

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 34 (“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 (“the 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, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2014.

In the current interim period, the Group has applied, for the first time, the following 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above 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, 2015

	Power Equipment US\$’000	Floor Care and Appliances US\$’000	Eliminations US\$’000	Consolidated US\$’000
Revenue				
External sales	1,957,879	516,130	—	2,474,009
Inter-segment sales	—	542	(542)	—
Total segment revenue	1,957,879	516,672	(542)	2,474,009

3. Segment information *(continued)*

For the period ended June 30, 2014

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

Inter-segment sales are charged at prevailing market rates.

	Six months period ended June 30					
	2015			2014		
	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	160,148	20,814	180,962	135,635	25,215	160,850
Interest income			5,580			7,953
Finance costs			(13,169)			(20,582)
Profit before taxation			173,373			148,221
Taxation charge			(14,737)			(12,599)
Profit for the period			158,636			135,622

Segment profit represents the profit earned by each segment without allocation of interest income and finance costs. This is the measure reported to the Group's chief operating decision makers 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.

4. Taxation charge

	Six months period ended June 30	
	2015 US\$'000	2014 US\$'000
Current tax:		
Hong Kong	2,917	3,219
Overseas Tax	15,410	15,536
Deferred Tax	(3,590)	(6,156)
	14,737	12,599

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

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

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5. Profit for the period

	Six months period ended June 30	
	2015 US\$'000	2014 US\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	43,751	37,341
Amortisation of lease prepayments	185	186
Amortisation of intangible assets	36,546	30,149
Total depreciation and amortisation	80,482	67,676
Net exchange gain	(5,835)	(7,665)
Staff costs	367,451	336,010
Fair value gain on held-for-trading investments	(52)	(93)

6. Dividends

A dividend of HK19.00 cents (approximately US2.45 cents) per share with a total of approximately US\$44,799,000 (2014: HK13.75 cents (approximately US1.77 cents) per share with a total of approximately US\$32,400,000) was paid to shareholders as the final dividend for 2014 on June 26, 2015.

The Directors have determined that an interim dividend of HK16.00 cents (approximately US2.06 cents) per share with a total of approximately US\$37,726,000 (2014: HK12.50 cents (approximately US1.61 cents) per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 7, 2015.

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	
	2015 US\$'000	2014 US\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	158,693	136,274
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,829,912,665	1,830,205,875
Effect of dilutive potential ordinary shares:		
Share options	7,426,563	8,003,462
Share award	406,156	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,837,745,384	1,838,209,337

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

During the period, the Group spent approximately US\$67 million (for the six months ended June 30, 2014: US\$64 million) and US\$49 million (for the six months ended June 30, 2014: US\$46 million) on the acquisition of property, plant and equipment and intangible assets respectively.

In June 2015, the Group also acquired two companies which hold leasehold land and building located in Hong Kong for a consideration of US\$70 million.

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:

Age	June 30 2015 US\$'000	December 31 2014 US\$'000
0 to 60 days	704,565	651,192
61 to 120 days	101,411	84,514
121 days or above	57,373	37,264
Total trade receivables	863,349	772,970
Other receivables	29,040	46,981
	892,389	819,951

All the Group's bills receivable at June 30, 2015 are due within 120 days.

10. Trade receivables from an associate

The trade receivables from an associate were aged and are due within 120 days.

11. Trade and other payables/Bills payable

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

Age	June 30 2015 US\$'000	December 31 2014 US\$'000
0 to 60 days	537,440	541,681
61 to 120 days	163,105	149,729
121 days or above	5,714	5,076
Total trade payables	706,259	696,486
Other payables	439,098	439,044
	1,145,357	1,135,530

All the Group's bills payable at June 30, 2015 are due within 120 days.

12. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US\$1,253 million (2014: US\$1,524 million) which carry interest at the London Interbank Offered Rate, Euro Interbank Offered Rate or Hong Kong best lending rates. The Group also repaid the existing bank borrowings of US\$1,078 million (2014: US\$1,318 million).

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13. Share capital

	Number of shares		Share capital	
	June 30 2015	December 31 2014	June 30 2015 US\$'000	December 31 2014 US\$'000
Ordinary shares				
Authorised shares	2,400,000,000	2,400,000,000	N/A	N/A
Issued and fully paid:				
At the beginning of the period	1,831,346,941	1,829,883,941	643,914	23,471
Issue of shares upon exercise of share options	710,000	2,328,000	981	1,408
Buy-back of shares	—	(865,000)	—	—
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	1,832,056,941	1,831,346,941	644,895	643,914

14. Contingent liabilities

	June 30 2015 US\$'000	December 31 2014 US\$'000
Guarantees given to banks in respect of credit facilities utilised by associates	8,877	8,877

15. 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).

15. Fair value measurements of financial instruments *(continued)*

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, 2015	December 31, 2014				
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\$11,635,000	Acquisition right of certain property, plant and equipment: US\$11,635,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3 rd party independent valuer at the end of the financial year.	N/A	N/A
2) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – US\$25,697,000; and Liabilities – US\$6,792,000	Assets – US\$39,666,000; and Liabilities – US\$9,552,000	Level 2	Quoted forward exchange 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\$1,207,000	Unlisted investment fund: US\$1,155,000	Level 2	Quoted prices provided by the fund administrator 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\$1,356,000	Liabilities (not designated for hedging) – US\$1,947,000	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.

16. Capital commitments

	June 30 2015 US\$'000	December 31 2014 US\$'000
Capital expenditure in respect of the purchase of property, plant and equipment:		
Contracted for but not provided	10,027	9,077
Authorised but not contracted for	3,705	2,851