



Techtronic Industries



Interim Report 2014

> POWERFUL BRANDS > INNOVATIVE PRODUCTS > EXCEPTIONAL PEOPLE > OPERATIONAL EXCELLENCE

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Techtronic Industries Company Limited (the “Company” or “TTI”) is a world-class leader in design, manufacturing and marketing of Power Tools, Outdoor Power Equipment, and Floor Care and Appliances for consumers, professional and industrial users in the home improvement, repair and construction industries. Our unrelenting strategic focus on Powerful Brands, Innovative Products, Operational Excellence and Exceptional People drives our culture.

Our brands and products are recognized worldwide for their deep heritage, superior quality, outstanding performance and compelling innovation. Through a company-wide commitment to innovation and strong customer partnerships, we consistently deliver new products that enhance customer satisfaction and productivity. This focus and drive provides TTI with a powerful platform for sustainable leadership and strong growth.

Founded in 1985 in Hong Kong, TTI has a portfolio of industry leading brands, a worldwide customer reach, and over 20,000 staff. TTI is listed on the Stock Exchange of Hong Kong and in 2013 had worldwide annual sales of US\$4.3 billion.

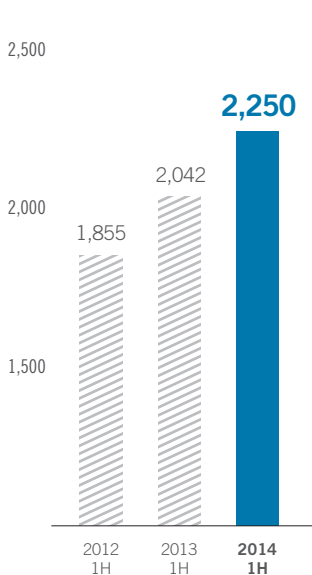
Financial Highlights

- Record sales and profit performance
- Innovative new products driving organic growth
- Continued gross margin improvement

	2014 US\$m	2013 US\$m	Changes %
Turnover	2,250	2,042	+10.2
Gross profit margin	35.0%	34.0%	+100 bpt
EBIT	162	142	+13.6
Profit attributable to Owners of the Company	136	118	+15.9
EPS (US cents)	7.45	6.43	+15.9
Interim dividend per share (approx. US cents)	1.61	1.29	+25.0

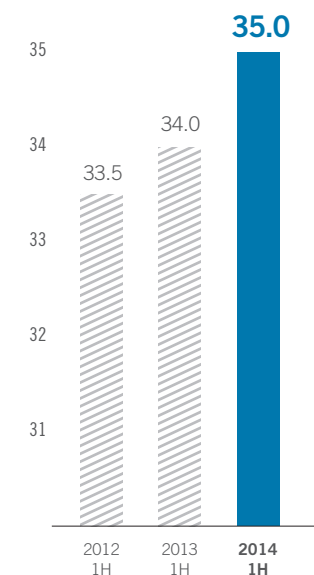
Turnover
US\$m

↑10.2%



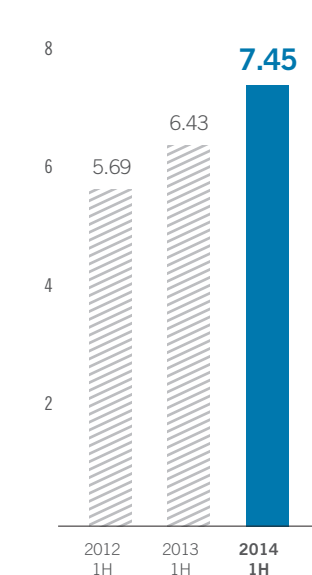
Gross Profit Margin
%

↑100 bpt



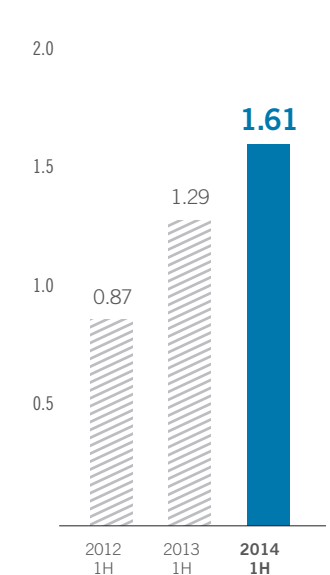
Basic Earnings per Share
US cents

↑15.9%



Interim Dividend per Share
US cents

↑25.0%





Record sales and profit performance

TTI delivered record sales, gross margin and profit for the first half of 2014. New products, geographic expansion and a relentless focus on operational efficiency propelled our continued outstanding performance. We generated exceptional organic growth in our professional and DIY power tool businesses. Geographically, both our North American and European businesses delivered strong results. In addition, our rest-of-world businesses continued to flourish delivering double-digit growth.

TTI achieved 10.2% sales growth in the first half despite challenging weather conditions in North America. The company's double digit sales growth is a result of a series of successful new product launches and highly effective, targeted geographic expansion.

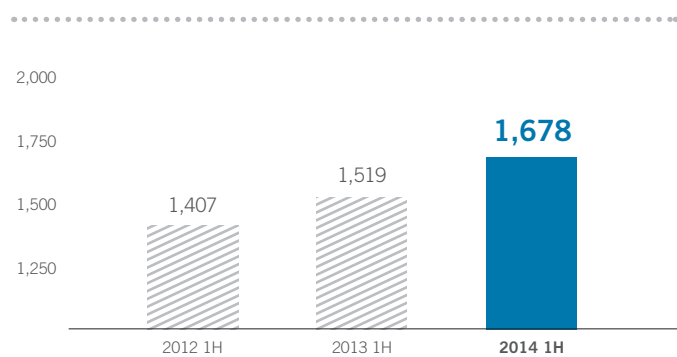
A highlight of our strong first half result was 100 basis points improvement with our gross margin increasing from 34.0% last year to 35.0% this year, by aggressive productivity gains throughout our supply chain network.

> Sales by Business

Power Equipment

US\$m

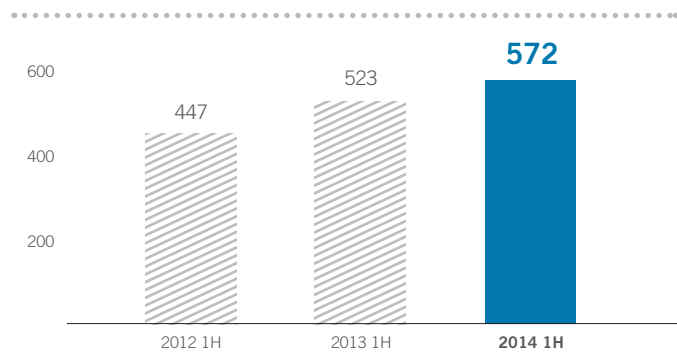
↑ 10.5%



Floor Care and Appliances

US\$m

↑ 9.3%



Innovative new products driving organic growth

Continued gross margin improvement

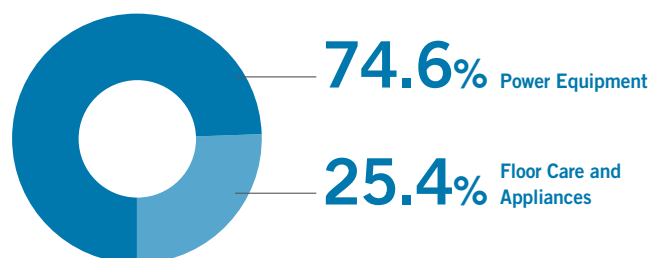
Record financial performance

In the first half of 2014, the Group's net profit attributable to shareholders reached US\$136 million, a 15.9% increase over the first half of 2013. Basic earnings per share was US7.45 cents, 15.9% higher than the same period last year. Group sales rose by 10.2% over the six month period to US\$2,250 million. The Power Equipment segment delivered US\$1,678 million, which is a 10.5% sales increase. The Floor Care and Appliance segment grew 9.3% to US\$572 million in sales.

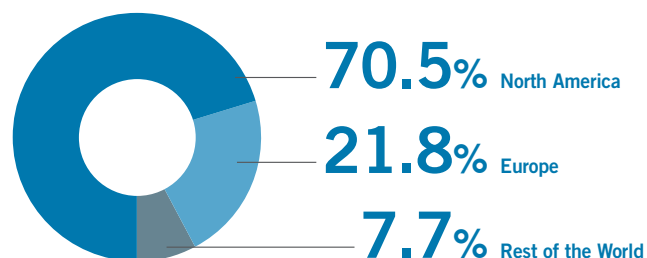
Gross margin increased for the sixth consecutive first half period from 34.0% to 35.0%. The improvement in gross margin was driven by new product launches and aggressive productivity gains throughout our supply chain network. Our strategy of delivering at least one third of group revenue from new products is a key element of our success. In addition, we generated increased productivity and enhanced our operating margins due to our cost improvement programs across manufacturing and supply chain.

We continue to invest in strategic SG&A. Our investments are focused on product development, marketing, and geographic expansion. These investments continue to deliver outstanding returns with EBIT margin improving for the fifth consecutive first half period as a result of our strategic initiatives.

Sales by Business

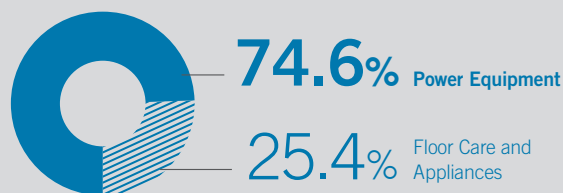


Sales by Location



Power Equipment
US\$1,678 million –
74.6% of the total turnover






Sales by Business



Business Review

Power Equipment

Power Equipment delivered US\$1,678 million in sales, 10.5% higher than the same period in 2013. It generated 74.6% of total Group sales.

Brand	Market Segment	Major Market
	Industrial	Global
	Professional ▶ Layout & Measuring Tools	Global
	Professional	Global
	Consumer ▶ Power Tools & Accessories Garden Enthusiasts ▶ Outdoor Products & Accessories	North America, Europe, Australasia
	Consumer ▶ Outdoor Products & Accessories	Global

Industrial

Milwaukee Tool had a strong first half in 2014, outperforming the market and recording solid double-digit growth across all geographic regions. Milwaukee Tool had a continuous flow of new products across its three core product portfolios of Power Tools, Power Tool Accessories and Hand Tools. Milwaukee Tool's focus

on key user groups and industrial channels led to significant market gains. The launches of the innovative cordless products like the M18 FUEL circular saws, FUEL deep cut band saws, and the M12 FUEL HACKZALL reciprocating saws build upon the existing success of the M12 and M18 Lithium-ion cordless systems and power impressive end-user conversion rates, which remain a critical commercial component of Milwaukee Tool's business strategy. New Power Tool Accessories, including the DIAMOND PLUS hole saws and SHOCKWAVE IMPACT DUTY hole saws and the rapid expansion of the MILWAUKEE hand tool program through new products added incremental business in the first half.

Continuing our strong focus on growth and expansion in our Hand Tools business, TTI recently entered into the level and measurement business through the acquisition of the North America-based EMPIRE level business. This will enable TTI to become a fully integrated solutions provider in layout and measurement product categories. Empire is a leading U.S. manufacturer of levels, squares, layout tools and safety and utility tapes.

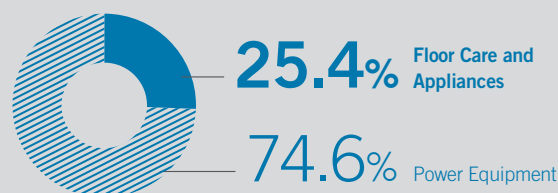
Consumer, Trade and Professional

In the first half of 2014, the North American Consumer Power Tools Division experienced strong gains within the home improvement marketplace. This growth is attributed to strong cordless sales, buoyed by new product innovations and compelling marketing campaigns. The industry-leading RYOBI® 18V ONE+ SYSTEM of tools benefited from the continued success of the Lithium-ion battery enhanced product options.

In Europe the RYOBI® brand experienced strong double-digit growth from new products for the ONE+ Lithium-ion programs and the success of targeted media campaigns across key regions. The AEG® brand also achieved double-digit sales growth in both retail and professional channels. The expansion was driven by a series of successful new Lithium-ion product introductions, in-store campaigns and the introduction of focused training events.

Floor Care and Appliances US\$572 million – 25.4% of the total turnover

Sales by Business



Outdoor Products

Outdoor Products expanded their market position in the first half of 2014. North America saw a minor impact in sales due in part to unfavourable weather conditions. The business was able to offset the challenges and maintain market position. We successfully introduced the RYOBI® 18V ONE+ hybrid blower which runs on Lithium-ion cordless power or traditional corded power and an expansion of the 40V RYOBI® platform with Lithium-ion battery power and run time that deliver “gas-like power.”





Europe and rest of the world had a very strong first half in outdoor by launching our exciting new 18V and 36V products. The positive momentum is also driven by the further development of key retail partners as the RYOBI® brand gains traction and continues to develop stronger loyalty with end-users across Europe.

Floor Care and Appliances

Floor Care and Appliances which accounts for 25.4% of group turnover achieved US\$572 million in sales, a 9.3% increase for the first half of 2014. Strong sales growth across all our geographic regions was achieved through new product launches and targeted marketing.

By applying TTI’s expertise in Lithium-ion cordless technology to the floor care sector, HOOVER has made a significant introduction in the North American market. The revolutionary HOOVER AIR cordless vacuum delivers 50 minutes of run-time and represents a breakthrough in floor care technology. HOOVER also achieved strong gains in the carpet washing segment through the launch of an extended range of high-performance carpet washers.

The newly acquired ORECK floor care business is being successfully integrated into TTI and delivered excellent first half sales and profit.

Brand	Market Segment	Major Market
	Premium Cleaning	North America, Asia, Middle East & Africa
	Commercial	North America
	High-Performance	Global
	Consumer	Global

Outlook

With our ongoing focus on generating organic growth, improving operating margins, and managing our robust balance sheet, we expect continued strong performance in the second half of 2014 and beyond. Our record performance in the first half of 2014 is on pace with expectations and is tracking into the second half with key business units and geographies continuing their strong performance. New product initiatives utilizing Lithium-ion cordless and MILWAUKEE FUEL technologies offer enormous growth opportunities. We are investing in new products and the marketing necessary to drive sales growth. Our broad focus on operational productivity is yielding cost improvements, supply chain efficiencies and strengthening our margins.

The result is powerful growth and continued excellent financial performance. We are excited about our positive momentum and are well positioned to build on our record first half.

Management's Discussion and Analysis

Financial Review

Financial Results

Turnover for the period under review amounted to US\$2,250 million, 10.2% higher than the US\$2,042 million reported for the same period last year. Profit attributable to Owners of the Company amounted to US\$136 million as compared to US\$118 million reported last year, an increase of 15.9%. Basic earnings per share was at US7.45 cents (2013: US6.43 cents).

EBITDA amounted to US\$229 million, an increase of 10.2% as compared to the US\$208 million reported in the same period last year.

EBIT amounted to US\$162 million, an increase of 13.6% as compared to the US\$142 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 35.0% as compared to 34.0% in the same period last year. The margin improvement was the result of new product introduction, category expansion, efficient production amongst various production facilities, effective supply chain management and volume leverage on our economies of scale.

Operating Expenses

Total operating expenses for the period amounted to US\$627 million as compared to US\$554 million reported for the same period last year, representing 27.9% of turnover (2013: 27.1%). The increase mainly due to the strategic spent on advertising and promotion on new products, particularly for the Floor Care division.

Investment in product design and development amounted to US\$57 million (2013: US\$48 million), representing 2.5% of turnover (2013: 2.4%), reflecting our continuous strive for innovation. We will continue to invest in design and development as new products and category expansions are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the period amounted to US\$12.6 million as compared to US\$14.4 million reported for the same period last year, a reduction of US\$1.7 million or 12.1%. Interest cover, expressed as a multiple of EBITDA to total interest was at 11.5 times (2013: 10.8 times).

Effective tax rate for the period was at 8.5% (2013: 8.0%). The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$1.8 billion, as compared to US\$1.7 billion at December 31, 2013, an increase of 4.4%. Book value per share was US\$0.99 as compared to US\$0.95 at December 31, 2013, an increase of 4.2%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2014, the Group's cash and cash equivalents amounted to US\$656 million (US\$698 million at December 31, 2013) after the payment of US\$32.4 million dividend during the period (US\$25.3 million in first half 2013), of which 48.8%, 28.2%, 11.9%, and 11.1% were denominated in RMB, US\$, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 22.8% as compared to 26.2% as at June 30, 2013. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing can further be improved going forward.

Bank Borrowings

Long term borrowing accounted for 34.9% of total debts (42.4% at December 31, 2013).

The Group's major borrowings continued to be in US Dollars and HK Dollars. Borrowings are predominantly LIBOR or Hong Kong best lending rates based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposure, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Working Capital

Total inventory was at US\$1,025 million as compared to US\$818 million for the same period last year. The number of days inventory was at 83 days as compared to 74 days as at June 30, 2013. When compared to the year end level, inventory at the end of the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year and to ensure the service quality level to customers will not be jeopardized having taken into consideration of our sales momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 69 days as compared to 71 days as at June 30, 2013. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 62 days as compared to 64 days as at June 30, 2013. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 84 days as compared to 78 days as at June 30, 2013.

Working capital as a percentage of sales was maintained at 18.4% as compared to the same period last year.

Capital Expenditure

Total capital expenditures for the period amounted to US\$64 million (2013: US\$47 million).

Capital Commitment and Contingent Liability

As at June 30, 2014, total capital commitments amounted to US\$19 million (2013: US\$18 million), and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

Human Resources

The Group employed a total of 20,355 employees (19,248 employees as at June 30, 2013) in Hong Kong and overseas. Increase in the number of employees mainly due to the three acquisitions completed during the past twelve months. Excluding the effect from acquisition, employees as at June 30, 2014 total to 19,225, very comparable to last year, with an increase in turnover. Total staff cost for the period under review amounted to US\$336 million as compared to US\$290 million in the same period last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve the quality, competence and skills of all employees. It provides job related training and leadership development programs throughout the organization. The Group continues to offer competitive remuneration packages, discretionary share options, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Interim Dividend

The Directors have resolved to declare an interim dividend of HK12.50 cents (approximately US1.61 cents) (2013: HK10.00 cents (approximately US1.29 cents)) per share for the six months period ended June 30, 2014. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 12, 2014. It is expected that the interim dividend will be paid on or about September 26, 2014.

Closure of Register of Members

The register of members of the Company will be closed from September 11, 2014 to September 12, 2014, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 10, 2014.

Report on Review of Condensed Consolidated Financial Statements



To the Board of Directors of
Techtronic Industries Company Limited

Introduction

We have reviewed the condensed consolidated financial statements of Techtronic Industries Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 9 to 20, which comprise the condensed consolidated statement of financial position as of June 30, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting”(“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong
August 20, 2014

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months period ended June 30, 2014

	Notes	2014 US\$'000 (Unaudited)	2013 US\$'000 (Unaudited)
Turnover	3	2,249,941	2,042,387
Cost of sales		(1,463,108)	(1,348,373)
Gross profit		786,833	694,014
Other income		1,213	1,896
Interest income		7,953	5,334
Selling, distribution, advertising and warranty expenses		(319,020)	(278,624)
Administrative expenses		(251,473)	(227,272)
Research and development costs		(56,703)	(48,185)
Finance costs		(20,582)	(19,698)
Profit before taxation		148,221	127,465
Taxation charge	4	(12,599)	(10,197)
Profit for the period	5	135,622	117,268
Other comprehensive loss:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		(5,059)	(5,113)
Items that may be subsequently reclassified to profit or loss:			
Fair value (loss) gain on foreign currency forward contracts in hedge accounting		(15,892)	3,920
Exchange differences on translation of foreign operations		(7,376)	(4,902)
Other comprehensive loss for the period		(28,327)	(6,095)
Total comprehensive income for the period		107,295	111,173
Profit for the period attributable to:			
Owners of the Company		136,274	117,564
Non-controlling interests		(652)	(296)
		135,622	117,268
Total comprehensive income attributable to:			
Owners of the Company		107,947	111,469
Non-controlling interests		(652)	(296)
		107,295	111,173
Earnings per share (US cents)	7		
Basic		7.45	6.43
Diluted		7.41	6.40

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2014

	Notes	June 30 2014 US\$'000 (Unaudited)	December 31 2013 US\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8 & 16	399,735	383,949
Lease prepayments		35,296	36,364
Goodwill	15	556,315	532,488
Intangible assets	8	484,756	459,440
Interests in associates		14,789	15,766
Available-for-sale investments		520	520
Derivative financial instruments		11,741	12,647
Deferred tax assets		85,341	79,064
		1,588,493	1,520,238
Current assets			
Inventories		1,024,771	884,230
Trade and other receivables	9	901,969	783,795
Deposits and prepayments		95,967	76,057
Bills receivable	9	29,402	26,054
Tax recoverable		22,757	15,375
Trade receivables from an associate		2,828	2,590
Derivative financial instruments		989	5,073
Held-for-trading investments		1,093	1,000
Bank balances, deposits and cash		655,681	698,147
		2,735,457	2,492,321
Current liabilities			
Trade and other payables	10	1,042,900	1,039,923
Bills payable	10	41,613	40,613
Warranty provision		56,364	52,628
Tax payable		78,462	50,197
Derivative financial instruments		25,171	13,082
Obligations under finance leases – due within one year		1,032	977
Discounted bills with recourse		96,890	116,704
Unsecured borrowings – due within one year	11	662,068	454,624
Bank overdrafts		8,495	7,887
		2,012,995	1,776,635
Net current assets		722,462	715,686
Total assets less current liabilities		2,310,955	2,235,924

	Notes	June 30 2014 US\$'000 (Unaudited)	December 31 2013 US\$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	12	642,520	23,471
Reserves		1,175,326	1,717,242
Equity attributable to Owners of the Company		1,817,846	1,740,713
Non-controlling interests		4,071	4,723
Total equity		1,821,917	1,745,436
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		2,600	3,173
Unsecured borrowings – due after one year	11	373,179	374,744
Retirement benefit obligations		107,016	106,296
Deferred tax liabilities		6,243	6,275
		489,038	490,488
Total equity and non-current liabilities		2,310,955	2,235,924

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended June 30, 2014

	Attributable to Owners of the Company									Attributable to non-controlling interests	Total
	Share capital US\$'000	Share premium US\$'000	Capital redemption reserve 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	Share of net assets of subsidiaries US\$'000	
At January 1, 2013 (audited)	23,461	613,090	183	1,119	3,213	7,174	(1,254)	901,891	1,548,877	7,645	1,556,522
Profit (loss) for the period	—	—	—	—	—	—	—	117,564	117,564	(296)	117,268
Remeasurement of defined benefit obligations	—	—	—	—	—	(5,113)	—	—	(5,113)	—	(5,113)
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	3,920	—	3,920	—	3,920
Exchange differences on translation of foreign operations	—	—	—	(4,902)	—	—	—	—	(4,902)	—	(4,902)
Other comprehensive (loss) income for the period	—	—	—	(4,902)	—	(5,113)	3,920	—	(6,095)	—	(6,095)
Total comprehensive (loss) income for the period	—	—	—	(4,902)	—	(5,113)	3,920	117,564	111,469	(296)	111,173
Shares issued at premium on exercise of options	48	4,156	—	—	(780)	—	—	—	3,424	—	3,424
Buy-back of shares	(16)	—	16	—	—	—	—	(2,429)	(2,429)	—	(2,429)
Recognition of equity-settled share-based payments	—	—	—	—	269	—	—	—	269	—	269
Final dividend – 2012	—	—	—	—	—	—	—	(25,330)	(25,330)	—	(25,330)
At June 30, 2013 (unaudited)	23,493	617,246	199	(3,783)	2,702	2,061	2,666	991,696	1,636,280	7,349	1,643,629
Profit (loss) for the period	—	—	—	—	—	—	—	132,720	132,720	(2,626)	130,094
Remeasurement of defined benefit obligations	—	—	—	—	—	(4,030)	—	—	(4,030)	—	(4,030)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	(3,819)	—	(3,819)	—	(3,819)
Exchange differences on translation of foreign operations	—	—	—	4,162	—	—	—	—	4,162	—	4,162
Other comprehensive income (loss) for the period	—	—	—	4,162	—	(4,030)	(3,819)	—	(3,687)	—	(3,687)
Total comprehensive income (loss) for the period	—	—	—	4,162	—	(4,030)	(3,819)	132,720	129,033	(2,626)	126,407
Shares issued at premium on exercise of options	4	317	—	—	(60)	—	—	—	261	—	261
Buy-back of shares	(26)	—	26	—	—	—	—	(4,729)	(4,729)	—	(4,729)
Recognition of equity-settled share-based payments	—	—	—	—	97	—	—	—	97	—	97
Lapse of share options	—	—	—	—	(6)	—	—	6	—	—	—
Deferred tax liability on remeasurement of defined benefit obligations	—	—	—	—	—	3,325	—	—	3,325	—	3,325
Interim dividend – 2013	—	—	—	—	—	—	—	(23,554)	(23,554)	—	(23,554)
At December 31, 2013 and January 1, 2014 (audited)	23,471	617,563	225	379	2,733	1,356	(1,153)	1,096,139	1,740,713	4,723	1,745,436
Profit (loss) for the period	—	—	—	—	—	—	—	136,274	136,274	(652)	135,622
Remeasurement of defined benefit obligations	—	—	—	—	—	(5,059)	—	—	(5,059)	—	(5,059)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	(15,892)	—	(15,892)	—	(15,892)
Exchange differences on translation of foreign operations	—	—	—	(7,376)	—	—	—	—	(7,376)	—	(7,376)
Other comprehensive loss for the period	—	—	—	(7,376)	—	(5,059)	(15,892)	—	(28,327)	—	(28,327)
Total comprehensive (loss) income for the period	—	—	—	(7,376)	—	(5,059)	(15,892)	136,274	107,947	(652)	107,295
Shares issued at premium on exercise of options	14	1,247	—	—	(237)	—	—	—	1,024	—	1,024
Recognition of equity-settled share-based payments	—	—	—	—	562	—	—	—	562	—	562
Final dividend – 2013	—	—	—	—	—	—	—	(32,400)	(32,400)	—	(32,400)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	619,035	(618,810)	(225)	—	—	—	—	—	—	—	—
At June 30, 2014 (unaudited)	642,520	—	—	(6,997)	3,058	(3,703)	(17,045)	1,200,013	1,817,846	4,071	1,821,917

Note: The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. March 3, 2014).

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months period ended June 30, 2014

	June 30 2014 US\$'000 (Unaudited)	June 30 2013 US\$'000 (Unaudited)
Net cash (used in) from operating activities	(65,266)	83,912
Net cash used in investing activities	(127,186)	(87,026)
Net cash from (used in) financing activities	153,477	(36,904)
Net decrease in cash and cash equivalents	(38,975)	(40,018)
Cash and cash equivalents at January 1	690,260	610,561
Effect of foreign exchange rate changes	(4,099)	(1,840)
Cash and cash equivalents at June 30	647,186	568,703
Analysis of the balances of cash and cash equivalents Represented by:		
Bank balances, deposits and cash	655,681	573,312
Bank overdrafts	(8,495)	(4,609)
	647,186	568,703

Condensed Consolidated Financial Statements

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.

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

5. Profit for the period

	Six months period ended June 30	
	2014 US\$'000	2013 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 US\$'000	2013 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.

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

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.

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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	June 30, 2014	December 31, 2013				
	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				
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.

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

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

Corporate Governance and Other Information

Directors' and Chief Executive's Interests

As at June 30, 2014, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as adopted by the Company, 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	146,049,500	1,400,000	364,369,294	19.90%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	216,159,794 ⁽²⁾	—		
Mr Joseph Galli Jr	Beneficial owner	867,000	1,000,000	1,867,000	0.10%
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr Chi Chung Chan	Beneficial owner	300,000	1,000,000	1,300,000	0.07%
Mr Stephan Horst Pudwill	Beneficial owner	4,859,500	2,000,000	40,867,000	2.23%
	Beneficiary of a trust	34,007,500 ⁽³⁾	—		
Prof Roy Chi Ping Chung BBS JP	Beneficial owner	50,005,948	—	87,080,978	4.76%
	Interests of controlled corporation	37,075,030 ⁽⁴⁾	—		
Mr Joel Arthur Schleicher	Beneficial owner	107,000	850,000	957,000	0.05%
Mr Christopher Patrick Langley OBE	Beneficial owner	750,000	—	750,000	0.04%
Mr Manfred Kuhlmann	Beneficial owner	—	350,000	350,000	0.02%
Mr Peter David Sullivan	Beneficial owner	—	650,000	650,000	0.04%
Mr Vincent Ting Kau Cheung	Beneficial owner	2,920,000	850,000	3,770,000	0.21%

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 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

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

(4) These shares were held by Cordless Industries Company Limited* in which Prof Roy Chi Ping Chung 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 BBS JP.

Directors' and Chief Executive's Interests *(continued)*

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 June 30, 2014.

Share Options

The following tables disclose movements in the Company's share options during the six months period ended June 30, 2014:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
Directors									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	(600,000)	—	—	6.770	16.11.2009 - 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 - 25.11.2020
	21.5.2012	D	570,000	—	—	—	570,000	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	—	230,000	—	—	230,000	21.600	20.3.2014 - 19.3.2024
Mr Joseph Galli Jr	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	20.3.2014	D	—	1,000,000	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
Mr Chi Chung Chan	20.3.2014	D	—	1,000,000	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	—	—	1,000,000	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	—	1,000,000	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Christopher Patrick Langley OBE	21.5.2012	D	250,000	—	(250,000)	—	—	8.742	21.5.2012 - 20.5.2022
Mr Manfred Kuhlmann	23.5.2011	D	100,000	—	—	—	100,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Peter David Sullivan	16.11.2009	D	200,000	—	—	—	200,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Total for directors			6,720,000	3,230,000	(850,000)	—	9,100,000		

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
Employees	24.8.2007	D	980,000	—	—	—	980,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	60,000	—	—	—	60,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	14.1.2008	D	518,000	—	—	—	518,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	575,000	—	—	—	575,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	D	350,000	—	(100,000)	—	250,000	7.546	30.5.2008 - 29.5.2018
	16.11.2009	D	2,220,000	—	(40,000)	—	2,180,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	D	100,000	—	(100,000)	—	—	6.790	7.12.2009 - 6.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 - 27.12.2019
	13.9.2010	D	500,000	—	—	—	500,000	7.390	13.9.2010 - 12.9.2020
17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 - 16.1.2021	
Total for employees			5,433,000	—	(240,000)	—	5,193,000		
Total for all categories			12,153,000	3,230,000	(1,090,000)	—	14,293,000		

Notes:

- (1) Scheme D is the share option scheme adopted by the Company on May 29, 2007.
- (2) No option was cancelled during the period.
- (3) 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	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the period ended June 30, 2014					
20.3.2014	21.600	3 years	41%	0.712%	1.5%

The share options are vested in parts over 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 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 options grant date was HK\$20.40.

The closing price of the Company's shares immediately before the date of grant was HK\$20.40.

The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK\$24.73.

The Group recognised a total expense of US\$562,000 for the six months period ended June 30, 2014 in relation to share options granted by the Company.

The fair value of the share options granted in the period measured at date of grant was HK\$5.56 per option. The weighted average fair value of the share options granted in the period was HK\$5.56 per option.

The Company had 14,293,000 share options outstanding, which represented approximately 0.78% of the issued share capital of the Company as at June 30, 2014.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the period 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.

Substantial Shareholders' Interests

As at June 30, 2014, 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
FIL Limited ⁽¹⁾	144,125,000	(L)	7.87%
FMR LLC ⁽²⁾	91,517,000	(L)	5.00%
JPMorgan Chase & Co. ⁽³⁾	157,579,993	(L)	8.61%
	5,165,500	(S)	0.28%
	136,055,312	(LP)	7.43%
Schroders Plc ⁽⁴⁾	110,739,500	(L)	6.05%

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

Notes:

- (1) The capacity of FIL Limited in holding the 144,125,000 shares was as investment manager.
- (2) The following is a breakdown of the interests in shares in the Company held by FMR LLC:

Name	Remarks	Total interests in shares			Approximate percentage of interests
		Direct Interests	(L/S)	Deemed interests	
FMR LLC	(2a)	—	—	91,517,000	(L) 5.00%
Fidelity Management & Research Company	(2b)	—	—	58,704,000	(L) 3.21%
Fidelity Management Trust Company, Pyramis Global Advisors LLC	(2b)	—	—	32,813,000	(L) 1.79%

Remarks:

- (2a) The capacity of FMR LLC in holding the 91,517,000 shares of long position was as investment manager.
- (2b) Fidelity Management & Research Company and Fidelity Management Trust Company, Pyramis Global Advisors LLC were all direct or indirect owned by FMR LLC and by virtue of the SFO, FMR LLC was deemed to be interested in the shares held by these subsidiaries.

- (3) 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)	Deemed interests	(L/S/LP)	Approximate percentage of interests
JPMorgan Chase & Co.	(3a)	—	—	157,579,993	(L)	8.61%
		—	—	5,165,500	(S)	0.28%
		—	—	136,055,312	(LP)	7.43%
J.P. Morgan Clearing Corp	(3b)	3,142,430	(L)	—	—	0.17%
JF Asset Management Limited	(3b)	11,994,500	(L)	—	—	0.66%
JPMorgan Asset Management (Japan) Limited	(3b)	682,000	(L)	—	—	0.04%
J.P. Morgan Whitefriars Inc.	(3b)	674,988	(L)	—	—	0.04%
		165,500	(S)	—	—	0.01%
J.P. Morgan Securities plc	(3b)	5,000,133	(L)	—	—	0.27%
		5,000,000	(S)	—	—	0.27%
J.P. Morgan Securities plc	(3b)	5,000,133	(L)	—	—	0.27%
		5,000,000	(S)	—	—	0.27%
JPMorgan Chase Bank, N.A.	(3b)	136,085,942	(L)	—	—	7.43%
J.P. Morgan Capital Financing Limited	(3b)	—	—	5,000,133	(L)	0.27%
		—	—	5,000,000	(S)	0.27%
Bank One International Holdings Corporation	(3b)	—	—	5,675,121	(L)	0.31%
		—	—	5,165,500	(S)	0.28%
J.P. Morgan International Inc.	(3b)	—	—	5,675,121	(L)	0.31%
		—	—	5,165,500	(S)	0.28%
J.P. Morgan Chase International Holdings	(3b)	—	—	5,000,133	(L)	0.27%
		—	—	5,000,000	(S)	0.27%
J.P. Morgan Securities LLC	(3b)	—	—	3,142,430	(L)	0.17%
J.P. Morgan Broker-Dealer Holdings Inc	(3b)	—	—	3,142,430	(L)	0.17%
J.P. Morgan Capital Holdings Limited	(3b)	—	—	5,000,133	(L)	0.27%
		—	—	5,000,000	(S)	0.27%
JPMorgan Asset Management Holdings Inc	(3b)	—	—	12,676,500	(L)	0.69%
JPMorgan Asset Management (Asia) Inc.	(3b)	—	—	12,676,500	(L)	0.69%
J.P. Morgan Chase (UK) Holdings Limited	(3b)	—	—	5,000,133	(L)	0.27%
		—	—	5,000,000	(S)	0.27%
J.P. Morgan Overseas Capital Corporation	(3b)	—	—	674,988	(L)	0.04%
		—	—	165,500	(S)	0.01%
JPMorgan Chase Bank, N.A.	(3b)	—	—	5,675,121	(L)	0.31%
		—	—	5,165,500	(S)	0.28%
J.P. Morgan International Finance Limited	(3b)	—	—	5,675,121	(L)	0.31%
		—	—	5,165,500	(S)	0.28%

Remarks:

(3a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 157,579,993 shares of long position, 5,165,500 shares of short position and 136,055,312 shares of lending pool respectively was as controlled corporation.

(3b) J.P. Morgan Clearing Corp, JF Asset Management Limited, JPMorgan Asset Management (Japan) Limited, J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., J.P. Morgan Capital Financing Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P.

Morgan Chase International Holdings, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Overseas Capital Corporation, JPMorgan Chase Bank, N.A. and J.P. Morgan International Finance Limited were all direct or indirect 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.

Substantial Shareholders' Interests *(continued)*

Notes: *(continued)*

(4) The following is a breakdown of the interests in shares in the Company held by Schroders Plc:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct interests	(L/S)	Deemed interests	(L/S)	
Schroders Plc	(4a)	—	—	110,739,500	(L)	6.05%
Schroder Administration Limited	(4b)	—	—	110,739,500	(L)	6.05%
Schroder International Holdings Limited	(4b)	—	—	82,683,500	(L)	4.52%
Schroder Holdings (Bermuda) Limited	(4b)	—	—	82,683,500	(L)	4.52%
Schroder International Holdings (Bermuda) Limited	(4b)	—	—	82,683,500	(L)	4.52%
Schroder Investment Management Limited	(4b)	12,644,500	(L)	—	—	0.69%
Schroder & Co Limited	(4b)	142,000	(L)	—	—	0.01%
Schroder Investment Management Limited	(4b)	—	—	15,064,500	(L)	0.82%
Schroder Investment Management North America Limited	(4b)	15,064,500	(L)	—	—	0.82%
Schroder Investment Management (Guernsey) Limited	(4b)	205,000	(L)	—	—	0.01%
Schroder Investment Management (Singapore) Limited	(4b)	42,307,000	(L)	—	—	2.31%
Schroder Investment Management (Hong Kong) Limited	(4b)	40,376,500	(L)	—	—	2.21%

Remarks:

- (4a) Schroders Plc is listed on London Stock Exchange. The capacity of Schroders Plc in holding the 110,739,500 shares of long position was as investment manager.
- (4b) Schroder Administration Limited, Schroder International Holdings Limited, Schroder Holdings (Bermuda) Limited, Schroder International Holdings (Bermuda) Limited, Schroder Investment Management Limited, Schroder & Co Limited, Schroder Investment Management Limited, Schroder Investment Management North America Limited, Schroder Investment Management (Guernsey) Limited, Schroder Investment Management (Singapore) Limited and Schroder Investment Management (Hong Kong) Limited were all direct or indirect owned by Schroders Plc and by virtue of the SFO, Schroders Plc was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed, 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 June 30, 2014.

Compliance with the Corporate Governance Code of the Listing Rules

The Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the "Corporate Governance Code") throughout the six months period ended June 30, 2014, save that:

1. none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 103 of the Articles of Association of the Company, one-third of the Board must retire by rotation at each general meeting of the Company and if eligible, offer themselves for re-election.
2. Mr Joel Arthur Schleicher (an Independent Non-executive Director) and Mr Vincent Ting Kau Cheung (an Independent Non-executive Director) were unable to attend the annual general meeting of the Company held on May 23, 2014 due to prior engagements.
3. the Board is provided with quarterly updates instead of monthly updates. The Board agreed that quarterly updates give a balanced and understandable assessment of the performance, position and prospects of the Company in supporting the Directors to discharge their responsibilities.

The Company also voluntarily complied with a number of recommended best practices set out in the Corporate Governance Code for further enhancement of the Company's corporate governance standard and promote the best interests of the Company and shareholders as a whole.

Compliance with the Model Code of the Listing Rules

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the six months period ended June 30, 2014.

Another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the “Code for Securities Transactions by Relevant Employees”) has also been adopted. No incident of non-compliance was noted by the Company during the period.

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

Change in Director’s Emoluments

With the recommendation of the Remuneration Committee, the Board has agreed to grant 2,000,000 phantom options to Mr Horst Julius Pudwill as bonus on March 20, 2014. The grant date was March 20, 2014 (the “Grant Date”). 50% of the said phantom options will vest on the first anniversary of the Grant Date and the balance will vest on the second anniversary of the Grant Date. No shares will be issued and only the difference in price between the closing price on the Grant Date and the closing price on the related exercise date multiplied by the related phantom options would be given to the concerned Directors as bonus.

Review of Accounts

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee has reviewed with the Company’s external auditors, Deloitte Touche Tohmatsu, and the senior management of the Group this report, the accounting principles and practices adopted by the Group and the internal controls and financial reporting matters. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Directors’ Interests in Contracts of Significance

No contract of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

Purchase, Sales or Redemption of Securities

Neither the Company nor any of its subsidiaries has, during the period, purchased, sold or redeemed any listed securities of the Company.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong
August 20, 2014

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Director

Prof Roy Chi Ping Chung BBS JP

Independent Non-executive Directors

Mr Joel Arthur Schleicher
Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung

Financial Calendar 2014

June 27 : Final dividend payment for 2013
June 30 : Six months interim period end
August 20 : Announcement of 2014 interim results
September 10 : Last day to register for 2014 interim dividend
September 11 : Book closure period for 2014 interim
to 12 dividend
September 26 : Interim dividend payment for 2014
December 31 : Financial year end

Investor Relations Contact

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388 Castle Peak Road
Tsuen Wan, 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)

Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

The Bank of New York

Principal Bankers

Bank of America, N.A.
Bank of China
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Citibank, N.A.
The Bank of Tokyo–Mitsubishi UFJ, Ltd.

Solicitors

Vincent T. K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Ms Veronica Ka Po Ng

Trademarks

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The M18 FUEL 1-1/8" SDS Plus Rotary Hammer leverages best-in-class cordless technology to deliver the power, speed and durability traditionally found in a corded rotary hammer. Equipped to power a full day's work on one charge, the MILWAUKEE POWERSTATE brushless motor and REDLITHIUM XC 4.0 battery pack offer the ultimate in durability and productivity for professional tradesmen. The onboard REDLINK PLUS intelligence provides full-circle communication between the tool, battery and charger to protect from overloading, overheating and over-discharging. In addition, the M18 FUEL 1-1/8" SDS Plus Rotary Hammer is equipped with AVS Anti-Vibration System to minimize vibration for maximum comfort.



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