	1,438,509
– AUD	—	4,650	12,720	10,908	—	—	28,278	28,278
– NZD	—	6,067	10,940	31,755	—	—	48,762	48,762
		153,684	620,499	1,087,000	99,625	—	1,960,808	1,960,808
– outflow								
– EUR	—	(13,865)	(24,948)	(68,876)	—	—	(107,689)	(107,689)
– RMB	—	—	—	(266,909)	—	—	(266,909)	(266,909)
– GBP	—	(6,628)	(12,368)	(53,643)	—	—	(72,639)	(72,639)
– US$	—	(123,942)	(558,486)	(659,497)	(99,255)	—	(1,441,180)	(1,441,180)
– AUD	—	(4,361)	(11,966)	(11,302)	—	—	(27,629)	(27,629)
– NZD	—	(6,130)	(11,043)	(32,830)	—	—	(50,003)	(50,003)
		(154,926)	(618,811)	(1,093,057)	(99,255)	—	(1,966,049)	(1,966,049)
		(1,242)	1,688	(6,057)	370	—	(5,241)	(5,241)

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2022 US$'000
2022								
Non-derivative financial liabilities								
Trade and other payables	—	(2,546,096)	(712,597)	(518,734)	(45,447)	(14,899)	(3,837,773)	(3,837,773)
Bills payable	—	(2,435)	(7,672)	(10,160)	—	—	(20,267)	(20,267)
Lease liabilities	1.10% — 2.80%	(11,627)	(23,339)	(106,367)	(112,831)	(475,186)	(729,350)	(705,081)
Discounted bills with recourse	2.01%	—	(2,010)	—	—	—	(2,010)	(2,003)
Unsecured borrowings	0.31% — 5.14%	(1,097,300)	(391,972)	(474,959)	(310,149)	(944,917)	(3,219,297)	(3,150,949)
Refund liabilities from right of return	—	(10,840)	—	(6,737)	—	—	(17,577)	(17,577)
		(3,668,298)	(1,137,590)	(1,116,957)	(468,427)	(1,435,002)	(7,826,274)	(7,733,650)
2022								
Derivatives – net settlement								
Acquisition right of certain property, plant and equipment	—	—	—	—	—	8,002	8,002	8,002
Cross-currency interest rate swaps contracts	—	894	1,874	8,193	7,025	352	18,338	17,064
Foreign currency forward contracts – US$	—	—	1,488	1,628	—	—	3,116	3,116
		894	3,362	9,821	7,025	8,354	29,456	28,182
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– HK$	—	33,820	11,246	—	—	—	45,066	45,066
– EUR	—	14,207	27,671	93,402	—	—	135,280	135,280
– RMB	—	136,480	250,006	456,715	—	—	843,201	843,201
– GBP	—	3,304	6,601	59,912	—	—	69,817	69,817
– US$	—	68,809	204,169	816,427	—	—	1,089,405	1,089,405
– AUD	—	7,226	24,072	42,377	—	—	73,675	73,675
– NZD	—	6,809	20,171	35,256	—	—	62,236	62,236
		270,655	543,936	1,504,089	—	—	2,318,680	2,318,680
– outflow								
– HK$	—	(33,776)	(11,225)	—	—	—	(45,001)	(45,001)
– EUR	—	(13,798)	(26,930)	(92,675)	—	—	(133,403)	(133,403)
– RMB	—	(139,385)	(259,486)	(479,873)	—	—	(878,744)	(878,744)
– GBP	—	(3,281)	(6,554)	(61,731)	—	—	(71,566)	(71,566)
– US$	—	(68,203)	(204,720)	(782,396)	—	—	(1,055,319)	(1,055,319)
– AUD	—	(6,680)	(22,208)	(39,788)	—	—	(68,676)	(68,676)
– NZD	—	(6,402)	(18,684)	(34,765)	—	—	(59,851)	(59,851)
		(271,525)	(549,807)	(1,491,228)	—	—	(2,312,560)	(2,312,560)
		(870)	(5,871)	12,861	—	—	6,120	6,120

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

37. Financial Instruments (continued)

37.2 Financial Risk Management Objectives and Policies (continued)

37.2.5 LIQUIDITY RISK MANAGEMENT (continued)

Liquidity Tables (continued)

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

37.3 Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of cross-currency interest rate swaps is measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices or latest purchase/transaction prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. Financial Instruments (continued)

37.3 Fair Value (continued)

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

Financial assets/ financial liabilities	Fair value as at 2023	Fair value as at 2022	Fair value hierarchy	Valuation techniques and key inputs
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the consolidated statement of financial position	**Acquisition right of certain property, plant and equipment: US$8,084,000**	Acquisition right of certain property, plant and equipment: US$8,002,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Assets – US$9,113,000; and Liabilities – US$16,062,000**	Assets – US$59,710,000; and Liabilities – US$50,474,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position	**Listed shares: US$26,114,000**	Listed shares: US$13,466,000	Level 1	Quoted bid prices in an active market.
4) Other financial assets classified as financial assets at FVTPL in the consolidated statement of financial position	**Club membership debentures: US$4,887,000**	Club membership debentures: US$4,899,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
	Unlisted equity securities: US$3,800,000	Unlisted equity securities: US$4,800,000	Level 2	The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.
	Other: US$45,000	Other: US$45,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
5) Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	**Assets – US$5,342,000; and Liabilities – Nil**	Assets – US$17,064,000; and Liabilities – Nil	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period.

37. Financial Instruments (continued)

37.3 Fair Value (continued)

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Level 1 US$'000	Level 2 US$'000	Total US$'000
2023			
Financial assets			
Acquisition right of certain property, plant and equipment	**—**	**8,084**	**8,084**
Foreign currency forward contracts	**—**	**9,113**	**9,113**
Cross-currency interest rate swaps	**—**	**5,342**	**5,342**
Financial assets at FVTPL	**26,114**	**8,732**	**34,846**
Total	**26,114**	**31,271**	**57,385**
Financial liabilities			
Foreign currency forward contracts	**—**	**(16,062)**	**(16,062)**
Total	**—**	**(16,062)**	**(16,062)**
2022			
Financial assets			
Acquisition right of certain property, plant and equipment	—	8,002	8,002
Foreign currency forward contracts	—	59,710	59,710
Cross-currency interest rate swaps	—	17,064	17,064
Financial assets at FVTPL	13,466	9,744	23,210
Total	13,466	94,520	107,986
Financial liabilities			
Foreign currency forward contracts	—	(50,474)	(50,474)
Total	—	(50,474)	(50,474)

37. Financial Instruments (continued)

37.4 Transfers of financial assets

The following were the Group's financial assets as at December 31, 2023 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group retained substantially all of the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as discounted bills with recourse (see Note 35) and unsecured borrowings – due within one year (see Note 38). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

The trade and bills receivables discounted with banks with full recourse at the year end was as follows:

	2023 **US$'000**	2022 US$'000
Carrying amount of transferred assets	**22,208**	56,429
Carrying amount of associated liabilities	**(22,208)**	(56,429)
Net position	**—**	—

The directors of the Company consider that the carrying amounts of the discounted bills and unsecured borrowings approximate their fair values.

38. Unsecured Borrowings

	2023 **US$'000**	2022 US$'000
Bank advance from Factored Trade Receivables	**19,500**	54,426
Bank loans	**1,668,763**	2,835,760
Medium term notes	**262,859**	260,763
Total borrowings	**1,951,122**	3,150,949

The borrowings of the Group are repayable as follows:

	2023 **US$'000**	2022 US$'000
Fixed-rate		
Within one year	**124,959**	79,931
In more than one year but not more than two years	**151,166**	124,796
In more than two years but not more than five years	**551,621**	591,916
More than five years	**99,020**	207,458
Variable-rate		
Within one year	**795,192**	1,873,016
In more than one year but not more than two years	**123,380**	177,125
In more than two years but not more than five years	**105,784**	96,707
	1,951,122	3,150,949
Less: Amount due within one year shown under current liabilities	**(920,151)**	(1,952,947)
Amount due after one year	**1,030,971**	1,198,002

38. Unsecured Borrowings (continued)

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

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**0.73% to 3.66%**	0.73% to 3.66%
Variable-rate borrowings	**0.31% to 6.47%**	0.31% to 5.14%

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

	US$'000
As at December 31, 2023	**698,826**
As at December 31, 2022	53,305

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

39. Share Capital

	2023 Number of shares	2022 Number of shares	**2023 US$'000**	2022 US$'000
Ordinary shares				
Issued and fully paid:				
At the beginning of the year	**1,834,697,941**	1,834,484,441	**684,710**	683,395
Issue of shares upon exercise of share options	**120,000**	213,500	**682**	1,315
Buy-back of shares	**(500,000)**	—	**—**	—
At the end of the year	**1,834,317,941**	1,834,697,941	**685,392**	684,710

Details of the share options are set out in Note 45.

During 2023, the Company bought back and cancelled its own shares through the Stock Exchange as follows:

Month of cancellation	**No. of ordinary shares**	**Price per share Highest HK$**	**Price per share Lowest HK$**	**Aggregate consideration paid US$'000**
October 2023	**500,000**	**68.70**	**67.90**	**4,408**

The shares bought back were settled and cancelled during the year. The consideration paid on the buy-back of the shares of approximately US$4,408,000 was charged to retained profits.

40. Reserves

	Shares held for share award scheme US$'000	Employee share-based compensation reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000
The Company					
At January 1, 2022	(105,740)	31,341	66,903	23,105,529	23,098,033
Profit for the year	—	—	—	192,922	192,922
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	(74,220)	—	(74,220)
Total comprehensive (loss) income for the year	—	—	(74,220)	192,922	118,702
Shares issued on exercise of options	—	(258)	—	—	(258)
Vesting of awarded shares	21,651	(21,651)	—	—	—
Shares for share award scheme	(9,796)	—	—	—	(9,796)
Recognition of share-based payments	—	47,346	—	—	47,346
Final dividend – 2021	—	—	—	(236,104)	(236,104)
Interim dividend – 2022	—	—	—	(224,317)	(224,317)
At December 31, 2022	(93,885)	56,778	(7,317)	22,838,030	22,793,606
Loss for the year	**—**	**—**	**—**	**(240,354)**	**(240,354)**
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	**—**	**—**	**9,591**	**—**	**9,591**
Total comprehensive income (loss) for the year	**—**	**—**	**9,591**	**(240,354)**	**(230,763)**
Shares issued on exercise of options	**—**	**(132)**	**—**	**—**	**(132)**
Buy-back of shares	**—**	**—**	**—**	**(4,408)**	**(4,408)**
Vesting of awarded shares	**23,479**	**(23,479)**	**—**	**—**	**—**
Shares for share award scheme	**(3,525)**	**—**	**—**	**—**	**(3,525)**
Recognition of share-based payments	**—**	**46,945**	**—**	**—**	**46,945**
Final dividend – 2022	**—**	**—**	**—**	**(212,525)**	**(212,525)**
Interim dividend – 2023	**—**	**—**	**—**	**(224,334)**	**(224,334)**
At December 31, 2023	**(73,931)**	**80,112**	**2,274**	**22,156,409**	**22,164,864**

As at December 31, 2023, the Company's reserves available for distribution to shareholders comprised the retained profits of US$22,156,409,000 (2022: US$22,838,030,000).

41. Retirement Benefit Obligations

Defined Contribution Plans:

The Group operating in Hong Kong have participated in the MPF Schemes registered under the Mandatory Provident Fund Schemes Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with a maximum amount of HK$18,000 (2022: HK$18,000) per employee per annum, which contribution is matched by the employee.

The employees of the Group's subsidiaries in the People's Republic of China ("PRC") are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group's overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

The total expense recognized in profit or loss of US$34,391,000 (2022: US$29,854,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined Benefit Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The defined benefit plans are administered by separate funds that are legally separated from the Group. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. The major defined benefit plans are as follows:

	2023 **US$'000**	2022 US$'000
Pension plan obligations (Note i)	**47,015**	46,107
Life and medical insurance plan (Note ii)	**57**	900
Others	**753**	664
	47,825	47,671

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes an unfunded plan that pays retirement benefits based on the term of service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the qualifying employees are entitled to retirement benefits varying between 10% and 20% of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on January 1, 2024, by BDO AG Wirtschaftsprufungsgesellschaft, an independent valuer not related to the Group.

Note ii: Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 29, 2023 by Willis Towers Watson, an independent valuer not related to the Group.

41. Retirement Benefit Obligations (continued)

Defined Benefit Plans: (continued)

The plans in Germany and the US expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is reinsured by an external insurance company.

The main actuarial assumptions used were as follows:

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
Discount rate	**4.25%**	3.80%	**4.54%**	4.25%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A
Future pension increases	**2.00%**	2.00%	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%

The effect of an increase of one percentage point in the assumed medical cost trend rate on the aggregate of the current service cost and interest cost; and the accumulated post-employment benefit obligations are as follows:

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Current service cost and interest cost	**N/A**	N/A	**—**	2
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**3**	44

41. Retirement Benefit Obligations (continued)

Defined Benefit Plans: (continued)

Amounts recognized in other comprehensive income in respect of the defined benefit plans are as follows:

	Pension plan		Life & medical Insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Service cost:				
Current service cost	**331**	463	**—**	—
Net interest expense on defined benefit liabilities	**1,716**	382	**35**	20
Components of defined benefit costs recognized in profit or loss	**2,047**	845	**35**	20
Remeasurement on the net defined benefit liability:				
Actuarial losses (gains) arising from changes in financial assumptions	**710**	(21,855)	**(872)**	(152)
Components of defined benefit costs recognized in other comprehensive income	**710**	(21,855)	**(872)**	(152)
Total	**2,757**	(21,010)	**(837)**	(132)

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

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

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
Present value of unfunded obligations	**47,015**	46,107	**57**	900

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

	Pension plan		Life & medical insurance plan	
	2023	2022	**2023**	2022
	US$'000	US$'000	**US$'000**	US$'000
At January 1	**46,107**	74,474	**900**	1,051
Exchange realignment	**1,428**	(4,013)	**—**	—
Current service cost	**331**	463	**—**	—
Actuarial losses (gains)	**710**	(21,855)	**(872)**	(152)
Interest cost	**1,716**	382	**35**	20
Benefit paid	**(3,277)**	(3,344)	**(6)**	(19)
At December 31	**47,015**	46,107	**57**	900

The significant actuarial assumption for the determination of the defined obligation is the discount rate. If the discount rate is 100 basis points higher (lower), the effect on defined benefit obligation would be immaterial.

41. Retirement Benefit Obligations (continued)

Defined Benefit Plans: (continued)

Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57)

For the Company and several subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permitted the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting the LSP payable to an employee (the "Offsetting Arrangement").

The Amendment Ordinance was gazetted on June 17, 2022, which abolished the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., May 1, 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. On the other hand, the accrued benefits derived from the Group's voluntary contributions made pre-, on or post-transition can continue to be used to offset pre- and post-transition LSP. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date.

42. Deferred Tax Assets (Liabilities)

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

	Accelerated tax depreciation US$'000	Warranty provision US$'000	Employee related provision US$'000	Tax losses US$'000	Inventory provision US$'000	Others US$'000	Total US$'000
At January 1, 2022	(82,332)	26,000	74,748	17,797	(1,561)	48,725	83,377
Currency realignment	39	(457)	(465)	(113)	(439)	(1,542)	(2,977)
Charge to hedging reserve	—	—	—	—	—	304	304
(Charge) credit to profit or loss	(24,043)	5,712	(7,608)	35,098	(45,882)	23,907	(12,816)
Change in tax rates	—	—	—	(21)	—	—	(21)
Acquisition of a subsidiary (Note 43)	(380)	—	7	—	—	(3)	(376)
Credit to other comprehensive income	—	—	(2,631)	—	—	—	(2,631)
At December 31, 2022	(106,716)	31,255	64,051	52,761	(47,882)	71,391	64,860
Currency realignment	**(16)**	**226**	**112**	**21**	**(916)**	**920**	**347**
Charge to hedging reserve	**—**	**—**	**—**	**—**	**—**	**655**	**655**
(Charge) credit to profit or loss	**(29,782)**	**5,594**	**13,945**	**18,865**	**(24,198)**	**(13,332)**	**(28,908)**
Change in tax rates	**387**	**—**	**102**	**—**	**(137)**	**(21)**	**331**
Credit to other comprehensive income	**—**	**—**	**(200)**	**—**	**—**	**—**	**(200)**
At December 31, 2023	**(136,127)**	**37,075**	**78,010**	**71,647**	**(73,133)**	**59,613**	**37,085**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 US$'000	2022 US$'000
Deferred tax assets	**63,354**	81,082
Deferred tax liabilities	**(26,269)**	(16,222)
	37,085	64,860

At the end of the reporting period, the Group has unused tax losses of US$4,337 million (2022: US$2,537 million) available for offset against future taxable profits. Of the US$4,337 million of unused losses approximately US$447 million expire over the next 5 to 14 years with the remaining loss carry forwards having no useful life limitation. No deferred tax asset has been recognized in respect of tax losses of US$4,046 million (2022: US$2,323 million) due to the lack of probable future taxable profits.

In respect of all unrepatriated foreign earnings, the Group has provided deferred taxes of US$19 million (2022: US$15 million) as these unrepatriated foreign earnings are not considered permanently reinvested.

43. Acquisition of a subsidiary

In April 2023, the Group acquired 100% equity interest in Green Planet Distribution Centre Company Limited ("Green Planet") from independent third parties for a cash consideration of approximately US$75,094,000. Green Planet's business was acquired so as to continue the expansion of the Group's manufacture of power equipment and outdoor power equipment products business. Green Planet is engaged in the Power Equipment segment.

	2023 Fair value US$'000
Net Assets Acquired	
Property, plant and equipment	**68,339**
Right of use assets	**12,008**
Trade and other receivables	**6,033**
Bank balances and cash	**76**
Trade and other payables	**(15,159)**
Lease liabilities	**(167)**
Goodwill arising on acquisition	**3,964**
Total consideration	**75,094**
Net cash outflow arising on acquisition:	
Total consideration	**75,094**
Less: Consideration payable	**(8,194)**
Less: Deposit paid	**(62,300)**
Less: Bank balances and cash acquired	**(76)**
Net outflow of cash and cash equivalents in respect of the acquisition	**4,524**

Goodwill of US$3,964,000 arose on the acquisition of Green Planet's business from expected cost savings within the Power Equipment segment.

The fair value and contractual amounts of trade and other receivables at the date of acquisition amounted to US$6,033,000. All amounts are expected to be collected.

The acquisition-related costs are insignificant. They have been excluded from the consideration transferred and have been recognized as an expense in the current year.

The business acquired contributed approximately US$27,110,000 to the Group's revenue, and approximately US$7,449,000 decrease in the Group's profit before taxation for the period between the date of acquisition and the reporting date as at December 31, 2023.

43. Acquisition of a subsidiary (continued)

In January 2022, the Group acquired 100% equity interest in C4 Carbides Limited ("C4") from independent third parties for a cash consideration of approximately US$39,589,000. C4's business was acquired so as to continue the expansion of the Group's power equipment business. C4 is engaged in the manufacture and sale of saw blades and is included in the Power Equipment segment.

	2022 Fair value US$'000
Net Assets Acquired	
Property, plant and equipment	3,200
Right of use assets	1,712
Intangible assets	2,015
Inventories	4,797
Trade and other receivables	7,639
Bank balances and cash	2,529
Trade and other payables	(5,034)
Lease liabilities	(1,876)
Tax payable	(122)
Deferred tax liabilities	(376)
Goodwill arising on acquisition of C4	25,105
Total consideration	39,589
Net cash outflow arising on acquisition:	
Total consideration	39,589
Less: Bank balances and cash acquired	(2,529)
Net outflow of cash and cash equivalents in respect of the acquisition of C4	37,060

Intangible assets of US$2,015,000 and goodwill of US$25,105,000 arose on the acquisition of C4's business from patents and the anticipated profitability arising from new product synergies and cost savings within the Power Equipment segment.

The fair value and contractual amounts of trade and other receivables at the date of acquisition amounted to US$7,639,000. All amount are expected to be collected.

The acquisition-related costs are insignificant. They have been excluded from the consideration transferred and have been recognized as an expense in 2022.

The business acquired contributed approximately US$16,876,000 to the Group's revenue, and approximately US$419,000 decrease in the Group's profit before taxation for the period between the date of acquisition and the reporting date as at December 31, 2022.

44. Guarantees

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at December 31, 2023 amounted to US$152,487,000 (2022: US$802,996,000).

45. Share Options

Share Option Schemes

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and subsequently amended and restated on May 12, 2023 (“Scheme E Amendment Date”), and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. Below are the summary of the principal terms of Scheme D:

The Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Directors; or

(iii) secondees; or

(iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or

(v) business partners; or

(vi) suppliers; or

(vii) customers; or

(viii) advisers of the Group.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board for the grant thereof. Share options may be exercised at any time, subject to vesting conditions, from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of the shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1.0% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Options may be exercised at any time immediately after vesting on each of the first and, depending on the vesting conditions, second and third anniversary of the relevant date of grant of the share option to the tenth anniversary of such date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company’s shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the scheme rules of Scheme E were amended and restated to ensure full compliance with the latest regulatory requirements.

45. Share Options (continued)

Share Option Schemes (continued)

The following tables disclose movements in the Company's share options during the year:

2023

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	22.12.2020	E	23,500	—	—	—	23,500	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	750,000	—	—	750,000	81.050	22.8.2024 – 21.8.2033
Mr Stephan Horst Pudwill	20.3.2014	D	750,000	—	—	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	500,000	—	—	500,000	81.050	22.8.2024 – 21.8.2033
Mr Joseph Galli Jr	22.8.2023	E	—	750,000	—	—	750,000	81.050	22.8.2024 – 21.8.2033
Mr Kin Wah Chan	17.3.2017	D	200,000	—	—	—	200,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	500,000	—	—	500,000	81.050	22.8.2024 – 21.8.2033
Mr Chi Chung Chan	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	500,000	—	—	500,000	81.050	22.8.2024 – 21.8.2033
Mr Camille Jojo (re-designated from Non-executive Director to Executive Director with effect from December 1, 2023)	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033

45. Share Options (continued)

Share Option Schemes (continued)

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Prof Roy Chi Ping Chung GBS BBS JP	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Mr Peter David Sullivan	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Mr Robert Hinman Getz	15.5.2020	E	75,000	—	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 –21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 –29.12.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Ms Virginia Davis Wilmerding	19.08.2021	E	29,500	—	—	—	29,500	167.200	19.08.2022 –18.08.2031
	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Ms Caroline Christina Kracht	22.8.2023	E	—	60,000	—	—	60,000	81.050	22.8.2024 – 21.8.2033
Total for directors			16,331,000	3,420,000	—	—	19,751,000		
Employees	17.3.2017	D	70,000	—	(20,000)	—	50,000	32.100	17.3.2018 – 16.3.2027
	19.6.2017	E	100,000	—	(100,000)	—	—	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	150,000	—	—	—	150,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	194,000	—	—	—	194,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	94,000	—	—	—	94,000	105.500	22.12.2021 –21.12.2030
	22.11.2023	E	—	250,000	—	—	250,000	81.480	22.11.2024 –21.11.2033
Total for employees			608,000	250,000	(120,000)	—	738,000		
Total for all categories			16,939,000	3,670,000	(120,000)	—	20,489,000		
Exercisable at the end of the year							15,799,000		

45. Share Options (continued)

Share Option Schemes (continued)

The following tables disclose movements in the Company's share options during the year:

2022

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	22.12.2020	E	47,000	—	(23,500)	—	23,500	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Stephan Horst Pudwill	20.3.2014	D	750,000	—	—	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Kin Wah Chan	17.3.2017	D	200,000	—	—	—	200,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Chi Chung Chan	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	1,000,000	—	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	(150,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Camille Jojo	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031

45. Share Options (continued)

Share Option Schemes (continued)

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Peter David Sullivan	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Robert Hinman Getz	15.5.2020	E	75,000	—	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	32,000	—	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Ms Virginia Davis Wilmerding	19.08.2021	E	29,500	—	—	—	29,500	167.200	19.08.2022 – 18.08.2031
Total for directors			16,504,500	—	(173,500)	—	16,331,000		
Employees	17.3.2017	D	110,000	—	(40,000)	—	70,000	32.100	17.3.2018 – 16.3.2027
	19.6.2017	E	100,000	—	—	—	100,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	150,000	—	—	—	150,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	194,000	—	—	—	194,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	94,000	—	—	—	94,000	105.500	22.12.2021 – 21.12.2030
Total for employees			648,000	—	(40,000)	—	608,000		
Total for all categories			17,152,500	—	(213,500)	—	16,939,000		
Exercisable at the end of the year							12,291,250		

45. Share Options (continued)

Share Option Schemes (continued)

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Yields of Hong Kong Government Bonds	Expected annual dividend yield
For the year ended December 31, 2023					
22.8.2023	81.05	3 years	40%	1.50%	4.019%
22.11.2023	81.48	3 years	40%	1.50%	4.088%

The share options are vested in parts over 1 to 3 years from the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing price of the Company's shares immediately before the various dates on which the share options were granted during 2023 was HK$78.81 (2022: Nil).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$78.60 to HK$81.75 in 2023 (2022: Nil).

The weighted average closing prices of the Company's shares immediately before various dates during 2023 and 2022 on which the share options was exercised were HK$81.33 (2022: HK$87.98) respectively.

The Group recognized a total expense of US$8,829,000 (2022: US$15,366,000) for the year ended December 31, 2023 in relation to share options granted by the Company.

The fair value of the share options granted in 2023 measured at various dates on which the share options were granted was ranged from HK$23.12 to HK$23.15 (2022: Nil). The weighted average fair value of the share options granted in 2023 was HK$23.12 per option (2022: Nil).

The Company had 20,489,000 share options outstanding (2022: 16,939,000), which represented approximately 1.12% (2022: 0.92%) of the issued share capital of the Company as at December 31, 2023. 3,670,000 option (2022: Nil) was granted, no option (2022: Nil) was cancelled and no share options (2022: Nil) was lapsed during the year.

The total number of shares available for issue in respect of which share options may be granted under Scheme D are 150,505,065 shares, which represented approximately 8.20% of the issued shares of the Company as at December 31, 2023. The total number of shares available for issue in respect of which share options may be granted under Scheme E are 183,479,794 shares, which represented approximately 10.00% of the issued shares of the Company as at December 31, 2023.

46. Share Award Scheme

The purpose of the share award scheme is to recognize the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the Board of Directors on January 9, 2008 and renewed on January 17, 2018, which was subsequently amended and restated on May 12, 2023. The Board may, from time to time, at their absolute discretion select any individual as an eligible person for participation in the scheme as a selected grantee and determine the number of shares to be awarded. The Board of Directors are required to pay the trustee the purchase price and the related expenses. The trustee must either purchase shares from the market or subscribe for new shares. The trustee must hold the shares until they are vested in accordance with the scheme rules. When the selected grantee has satisfied all vesting conditions specified by the Board of Directors at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee will upon the Company's instruction transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the selected grantee.

An award of shares automatically lapses when, (i) a selected grantee who is an employee ceases to be an employee; or (ii) the subsidiary by which a selected grantee is employed ceases to be a subsidiary of the Company (or of a member of the Group); or (iii) a selected grantee who is a director of the Company or a subsidiary ceases to be a director of the same; or (iv) an order for the winding-up of the Company is made or a resolution is passed (otherwise than for certain purposes) for the voluntary winding-up of the Company, and, in any such case, the award, unless the Board otherwise agrees, automatically lapses forthwith and all the awarded shares and related income of such award do not vest on the relevant vesting date but become returned shares for the purpose of the scheme.

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the scheme rules of 2018 Share Award Scheme were amended and restated to ensure full compliance with the latest regulatory requirements.

Recognition of share-based payment expenses under the share award scheme during the year was US$38,116,000 (2022: US$31,980,000). During the year ended December 31, 2023, 1,575,000 shares (2022: 1,784,500 shares) were transferred to the awardees upon vesting.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

	Number	
	2023	2022
At January 1	**5,817,500**	4,591,000
Awarded (Note (a))	**1,437,500**	3,011,000
Vested	**(1,575,000)**	(1,784,500)
At December 31 (Note (b))	**5,680,000**	5,817,500

Notes:

(a) All the awarded shares were purchased from the market with the average price of HK$111.23.

(b) At the end of the year, the average fair value per share is HK$98.98 (2022: HK$100.52). The average fair value of the awarded shares is based on the average purchase cost.

(ii) The remaining vesting periods of the awarded shares outstanding are as follows:

	Number of awarded shares	
	2023	2022
Less than 1 year	**1,287,500**	1,425,000
More than 1 year	**4,392,500**	4,392,500
	5,680,000	5,817,500

47. Capital Commitments

	2023 **US$'000**	2022 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment and equity interest in a subsidiary contracted for but not provided in the consolidated financial statements	**177,975**	328,364

48. Related Party Transactions

During the year, the Group entered into the following transactions with its associate, which did not constitute connected transactions under Chapter 14A of the Listing Rules:

	2023 **US$'000**	2022 US$'000
Sales income	**59,638**	75,211
Service income	**—**	2,453

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

	2023 **US$'000**	2022 US$'000
Short-term benefits	**104,052**	112,981
Post-employment benefits	**1,470**	1,131
Share-based payments	**28,720**	38,173
	134,242	152,285

Details of the balances and transactions with related parties are set out in the consolidated statements of financial position and Notes 21 and 28.

49. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Unsecured borrowings	Discounted bills with recourse	Lease liabilities	
		Note 38	Note 35	Note 34	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2022	—	3,280,987	1,857	554,200	3,837,044
Currency realignment	—	(13,850)	—	(7,503)	(21,353)
Financing cash flows	(460,421)	(116,188)	146	(137,333)	(713,796)
New leases entered	—	—	—	295,821	295,821
Early termination of leases	—	—	—	(1,980)	(1,980)
Interest expenses	—	58,810	—	11,058	69,868
Interest paid	—	(58,810)	—	(11,058)	(69,868)
Dividends declared	460,421	—	—	—	460,421
Acquisition of a subsidiary	—	—	—	1,876	1,876
At December 31, 2022	—	3,150,949	2,003	705,081	3,858,033
Currency realignment	**—**	**1,883**	**—**	**2,149**	**4,032**
Financing cash flows	**(436,859)**	**(1,201,710)**	**705**	**(159,919)**	**(1,797,783)**
New leases entered	**—**	**—**	**—**	**355,804**	**355,804**
Early termination of leases	**—**	**—**	**—**	**(15,390)**	**(15,390)**
Interest expenses	**—**	**104,625**	**—**	**19,431**	**124,056**
Interest paid	**—**	**(104,625)**	**—**	**(19,431)**	**(124,056)**
Dividends declared	**436,859**	**—**	**—**	**—**	**436,859**
Acquisition of a subsidiary	**—**	**—**	**—**	**167**	**167**
At December 31, 2023	**—**	**1,951,122**	**2,708**	**887,892**	**2,841,722**

50. Statement of Financial Position of the Company

As at December 31, 2023

	2023 US$'000	2022 US$'000
Non-current assets		
Property, plant and equipment	**2,043**	3,012
Right of use assets	**1,242**	2,838
Intangible assets	**28**	11
Investments in subsidiaries	**27,765,164**	28,141,334
Loans to subsidiaries	**10,856**	12,716
Financial assets at FVTPL	**3,622**	3,635
Deposits	**87,000**	90,000
	27,869,955	28,253,546
Current assets		
Deposits and prepayments	**37,913**	57,995
Financial assets at FVTPL	**26,114**	13,466
Tax recoverable	**—**	7,612
Derivative financial instruments	**12,271**	39,481
Amounts due from subsidiaries	**2,083,796**	662,539
Bank balances, deposits and cash	**6,377**	303,439
	2,166,471	1,084,532
Current liabilities		
Trade and other payables	**158,854**	193,388
Derivative financial instruments	**9,997**	46,798
Lease liabilities	**1,045**	1,477
Amounts due to subsidiaries	**5,031,284**	3,229,332
Unsecured borrowings – due within one year	**788,797**	1,172,221
	5,989,977	4,643,216
Net current liabilities	**(3,823,506)**	(3,558,684)
Total assets less current liabilities	**24,046,449**	24,694,862

50. Statement of Financial Position of the Company (continued)

As at December 31, 2023

	Note	2023 US$'000	2022 US$'000
Capital and Reserves			
Share capital		**685,392**	684,710
Reserves	40	**22,164,864**	22,793,606
Total equity		**22,850,256**	23,478,316
Non-current Liabilities			
Lease liabilities		**214**	1,390
Unsecured borrowings – due after one year		**1,030,971**	1,198,002
Amount due to a subsidiary		**165,008**	—
Other payables		**—**	17,154
Total equity and non-current liabilities		**24,046,449**	24,694,862

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on March 6, 2024 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Vice Chairman

51. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2023 and December 31, 2022 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			2023		2022		
			Directly %	Indirectly %	Directly %	Indirectly %	
DreBo Werkzeugfabrik GmbH*	Germany	EUR1,000,000	—	100	—	100	Trading and manufacture of power equipment products
TTI Outdoor Power Equipment, Inc.	US	US$10	—	100	—	100	Trading of outdoor power equipment products
Hart Consumer Products, Inc.	US	US$10	—	100	—	100	Trading of power equipment and outdoor power equipment products
Milwaukee Electric Tool Corporation	US	US$50,000,000	—	100	—	100	Trading and manufacture of power equipment products
TTI Consumer Power Tools, Inc.	US	US$10	—	100	—	100	Trading of power equipment products
Royal Appliance Mfg. Co.	US	US$1	—	100	—	100	Trading and manufacture of floorcare products
Techtronic Cordless GP	US	US$200	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	US$47,000,000	—	100	—	100	Manufacture of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (UK) Ltd.	United Kingdom	GBP4,000,000	—	100	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD25,575,762	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR25,600	—	100	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR25,000	—	100	—	100	Trading of power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR14,998,680 (2022:EUR14,919,832)	—	100	—	100	Trading of power equipment products
Techtronic Industries GmbH	Germany	EUR20,452,500	—	100	—	100	Trading and manufacture of power equipment products
Techtronic Industries Korea LLC	Korea	KRW3,400,000,000	—	100	—	100	Trading of power equipment products

51. Particulars of Principal Subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			2023		2022		
			Directly %	Indirectly %	Directly %	Indirectly %	
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN50,000 (Serie I) MXN596,964,358 (Serie II)	—	100	100	—	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Co. Mexico, S. De R.L. de C.V.	Mexico	MXN223,746,470 (2022:MXN678,954,230)	—	100	100	—	Manufacture of power equipment products
Techtronic Industries N.Z. Limited	New Zealand	NZD4,165,600	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries North America, Inc.	US	US$10	—	100	—	100	Investment holding
Green Planet Distribution Centre Co. Ltd.	Vietnam	VND1,000,000,000,000	—	100	—	—	Manufacture of power equipment and outdoor power equipment products
Techtronic Industries Vietnam Manufacturing Co. Ltd.	Vietnam	VND406,954,000,000	—	100	—	100	Manufacture of power equipment and outdoor power equipment products
Techtronic Product Development Limited	Hong Kong	HK$2	—	100	—	100	Engage in research and development activities
Techtronic Trading Limited	Hong Kong	HK$2	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$960,563,422 (2022:HK$6,086,955)	100	—	100	—	Investment holding
Techtronic Industries Company Pte. Ltd.	Singapore	US$126,467,853 (2022:US$38,000,101)	—	100	—	100	Investment holding
TTI Singapore SPV Pte. Ltd.	Singapore	US$6,169,310,060 (2022:US$5,544,032,272)	100	—	100	—	Investment holding
Vax Limited	United Kingdom	GBP30,000 (Ordinary A shares) GBP2,500 (Ordinary B shares)	—	100	—	100	Trading of household electrical and floorcare products

* Exempt from the obligation to publish local financial statements.

\# A wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

51. Particulars of Principal Subsidiaries (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarized as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2023	2022
Manufacture of power equipment, floorcare and outdoor power equipment products	Europe, PRC, US and others	**9**	9
Trading of power equipment, floorcare and outdoor power equipment product	Canada, Europe, Hong Kong, Latin America, PRC, US and others	**47**	39
Investment holding	Australia, BVI, Europe, Hong Kong, US	**20**	22
Dormant	BVI, Europe, Hong Kong, US	**18**	22

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

52. Particulars of an Associate

Particulars of an associate are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Group		Principal activities
			2023	2022	
			%	%	
Wuerth Master Power Tools Limited	Hong Kong	US$3,000,000	**49.0**	49.0	Manufacture and sale of power equipment

Financial Summary

Results

	Year ended December 31				
	2019	2020	2021	2022	**2023**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Revenue	7,666,721	9,811,941	13,203,161	13,253,917	**13,731,411**
Profit before taxation	661,286	861,254	1,181,825	1,156,897	**1,055,616**
Taxation charge	(46,290)	(60,258)	(82,724)	(79,747)	**(79,276)**
Profit for the year	614,996	800,996	1,099,101	1,077,150	**976,340**
Attributable to:					
Owners of the Company	614,900	800,760	1,099,003	1,077,150	**976,340**
Non-controlling interests	96	236	98	—	**—**
Profit for the year	614,996	800,996	1,099,101	1,077,150	**976,340**
Basic earnings per share (US cents)	33.67	43.80	60.04	58.86	**53.36**

Assets and Liabilities

	As at December 31				
	2019	2020	2021	2022	**2023**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Total assets	7,698,051	9,390,402	13,007,545	13,315,598	**12,401,983**
Total liabilities	4,303,740	5,487,495	8,285,027	8,110,117	**6,654,433**
	3,394,311	3,902,907	4,722,518	5,205,481	**5,747,550**
Equity attributable to Owners of the Company	3,394,645	3,903,005	4,722,518	5,205,481	**5,747,550**
Non-controlling interests	(334)	(98)	—	—	**—**
	3,394,311	3,902,907	4,722,518	5,205,481	**5,747,550**

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Stephan Horst Pudwill
Vice Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Mr Camille Jojo

Non-executive Directors

Prof Roy Chi Ping Chung GBS BBS JP

Independent Non-executive Directors

Mr Peter David Sullivan
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz
Ms Virginia Davis Wilmerding
Ms Caroline Christina Kracht
Mr Andrew Philip Roberts

Financial Calendar 2024

March 6	:	Announcement of 2023 annual results
May 7	:	Last day to register for the entitlement to attend and vote at Annual General Meeting
May 8-10	:	Book closure period for the entitlement to attend and vote at Annual General Meeting
May 10	:	Annual General Meeting
May 17	:	Last day to register for 2023 final dividend
May 20	:	Book closure period for 2023 final dividend
June 30	:	Six months interim period end
July 5	:	Final dividend payment
December 31	:	Financial year end

Investor Relations Contact

Main Contact
Investor Relations
Techtronic Industries North America, Inc.
450 East Las Olas Boulevard. Suite 1500
Fort Lauderdale, Florida 33301, USA
Email: ir@ttihq.com

Asia/Pacific
Investor Relations
Techtronic Industries Co. Ltd.
29/F, Tower 2, Kowloon Commerce Centre
51 Kwai Cheong Road, Kwai Chung, N.T., Hong Kong
Email: ir@tti.com.hk

Website

www.ttigroup.com
Earnings results, annual/interim reports are available online.

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (stock code: 669)
ADR Level 1 Programme (symbol: TTNDY)
U.S. Foreign Ordinary Shares (symbol: TTNDF)

Share Registrar and Transfer Office

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Tel: (852) 2980 1333

ADR Depositary

BNY Mellon

Principal Bankers

Bank of America, N.A.
Bank of China Group
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Citibank, N.A.
MUFG Bank, Ltd.
Mizuho Bank, Ltd., Hong Kong Branch

Solicitors

Vincent T.K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Company Secretary

Ms Veronica Ka Po Ng

Trademarks

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.

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
FSC™ C021898

Published by Techtronic Industries Co. Ltd.

TTI

Milwaukee RYOBI AEG HART

Empire IMPERIAL BLADES STILETTO KANGO Homelite

Hoover vax Dirt Devil ORECK