

Financial Review

Financial Results

Reported revenue for the period grew by 10.0% as compared to the same period last year, amounted to US\$2,474 million, with negative currency headwind. Excluding the negative currency effect, revenue increased by 14.4% as compared to the same period last year. Profit attributable to Owners of the Company amounted to US\$159 million as compared to US\$136 million reported last year, an increase of 16.5%. Basic earnings per share was at US8.67 cents (2014: US7.45 cents).

EBITDA amounted to US\$262 million, an increase of 14.1% as compared to the US\$229 million reported in the same period last year.

EBIT amounted to US\$181 million, an increase of 12.1% as compared to the US\$162 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 35.6% as compared to 35.0% in the same period last year. The margin improvement was the result of new product introduction, category expansion, product mix, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the period amounted to US\$703 million as compared to US\$627 million reported for the same period last year, representing 28.4% of revenue (2014: 27.9%). The increase was 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\$66 million (2014: US\$57 million), representing 2.6% of revenue (2014: 2.5%), reflecting our continuous strive for innovation. We will continue to invest to create breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the period amounted to US\$7.6 million as compared to US\$12.6 million reported for the same period last year, a reduction of US\$5.0 million or 39.9%. Interest cover, expressed as a multiple of EBITDA to total interest was at 20.3 times (2014: 11.5 times).

Effective tax rate for the period was maintained at 8.5% as compared to the same period last year. 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\$2.0 billion, an increase of 4.2% as compared to December 31, 2014. Book value per share was US\$1.12 as compared to US\$1.07 at December 31, 2014, an increase of 4.7%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2015, the Group's cash and cash equivalents amounted to US\$725 million (US\$690 million at December 31, 2014) after the payment of US\$44.8 million dividend during the period (US\$32.4 million in first half 2014), of which 44.7%, 34.8%, 8.7%, and 11.8% 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 17.7% as compared to 22.8% as at June 30, 2014. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing will remain low going forward.

Bank Borrowings

Long term borrowing accounted for 36.5 % of total debts (36.3% at December 31, 2014).

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.

During the period, the Group repaid US\$96 million of fixed interest rate notes, refinanced by other bank facilities with lower interest rates. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory was at US\$1,131 million as compared to US\$1,025 million as at June 30, 2014. The number of days inventory was maintained at 83 days as compared to the same period last year. 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 maintain the high service quality level to customers 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 63 days as compared to 69 days as at June 30, 2014. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 58 days as compared to 62 days as at June 30, 2014. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days were maintained at 84 days as compared to the same period last year.

Working capital as a percentage of sales was at 17.1% as compared to 18.4% for the same period of last year.

Capital Expenditure

Total capital expenditures for the period amounted to US\$137 million (2014: US\$64 million), including US\$70 million of office premises located in Hong Kong.

Capital Commitment and Contingent Liability

As at June 30, 2015, total capital commitments amounted to US\$14 million (2014: US\$19 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 20,964 employees (20,355 employees as at June 30, 2014) in Hong Kong and overseas. Total staff cost for the period under review amounted to US\$367 million as compared to US\$336 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 HK16.00 cents (approximately US2.06 cents) (2014: HK12.50 cents (approximately US1.61 cents)) per share for the six months period ended June 30, 2015. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 7, 2015. It is expected that the interim dividend will be paid on or about September 25, 2015.

Closure of Register of Members

The register of members of the Company will be closed on September 7, 2015 when no transfers of shares will be effected. 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 4, 2015.