Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Basis of preparation and accounting policies

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

2. Significant accounting policies

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

Except as described below, the accounting policies and method of computations used in the condensed consolidated financial statements for the six months ended June 30, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

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

3. Segment information

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

For the period ended June 30, 2014

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Turnover				
External sales	**1,678,055**	**571,886**	**—**	**2,249,941**
Inter-segment sales	**—**	**529**	**(529)**	**—**
Total segment turnover	**1,678,055**	**572,415**	**(529)**	**2,249,941**

3. Segment information *(continued)*

For the period ended June 30, 2013

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Turnover				
External sales	1,519,190	523,197	—	2,042,387
Inter-segment sales	5,124	470	(5,594)	—
Total segment turnover	1,524,314	523,667	(5,594)	2,042,387

Inter-segment sales are charged at prevailing market rates.

	Six months period ended June 30					
	2014			2013		
	Power Equipment US$'000	**Floor Care and Appliances US$'000**	**Consolidated US$'000**	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Segment results	**142,683**	**26,120**	**168,803**	128,272	18,891	147,163
Finance costs			**(20,582)**			(19,698)
Profit before taxation			**148,221**			127,465
Taxation charge			**(12,599)**			(10,197)
Profit for the period			**135,622**			117,268

Segment profit represents the profit earned by each segment without allocation of finance costs. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and performance assessment.

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

4. Taxation charge

	Six months period ended June 30	
	2014 US$'000	2013 US$'000
Current tax:		
Hong Kong	**3,219**	1,231
Overseas Tax	**15,536**	10,281
Deferred Tax	**(6,156)**	(1,315)
	12,599	10,197

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

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

5. Profit for the period

	Six months period ended June 30	
	2014	2013
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	**37,341**	37,369
Amortisation of lease prepayments	**186**	185
Amortisation of intangible assets	**30,149**	28,274
Total depreciation and amortisation	**67,676**	65,828
Exchange gain	**(7,665)**	(15,972)
Staff costs	**336,010**	289,708
Fair value (gain) loss on held-for-trading investments	**(93)**	1,993

6. Dividends

A dividend of HK13.75 cents (approximately US1.77 cents) per share with a total of approximately US$32,400,000 (2013: HK10.75 cents (approximately US1.38 cents) per share) was paid to shareholders as the final dividend for 2013 on June 27, 2014.

The Directors have determined that an interim dividend of HK12.50 cents (approximately US1.61 cents) per share with a total of approximately US$29,456,000 (2013: HK10.00 cents (approximately US1.29 cents) per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 12, 2014.

7. Earnings per share

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

	Six months period ended June 30	
	2014	2013
	US$'000	US$'000
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	**136,274**	117,564
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,830,205,875**	1,829,371,737
Effect of dilutive potential ordinary shares:		
Share options	**8,003,462**	7,132,521
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,838,209,337**	1,836,504,258

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

During the period, the Group spent approximately US$64 million (for the six months ended June 30, 2013: US$47 million) and US$46 million (for the six months ended June 30, 2013: US$47 million) on the acquisition of property, plant and equipment and intangible assets respectively.

9. Trade and other receivables/Bills receivable

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

	June 30 2014 US$'000	December 31 2013 US$'000
0 to 60 days	**731,691**	625,004
61 to 120 days	**84,208**	95,120
121 days or above	**30,237**	31,741
Total trade receivables	**846,136**	751,865
Other receivables	**55,833**	31,930
	901,969	783,795

All the Group's bills receivable at June 30, 2014 are due within 120 days.

10. Trade and other payables/Bills payable

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

	June 30 2014 US$'000	December 31 2013 US$'000
0 to 60 days	**505,509**	467,635
61 to 120 days	**143,593**	148,839
121 days or above	**2,231**	29,502
Total trade payables	**651,333**	645,976
Other payables	**391,567**	393,947
	1,042,900	1,039,923

All the Group's bills payable at June 30, 2014 are due within 120 days.

11. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US$1,524 million (2013: US$552 million) which carry interest at the London Interbank Offered Rate, Euro Interbank Offered Rate or Hong Kong best lending rates based. The Group repaid the existing bank borrowings of US$1,318 million (2013: US$613 million).

12. Share capital

	Number of shares		Share capital	
	June 30 2014	December 31 2013	**June 30 2014 US$'000**	December 31 2013 US$'000
Ordinary shares				
Authorised shares (Note)	**2,400,000,000**	2,400,000,000	**N/A** (Note)	30,769

Note: Under Chapter 622 of the new Hong Kong Companies Ordinance, with effect from March 3, 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

	Number of shares		Share capital	
Issued and fully paid:				
At the beginning of the period	**1,829,883,941**	1,829,080,941	**23,471**	23,461
Issue of shares upon exercise of share options	**1,090,000**	4,103,000	**14**	52
Buy-back of shares	**—**	(3,300,000)	**—**	(42)
Transfer of share premium and capital redemption reserve upon abolition of par value under the new Hong Kong Companies Ordinance	**—**	—	**619,035**	—
At the end of the period	**1,830,973,941**	1,829,883,941	**642,520**	23,471

13. Contingent liabilities

	June 30 2014 US$'000	December 31 2013 US$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**8,883**	9,099

14. Fair value measurements of financial instruments

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

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

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

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

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

	Financial assets/ financial liabilities	Fair value as at June 30, 2014	Fair value as at December 31, 2013	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
1)	Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the condensed consolidated statement of financial position	Acquisition right of certain property, plant and equipment: US$11,741,000	Acquisition right of certain property, plant and equipment: US$12,647,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3rd party independent valuer.	N/A	N/A
2)	Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – US$989,000; and Liabilities – US$22,543,000	Assets – US$5,073,000; and Liabilities – US$9,880,000	Level 2	Quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.	N/A	N/A
3)	Held-for-trading non-derivative financial assets classified as held-for-trading investments in the condensed consolidated statement of financial position	Unlisted investment fund: US$1,093,000	Unlisted investment fund: US$1,000,000	Level 2	Quoted prices based on the prices of stocks invested by the investment fund.	N/A	N/A
4)	Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities (not designated for hedging) – US$2,628,000	Liabilities (not designated for hedging) – US$3,202,000	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.	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. There were no transfers between Level 1 and 2 in both periods.

15. Acquisition of Businesses

In January 2014, the Group acquired certain assets and business from Index Measuring Tape Co., Ltd ("Index") for a total consideration of approximately US$17.8 million. Index's business was acquired so as to continue the expansion of the Group's power equipment business. Index is engaged in manufacture and trading of tape measure products and is included in the Power Equipment segment.

In May 2014, the Group acquired certain assets, liabilities and business from Empire Level Mfg. Corp. ("Empire") for a total consideration of approximately US$30.0 million. Empire's business was acquired so as to continue the expansion of the Group's power equipment business. Empire is engaged in manufacture and trading of hand tools products and is included in the Power Equipment segment.

Intangible assets of US$9.7 million and goodwill of US$24.0 million arose on the acquisitions of Index and Empire's business from trademarks, patents, retailer and service relationships and the anticipated profitability arising from new product synergies and cost savings within the Power Equipment segment, respectively.

Acquisition-related costs are insignificant, have been excluded from the consideration transferred and recognised as an expense in the current period.

The businesses acquired contributed approximately US$6,743,000 to the Group's turnover, and approximately US$54,000 decrease in the Group's profit before taxation for the period between the respective dates of acquisition and the reporting date as at June 30, 2014.

The revenue and profit or loss of the acquired businesses for the current reporting period as though the acquisition date for the acquisitions that occurred during the year has been as of the beginning of the reporting period is not presented as it was impracticable to obtain various values in various acquiree's operations prior to the acquisition.

16. Capital commitments

	June 30 2014 US$'000	December 31 2013 US$'000
Capital expenditure in respect of the purchase of property, plant and equipment:		
Contracted for but not provided	**12,920**	17,613
Authorised but not contracted for	**6,140**	1,134