Techtronic Industries

Annual Report 2014

Corporate Profile

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 2014 had worldwide annual sales of US$4.8 billion.

Contents

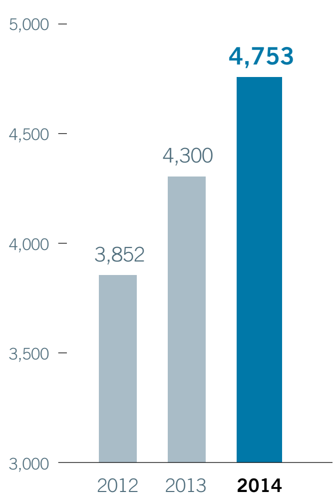
Financial Highlights

	2014 US$' million	2013 US$' million	Changes
Turnover	**4,753**	4,300	**+10.5%**
Gross profit margin	**35.2%**	34.2%	**+100 bpt**
EBIT	**351**	304	**+15.4%**
Profit attributable to Owners of the Company	**300**	250	**+20.0%**
Basic earnings per share (US cents)	**16.41**	13.68	**+20.0%**
Dividend per share (approx. US cents)	**4.05**	3.06	**+32.6%**

- Sales increased 10.5% to a record US$4.8 billion
- Our high margin Milwaukee Industrial Tool business grew 22.2% globally, delivering a 3 year CAGR +20%
- Growth in all geographic regions
- Gross profit margin expanded 100 basis points
- Net profit increased 20.0% for the year, delivering double digit growth for seven consecutive years
- Efficient working capital management at 14.6% of sales

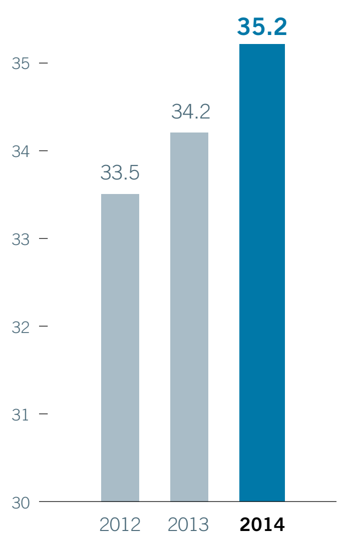
Turnover

US$m



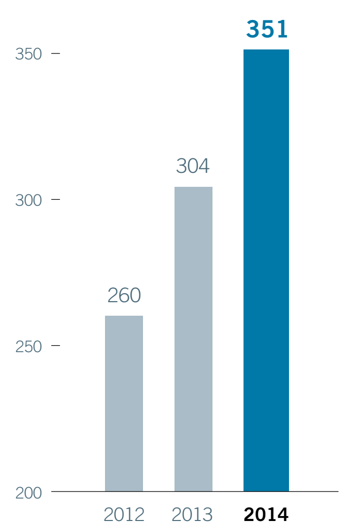
Gross Profit Margin

%



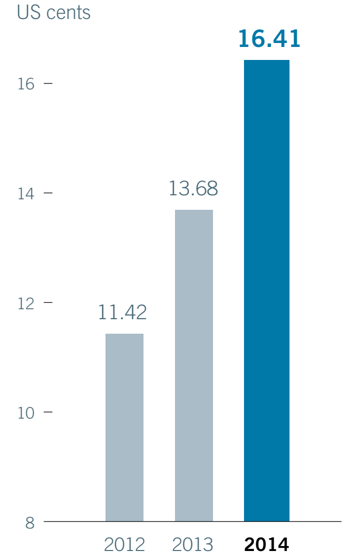
EBIT

US$m



Basic Earnings per Share

US cents



Chairman's Statement

2014 was another record year for TTI. Our focus on product innovation and execution allows us to deliver consistently strong results and will continue to drive our future success.

TTI had an outstanding year in 2014, and I am delighted to report record sales, gross margin, and profit, building on our stellar history of continuous growth.

At TTI our disciplined focus on four key strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence allows us to deliver consistent outstanding results across our business units and geographic regions.

The financial highlights of 2014 include:

- Sales increased 10.5% to a record US$4.8 billion
- Our high margin Milwaukee Industrial Tool business grew 22.2% globally, delivering a 3 year CAGR +20%
- Growth in all geographic regions
- Gross profit margin expanded 100 basis points
- Net profit increased 20.0% for the year, delivering double digit growth for seven consecutive years
- Efficient working capital management at 14.6% of sales

Record Sales and Profit

Sales for the year ended December 31, 2014 increased 10.5% over 2013 to US$4.8 billion driven by aggressive new product introductions and demand creation. Sales rose significantly in all key regions demonstrating the strength of our brands and new product development process. Our largest business unit, Power Equipment, had an exceptional year with sales growth of 13.0% to US$3.6 billion, accounting for 74.7% of total sales, and improved operating profit by 16.7% compared to 2013. Our Floor Care and Appliances business grew sales 3.8% to US$1.2 billion with operating profit expanding 15.4% from last year. The successful integration of the ORECK brand has strengthened our position in the North American premium floor care market.

Gross profit margin improved for the sixth consecutive year. Volume growth, operational leverage, productivity and new products expanded gross margin to 35.2% from 34.2% last year. Cost improvement initiatives across our global operations delivered significant savings in purchasing, supply chain, value engineering, and manufacturing. We continue to invest in automation and lean manufacturing driving both labor efficiency and overall productivity.

Earnings before interest and taxes, increased by 15.4% to US$351 million, with the margin improving by 30 basis points to 7.4%. We continued to invest in research and development to drive innovation, technology and new product development. This core strength is a competitive advantage in driving TTI's success. Shareholders' profits have risen by 20.0% to US$300 million, with earnings per share increasing by 20.0% over 2013 to US16.41 cents. Working capital as a percent of sales remains low at 14.6% with our gearing further improved to 10.0%.

The Board is recommending a final dividend of HK19.00 cents (approximately US2.45 cents) per share.Together, with the interim dividend of HK12.50 cents (approximately US1.61 cents) per share, this will result in a full-year dividend of HK31.50 cents (approximately US4.05 cents) per share, against HK23.75 cents (approximately US3.06 cents) per share in 2013, an increase of 32.6%

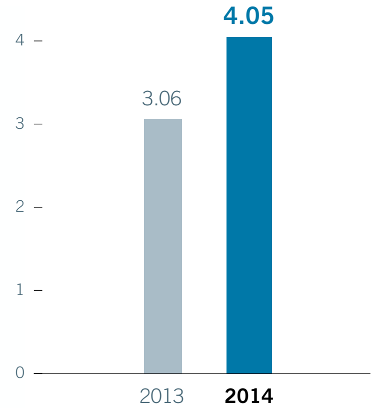
Lithium Cordless Leadership

Through ongoing strategic investment in R&D, we continue to create break-through technology, expanding lithium cordless platforms and delivering broad-based end-user focused product ranges. We are at the forefront of the shift to lithium cordless products in the industrial and consumer tool, outdoor products and floor care segments.

MILWAUKEE had another strong year in 2014, delivering 22.2% growth in the global industrial tool market. New products powered by the M18 and M12 lithium cordless systems are keys to our growth strategy. The technologically advanced M18 FUEL and

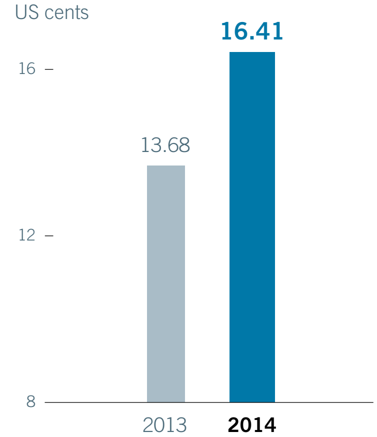
Dividend per Share

US cents



Basic Earnings per Share

US cents



M12 FUEL ranges are the first industrial grade cordless power tools with true corded power tool performance. MILWAUKEE is leading the way in the corded-to-cordless transformation in the power tool industry.

The RYOBI ONE+ system has the broadest range of lithium cordless products in the consumer power tool and outdoor products segment. Our technology in lithium cordless has extended to the RYOBI 40V lithium cordless range of outdoor products. We continue to add to this exciting platform, offering users the power and run time of gas, but with the benefits of lithium. RYOBI ONE+ system is the number one DIY line of tools in the world.

We are driving the cordless transition in the consumer floor care market with the introduction of our first-to-market HOOVER and VAX lithium full size upright vacuums. We will continue with our innovation in cordless with exciting new products as we expand into new areas of cleaning.

Growth through Innovation

Hand tools continue to be a key strategic focus. Our portfolio of highly regarded hand tool brands, including the MILWAUKEE, STILETTO and HART professional products, has been further expanded with the acquisitions of the INDEX and EMPIRE businesses into measurement and layout categories. RYOBI PHONE WORKS is an exciting innovation which combines pro quality measuring tools with smart phone technology providing a better way to manage home improvement projects. The accessory business grew with broad-based innovation, such as the revolutionary jam-free step drill bit under MILWAUKEE and the integration of the world class KOTTMANN SDS chisel bits.

Driving Operational Productivity

Quality and continuous improvement systems are well established across all businesses with structured programs in place to drive out costs and produce high quality products. Our key initiatives in lean manufacturing, global purchasing, and value engineering are delivering efficiencies, reducing lead-times and improving quality and service levels. We counteracted inflationary pressures in our operations, expanded gross margin and increased our manufacturing output through the same footprint. This commitment to operational excellence and continuous improvement keeps TTI on the leading edge of its industries. Sales grew at 10.5% with headcount expanding only 7.1%, reflecting outstanding productivity progress.

Exciting Outlook

With advancements in our RYOBI ONE+ system and MILWAUKEE M12, M18 and FUEL platforms, we are entering 2015 with the strongest product lineup ever. The expanding demand for our high performance RYOBI 40V lithium outdoor products and HOOVER and VAX lithium vacuums is quickly disrupting traditional markets. We are also excited about the RYOBI PHONE WORKS program as well as further expanding our hand tool and accessory product ranges for 2015.

I would like to thank our customers, suppliers and employees for an incredible year in 2014 which saw demand for TTI products reach an all-time high. Our dedicated, skilled and passionate teams across the globe are enabling us to continuously achieve superb results. We are grateful to our board of directors for their ongoing strategic contributions and direction. Our success is truly the result of a dedicated team effort.

Horst Julius Pudwill
Chairman
March 18, 2015

Chief Executive Officer's Message

Our success is driven by great products and great people. We are obsessively focused on these two critical factors for our long-term success at TTI.

I am pleased to report that in 2014 TTI made fabulous progress implementing what we consider to be the two most critical success factors in our business model. The first critical success factor is to be the global leader in developing innovative, disruptive, break-through new products. Our second critical success factor is to build, develop and mentor the most talented management team in our industry.

Great Products

We continue to strategically invest in disruptive innovation and break-through technologies. We have built a high-speed new product development engine at TTI that allows us to respond to changing market needs and requirements faster than any of our competitors. We believe our rapid development process is a fundamental competitive advantage.

Our strategic focus is to develop high-performance lithium cordless products throughout our brand platforms. Today, TTI is on the vanguard of lithium cordless technology offering the broadest range and best performing lithium powered products. Our MILWAUKEE FUEL brushless motor system is a revolutionary break-through in cordless power tools. With FUEL, we are building a premium priced platform of superior performing products that stimulate the conversion from corded to cordless tools globally. The momentum of FUEL is amazing, and will continue to increase with the vast potential of this incredible technology.

Beyond FUEL, we continue to diversify and expand the RYOBI ONE+ lithium cordless platform which has become the broadest range and global leader in DIY products. The ONE+ battery platform is powering our growing offering of innovative power tools and outdoor products such as chainsaws, trimmers, and walk-behind lawnmowers. We are at the forefront of developing lithium cordless outdoor products. Across the globe we have launched a series of cordless battery platforms and new products to drive the adoption of lithium in the outdoor power equipment market.

We have applied our rapid product development process to our MILWAUKEE and HART hand tools businesses. We have gone from not participating in the hand tool market to being a major global player by introducing a stream of fully featured, innovative, and premium priced new hand tool products. We have enhanced this hand tool development process with the acquisition of EMPIRE level, the North American leader in high-technology level products. In the months and years to come, TTI will demonstrate clear leadership in the hand tool category by continuing to leverage our superior product development process.

Our floor care business is benefiting from the application of our lithium cordless technology. We are rolling out a series of high-performance cordless floor care products that we believe will revolutionize the industry. TTI continues to lead the industry in the evolution from corded to cordless products.

Strategic Roadmap

Great People

The second critical success factor in our business model is building an outstanding team of highly talented people. Our organizational development initiatives have gained traction throughout the world. The Leadership Development Program ("LDP") is now in its ninth year in the US where we have hired 1,256 high-potential campus recruits. These LDPs are being trained, developed and promoted through the system and are taking on a vast array of assignments in product management, sales, marketing, purchasing, and supply chain management. This network of high-potential individuals forms the backbone of future TTI leaders.

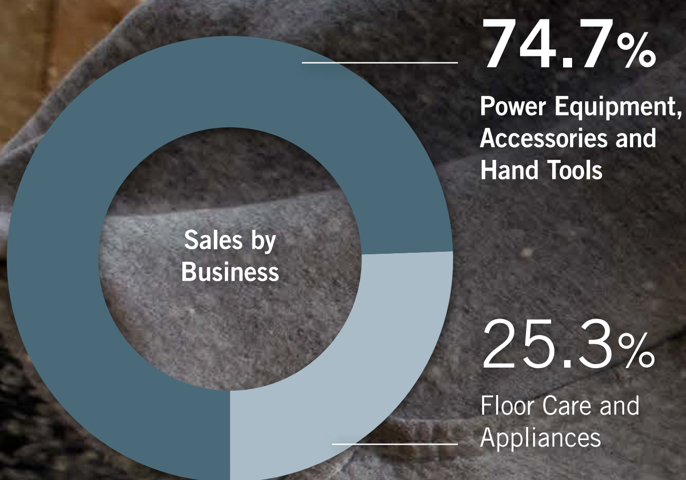
We are highly encouraged by the traction our campus recruiting initiative is gaining throughout Europe where we have hired 27 graduates in the past 12 months. These LDPs are now deployed in eight countries in a variety of positions. Additionally, the LDP program has been rolled out successfully in Canada, Australia, as well as China, where we have recruited 187 engineering graduates to form a pipeline of talent for our Asia Innovation Center and Asia Industrial Park. Because of TTI's long-term commitment to hiring, training, mentoring, promoting, and developing talent, we have never been more confident in our ability to staff our growing network of global businesses.

We have a world-class group of senior managers that are leading our business units around the globe. We believe this leadership team is the best in our industry and key to our record breaking success year after year. I extend my appreciation and thanks to this team for their incredible hard work and consistent, outstanding performance.

In closing, I continue to be inspired by the visionary leadership of our Chairman, Horst Pudwill, who has a commanding presence and a bold vision for the future of TTI. His break-through thinking and exciting long-term targets motivate all of us throughout the company to continue to achieve record setting results.

Joseph Galli Jr
Chief Executive Officer
March 18, 2015

Power Equipment, Accessories and Hand Tools Overview



Power Equipment is our largest business and consists of power tools, hand tools, outdoor products, and accessories. For the year, sales in Power Equipment rose by 13.0% to US$3.6 billion with growth in all geographic markets and especially strong performance in our industrial division. The business accounted for 74.7% of Group turnover, against 73.1% in 2013. Based on new product introductions and enhancements in productivity, earnings grew 16.7% to US$305 million.

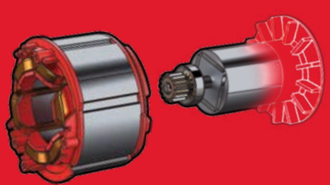
M18 FUEL™ 7-1/4" CIRCULAR SAW

This powerful saw cuts faster than its corded counterparts while being an astonishing 40% lighter. This dramatically reduces user fatigue. With a 2-1/2" cut capacity, this tool is designed for easy cutting, offering an LED light, dust blower and the right hand blade design users prefer.

Industrial Power Tools

M18 FUEL™

DRIVEN TO OUTPERFORM.™



POWERSTATE™ BRUSHLESS MOTOR

- MILWAUKEE® Designed and Built Brushless Motor
- Outperforms All Leading Competitors
- Longer Motor Life

REDLINK PLUS™ INTELLIGENCE

- Most Advanced Electronic System on the Market for Maximum Performance
- Total System Communication with Overload Protection Shuts Tool Down in Stall Situations

REDLITHIUM™ XC5.0 BATTERY PACK

- Most Durable Pack on the Market
- Over 2X More Recharges than Leading Competitor
- Fuel Gauge Displays Remaining Charge
- Operates Below -18˚C / 0˚F

North America

International

M18 FUEL™

For the first time in power tool history, M18 FUEL™ products are delivering game-changing corded performance without the cord. The motors on MILWAUKEE® M18 FUEL™ tools are more powerful and energy efficient – outliving any other brand.

M18 FUEL™ SDS PLUS ROTARY HAMMERS

As a true breakthrough in cordless technology, these powerful tools drill even faster than their corded counterparts. Capable of delivering a full day's work on one charge, our new 1" and 1-1/8" SDS Plus Rotary Hammers deliver fade free-power and the durability of a corded tool, even in climates below 0°F/-18°C. That means users can count on best-in-class performance, no matter what challenge the jobsite brings.

M18 FUEL™ HOLE HAWG®

Optimized for electrical applications, this is the first cordless tool of its kind. This right angle drill is even faster than the original HOLE HAWG®, delivering over 150 (7/8") holes per charge, and is over 30% lighter than its predecessor. It's also equipped with our all-new QUIK-LOK™ Chuck, which offers keyless, one-handed bit changes for most 7/16" flat or groove shank bits.

M18 FUEL™ DEEP CUT BAND SAW

This saw offers all the performance and durability of our legendary corded band saws. With run-time lasting up to a full workday, it allows users to make a seamless shift to cordless with zero sacrifices.

M18 FUEL™ 7-1/4" CIRCULAR SAW

This powerful saw cuts faster than its corded counterparts while being an astonishing 40% lighter. This dramatically reduces user fatigue. With a 2-1/2" cut capacity, this tool is designed for easy cutting, offering an LED light, dust blower and the right hand blade design users prefer.

Industrial Power Tools

Our mission in cordless design is to introduce new solutions that make tradesmen on the jobsite more productive. Working side-by-side with users during the design and testing process gives us the ability to deliver game-changing solutions.

Products and Technology

Products

- Cordless Power Tools, Corded Power Tools, Test & Measurement diagnostic equipment

Cordless Platforms

- Lithium ion batteries M12™, M18™, M28® REDLITHIUM™

Technology

- State-of-the-art motor technology – POWERSTATE™ Brushless Motor
- Advanced electronics – REDLINK PLUS™ Intelligence
- Up to 2X more run-time, 20% more power, and 2X more recharges – REDLITHIUM™ Batteries

End-Users

- Mechanical, electrical, plumbing, remodeling and maintenance repair professionals

Distribution

- Home Center channels, Hardware, Industrial MRO, Plumbing, Electrical, Farm and Agriculture, Construction and Automotive channels

REVOLUTIONARY PERFORMANCE

The MILWAUKEE® M18™ cordless system represents the ultimate synergy of professional grade power, light weight, extreme performance and superior ergonomics. These tools stand alone, with patented technologies, innovative motors and advanced electronics powered by REDLITHIUM™ battery technology for unmatched run-time. Offering more than 70 unique solutions, the M18™ family is the fastest growing 18-volt cordless system on the market.

M18™ FORCE LOGIC™ HIGH-CAPACITY KNOCKOUT TOOL

MILWAUKEE® is bringing unprecedented performance to the knockout category, with a system that speeds the process and limits user fatigue. Using a powerful hydraulic system and EXACT™ Punches and Dies, this system is able to punch up to 4" holes in 12-gauge stainless steel. With a Quick Connect Alignment System and compact right angle design, this powerful tool eases the tedious process of hole making. Each product within the MILWAUKEE® Knockout System was built on the principles of reducing the tedious steps of hole making, improving the speed of the process, and limiting the fatigue of the user. The result is a group of tools and accessories that redefine accuracy, durability, and productivity for the electrical contractor.

M18™ COMPACT BRUSHLESS

Everything you expect from M18™, but with a MILWAUKEE® brushless motor which provides 50% longer run-time. Compact, lightweight structure is designed for maximum control and balance.

M18™ COMPACT BLOWER

As the most powerful compact cordless blower in its class, this tool is optimized for common construction debris, offering users a faster, more efficient way to clean up the jobsite. With a 3-speed electronic switch, variable speed trigger and optional lock-on switch, this blower delivers maximum versatility, while minimizing airborne dust and debris during cleanup.

M18™ RIGHT ANGLE IMPACT DRIVER

This impact driver offers ultimate speed and control in hard-to-reach fastening applications. It features a slim 1.7" head profile; an extended paddle switch, which allows users to operate their tool from multiple grip points; and an 8-point rotating head for access from multiple angles. What's more, it's the only tool in the category to offer multiple speed/torque modes through our proprietary 2-MODE DRIVE CONTROL™.

M12™ & M18™ TRUEVIEW™ LIGHTING

These products offer users best-in-class lighting solutions, with an even beam pattern that eliminates glare and shadows, and a true representation of detail and color in their working area.

M18™

PORTABLE PRODUCTIVITY

The MILWAUKEE® M12™ cordless system delivers industry-leading durability and power in a size that outperforms the competition in the tightest places. M12™ defines cordless tool innovation, transforming inefficient manual tools – such as cable and copper tubing cutters – into advanced workhorses powered by MILWAUKEE®'s REDLITHIUM™ battery technology. More than 70 unique solutions make the M12™ family the largest sub-compact cordless system on the market.

Accessories

Our mission for Power Tool Accessories is to deliver breakthrough innovations that solve jobsite problems and make our core users more productive. We are committed to pushing the limits of performance through investments in disruptive manufacturing technologies and creative designs. Our new product efforts produce visually differentiated attributes that reinforce a demonstrable performance advantage vs. our competition.

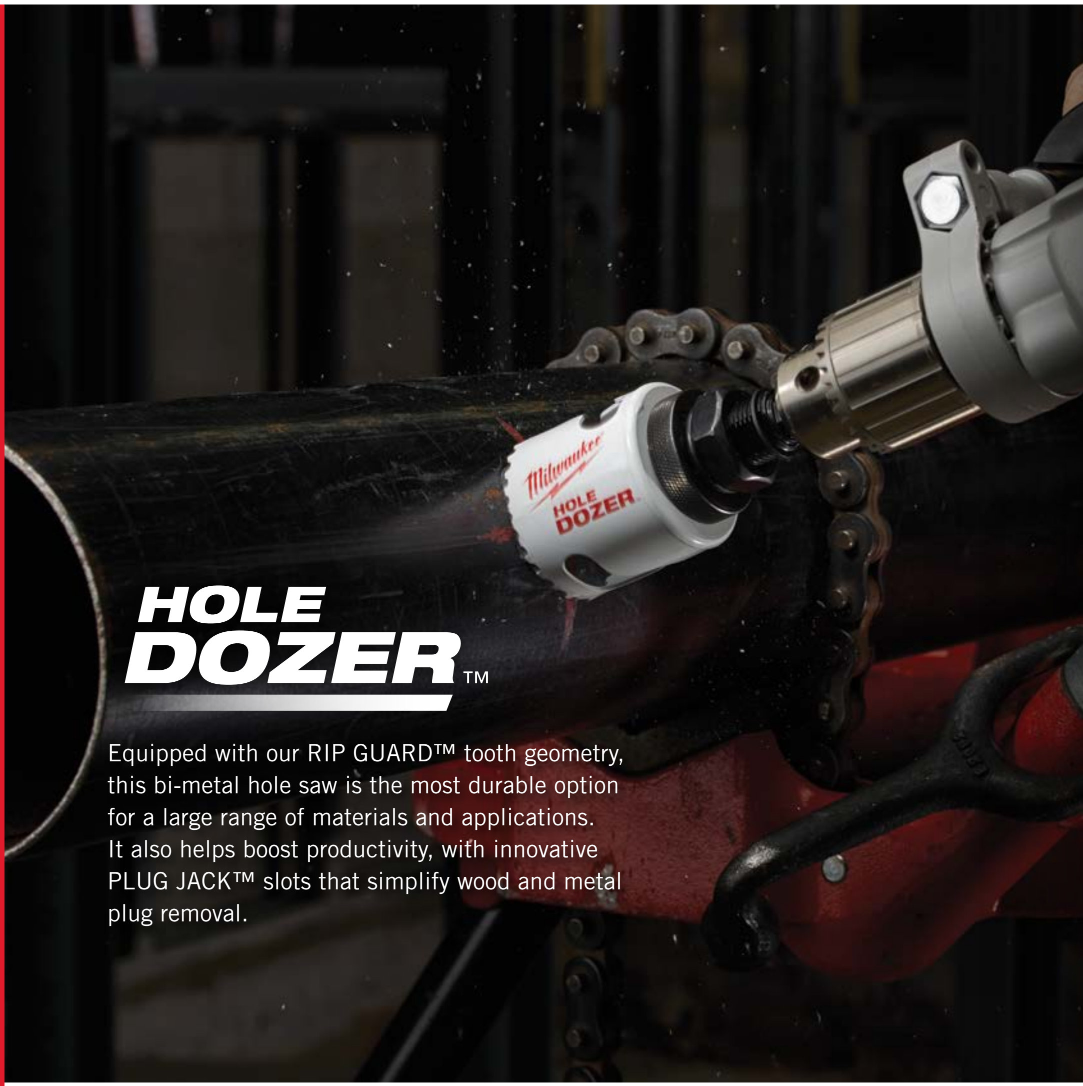
Products and Technology

Products

- Saw blades and hole saws
- Fastening accessories
- Masonry drilling and demolition
- Wood boring bits
- Metal drill bits and cutters

Technology

- Patented tooth forms including NAIL GUARD™ and RIP GUARD™
- SHOCKWAVE™ Impact Duty technologies
- JAM-FREE™ Step Bit geometry
- DIAMOND PLUS™ Hole Saw technologies
- SWITCHBLADE™ replacement blade technology for wood boring

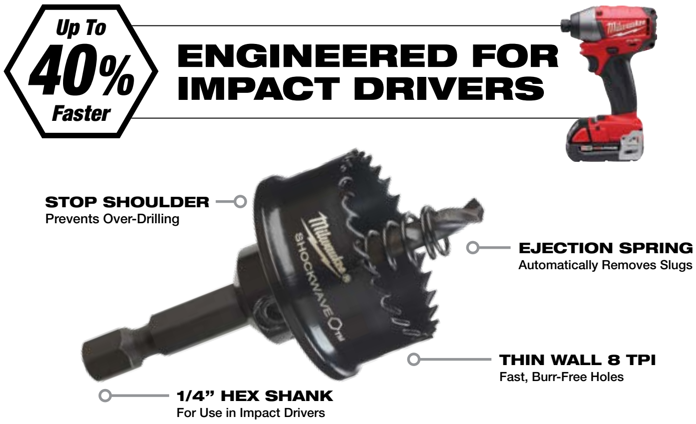


HOLE DOZER™

Equipped with our RIP GUARD™ tooth geometry, this bi-metal hole saw is the most durable option for a large range of materials and applications. It also helps boost productivity, with innovative PLUG JACK™ slots that simplify wood and metal plug removal.

SHOCKWAVE™

Coupled with MILWAUKEE® Impact Drivers, these hole saws maximize the productivity of any contractor who has to work with sheet metal, from electricians to mechanical installers to general contractors.



HIGH PERFORMANCE. BREAKTHROUGH PRODUCTIVITY.

We've developed a broad selection of hole making innovations to meet tool trends of our core trades. These accessories are designed to help users stay productive through a constant stream of new applications and installation challenges.

ADJUSTABLE HOLE CUTTER

This tool is designed to meet the ever-changing needs of installation professionals. With the ability to create holes from 2" to 7-1/4" in drywall and ceiling tile, it can simplify a wide variety of lighting, home audio and home security system installs.

SAWZALL® METAL CUTTING BLADES

Our innovative DOUBLE DUTY UPGRADE™ gives these blades unparalleled toughness on the job. It starts with an optimized tooth form that delivers 2X longer life. At the base, we designed an all-new TOUGH NECK™ tang that is the strongest on the market, eliminating a weak point found on many competitive blades. And finally, the entire blade is reinforced with our GRID IRON™ stamped honeycomb pattern, for the stiffest blade on the market today.

* versus previous SAWZALL® recip blades

Hand Tools

With over 300 new tools and counting, we're continuously expanding our Hand Tool line. Dedicated to delivering solutions to increase productivity, the Hand Tool group focuses on providing application-specific features to the electrical, mechanical, HVAC, MRO and remodeling trades.

Products and Technology

Products

- Cutting and Fastening
- Tape Measures
- Layout
- Blades
- Screwdriving
- Saws
- Knives

Technology

- Tape measure nylon bond blade protection for up to 10X longer life
- Micro carbide dispersed metal utility blades for up to 3X longer life
- Jobsite Stylus Marker

Platforms

- FASTBACK™ Knives and Utility Knives, HOLLOW-CORE™ Nut Drivers, INKZALL™ Jobsite Markers, TORQUE LOCK™ Locking Pliers

TAPE MEASURES
Tape measures deliver 10X longer life than the competition because of proprietary Nylon Bond Blade Protection, and a 5-point reinforced frame for drop protection. These are the most durable tape measures in the industry today.

SOFT SIDE STORAGE
With durable 1680D material and double stitched riveted seams for wear protection, this storage is truly built for the trade. The Jobsite Backpack features a laptop pocket and a padded, breathable, load-bearing harness for ultimate comfort and less user fatigue.

BROAD RANGE OF INNOVATIVE SOLUTIONS

STAPLE & NAIL GUN

We gave users what they wanted in this tool, with up to 75% more driving power than the competition and a dual-mode power switch for ultimate driving control in a wide variety of jobsite materials.

HAMMER TACKER

Featuring an all-metal design and a protected, jam-free magazine, this tool lasts up to 3X longer than competitive hammer tackers, setting new standards for both reliability and durability.

PRECISION SCREWDRIVERS

These drivers are built to last. Precision-machined tips provide long life and a secure fit. An all-metal core offers 4X strength. Plus, the longer shanks and extended reach design improve visibility and reach.

PLIERS

Designed from the ground-up with trade-specific features, our expanding lineup of fastening and cutting pliers delivers superior performance tailored to the application. With slimmer grips and carefully selected materials, these tools are up to 30% lighter than their predecessors.

Layout and Measuring Tools

For over 90 years, EMPIRE® has been the leading designer and innovator of accurate and durable layout and measuring tools. With industry firsts such as the Monovial, the Torpedo Level, the Magnetic Level, and most recently TRUE BLUE® – the most accurate vials and levels in the world, EMPIRE® continues its tradition of developing innovative solutions focused on improving productivity and user experience.

Products and Technology

Products

- Levels, Squares, Tape Measures, String Tools, Precision Tools, Safety & Utility Products

Technology

- TRUE BLUE® Monovial and Block Vial Technology, Advanced Concentric Molding, Advanced Digital Electronics, Laser Etching, EMPIRE® Viewing System, eShock Endcaps

End-Users

- A variety of tradesmen including carpenters, masons, plumbers and electricians

Distribution

- Home Centers, hardware, industrial MRO, plumbing and electrical channels

VIAL TECHNOLOGY

By focusing on users and how they do their jobs, EMPIRE® crafts innovative vial technology that blows away the competition in readability, accuracy and durability. Each vial then undergoes a rigorous 10-point quality inspection to ensure it delivers the precision and toughness required for true professional results.

LEVELS

EMPIRE® is constantly evolving level technology to fit the way users work. EMPIRE®'s TRUE BLUE® line of levels are tested for 10-position accuracy at 0.0005", making them the only levels to guarantee an accurate read at every possible level and plumb working position.

In addition to accuracy, users demand durability. Each level frame is designed to endure the impacts of heavy jobsite use. Features such as shock resistant endcaps and integrated vial surrounds protect the level and ensure better accuracy over time.

Torpedo Levels

I-beam Levels

Digital Levels

SQUARES

Delivering maximum visibility, pinpoint accuracy, and unparalleled durability, EMPIRE®'s line of squares are designed to meet the highest standards in layout.

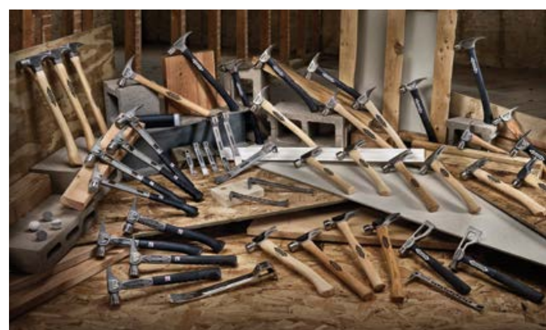
EMPIRE® offers a wide range of squares that withstand the toughest jobsite conditions and offer the extreme precision that a professional requires.

STILETTO® sets the standard with premium Titanium hand tools and hammers that are 45% lighter than steel, while providing the same striking force and strength. In addition, Titanium tools produce 10X less recoil shock, which means less down time due to injury, more productivity and most importantly less pain while getting the job done.

As a truly premium brand, owning a STILETTO® product is a point of pride for carpenters. Users often send in pictures of their STILETTO® tattoos and personal stories of how our tools eliminated the inflammation and pain that once plagued them on the job.

APPLICATION-SPECIFIC TOOLS

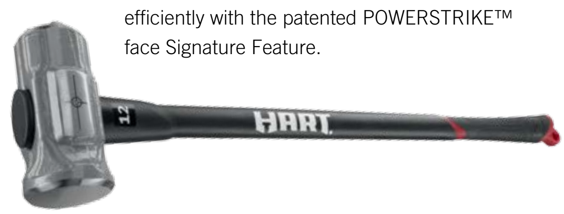
Tools such as the Lath and Drywall Axes provide the benefits of lightweight titanium in specialty applications. That means less fatigue at the end of a long work day.



HART® products focus on delivering innovative Signature Features such as exceptional weight balance ratio, polished hammer heads, progressive angled face hammer designs, side nail pulls, forged heads and POWERSTRIKE™ faces. In addition, HART® Tools are designed and built to withstand the rigors of a Professional Jobsite. HART®'s line of innovative products assure you that NOTHING HITS HARDER™.

HART® 12LB SLEDGE HAMMER

Power through demolition 44% more efficiently with the patented POWERSTRIKE™ face Signature Feature.



HART® 3.5LB AXE

is equipped with an arsenal Signature Features including Face Cutouts, a Forged Head, SUREGRIP™ overmold, and much more.

Professional Power Tools

AEG POWERTOOLS

The AEG® power tools brand has been delivering high-performance tools since 1898. Over a 100 years later and nothing has changed, AEG® Power Tools continues to push boundaries and innovate with a current focus on the cordless sector, harnessing lithium ion power as well as a myriad of traditional but highly innovative corded tools.

Products and Technology

Products

- Cordless and Corded Power Tools

Cordless Platforms

- PRO LITHIUM ION™ Cordless System 12-volt 14.4-volt and 18-volt
- OMNIPRO® Multi Tool system with interchangeable heads
- Cordless and Corded Power Tools, and support accessories

End-Users

- Professional Tradesmen, Contractors

Distribution

- Professional/Traditional trade and wholesale distribution
- Professional section of Modern channels and Home Centers

North America Europe Australia

18-VOLT BRUSHLESS 7-1/4" CIRCULAR SAW

This compact circular saw delivers more power, more cuts and longer motor life than ever before. Compact motor housing enables use in tight spaces, and the LED light with independent switch for cut illumination delivers optimal accuracy and precision.Including a 185mm blade for larger cutting capacity than standard 18-volt saws

BRUSHLESS

18-VOLT BRUSHLESS

AEG® Brushless is built to last. The brushless technology provides greater torque, longer run-time, and 2X the motor life of a brushed motor. Also delivering a quieter output than brushed motors and less maintenance required to manage your tool.

18-VOLT BRUSHLESS HAMMER DRILL

Delivering a powerful 80nm of torque together with 28,800 B/pm the 18-volt Brushless Hammer Drill provides maximum performance for the hardest working tradesmen.

18-VOLT BRUSHLESS IMPACT DRIVER

With its class leading max torque of 200nm and compact size (weighing only 1.03kg without the battery), the 18-volt Brushless Impact Driver is built for heavy duty applications.

AEG® BRUSHLESS available in Europe from Q4, 2015

OMNIPRO® MULTI TOOL

Designed to enable users to tailor their system depending on application, the OMNIPRO® 12-volt and 18-volt are perfect for those looking for cordless machines with the kind of power associated with an corded machine. Professional tradesmen will be particularly attracted to the interchangeable heads and bodies, which will enables them to select the best balance of power base and head for ultimate productivity. The OMNIPRO® 12-volt boasts an incredibly lightweight and compact ergonomic design ideal for challenging jobs in tight spaces. The 18-volt provides greater power and run-time, but maintains the advantage of cordless portability.

It's this winning combination of power and design alongside multi-functionality that makes the OMNIPRO® Multi Tool one of the most useful tools in today's market.


Getting the job done in restricted space without compromising on power is easy with the OMNIPRO® system. Simply alternate the interchangeable heads across all applications rather than having to stop work to go and pick up your next tool.

18-VOLT BRUSHLESS GRINDER

Providing corded power performance the 18-volt Brushless Grinder is a best-in-class. Including current overload protection, line lock out feature, tool free burst resistant guard for ease of adjustment and user safety and Anti Vibe System to ensure the user experience is optimized.

Consumer and Trade Power Tools

RYOBI® brand offers the most extensive award winning and innovative line of consumer focused products and accessories for worldwide use. The RYOBI® power tool range is anchored by the 18-VOLT ONE+ SYSTEM® of over 50 products, ranging from drills, drivers, saws and trimmers to sanders.

Products and Technology

Products

- Cordless and Corded Power Tools
- Power Tool Accessories

Technology

- 18-VOLT ONE+ SYSTEM®
- Lithium ion & LITHIUM ION+™
- AIRSTRIKE™
- Dual Power Hybrid
- RYOBI® PHONE WORKS™ SYSTEM & App

Accessories Technology

- SPEEDLOAD+®
- Universal Shank Jigsaw Blades

End-Users

- Do-It-Yourselfers and Cost Conscious Professionals

Distribution

- Home Centers and Hardware stores

North America | Europe | Australia & New Zealand

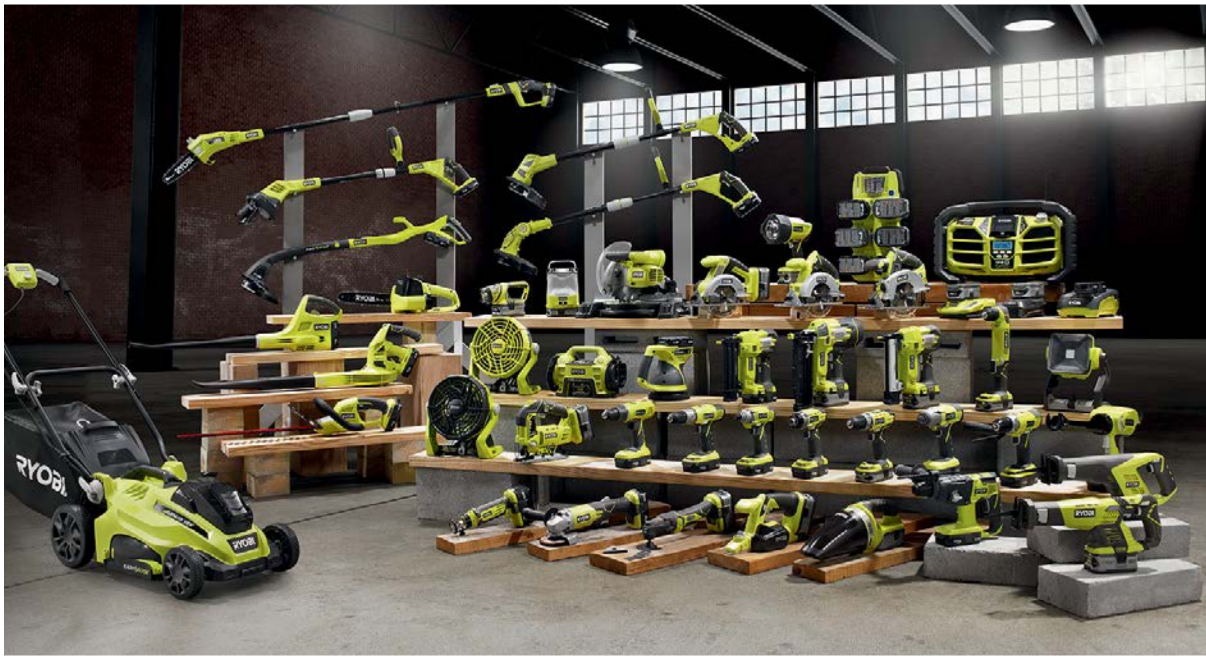
RYOBI® 18-VOLT ANGLED FINISH NAILER

RYOBI® 18-VOLT ONE+ SYSTEM® Angled Finish Nailer fires up to 750 nails and install crown molding, hang doors, stair treads and exterior trim with the new 15 gauge Angled Finish Nailer featuring AIRSTRIKE™ Technology

AirStrike™ TECHNOLOGY

RYOBI® ONE+® AIRSTRIKE™

The ONE+® Brad Nailer, Finish Nailer, Angled Finish Nailer and Narrow Crown Stapler features AIRSTRIKE™ Technology, which eliminates the need for noisy compressors, bulky hoses or expensive gas cartridges. This means faster setup and easier maneuvering on the job site or at home.



RYOBI® 18-VOLT ONE+ SYSTEM®

Continues to enhance and expand its over 50 tools that work with the same battery platform, giving you the ultimate versatility in tool selection to get your job finished. With upgraded LITHIUM+™ batteries, you can get more done in less time and improve the performance of every RYOBI® 18-volt tool ever made. No matter how you add it up, ONE+® is the one system that delivers more.

RYOBI® ONE+® HYBRID

Never run out of power with the convenient option of using a ONE+® battery or switch over to electric power with an extension cord for extended use. The 18-VOLT ONE+ SYSTEM® Dual-power 20 Watt LED Work Light has more than 1,700 lumens to illuminate a large work area.

RYOBI® PHONE WORKS™ SYSTEM

Upgrade from expensive, single-function hand tools and transform your phone into your smartest tool with PHONE WORKS™ products and mobile App.

Outdoor Products

RYOBI® Outdoor Products brings the most innovative and comprehensive tool system to the market. The 18-VOLT ONE+ SYSTEM® is compatible with all drills, string trimmer, blowers and hedge trimmers since 1996 while the 40-VOLT lithium ion system is made up of 10+ tools and growing. Innovative battery technology, brushless motors and consistent battery platforms keep the Do-It Yourself homeowner charged with tools for every job.

Products and Technology

Products

- Gas and Electric Powered Trimmers, Blowers, Chainsaws, Hedge Trimmers, Lawn Mowers, Pressure Washers and Generators

Cordless Technology

- 4-volt, 18-volt, 36-volt & 40-volt lithium ion systems, Brushless Motor Technology increases efficiency and optimizes performance of the tool

Accessory Technology

- EXPAND-IT® Attachments

End-Users

- Do-It-Yourself home owners and garden enthusiasts

Distribution

- Home Centers, Garden Centers and Hardware Stores

18V LITHIUM HYBRID

RYOBI® brand brings revolutionary hybrid technology to the outdoor power market place. Dual-power source options with a battery or corded connection for limitless power and mobility.

ONE+ Cordless OR Electric

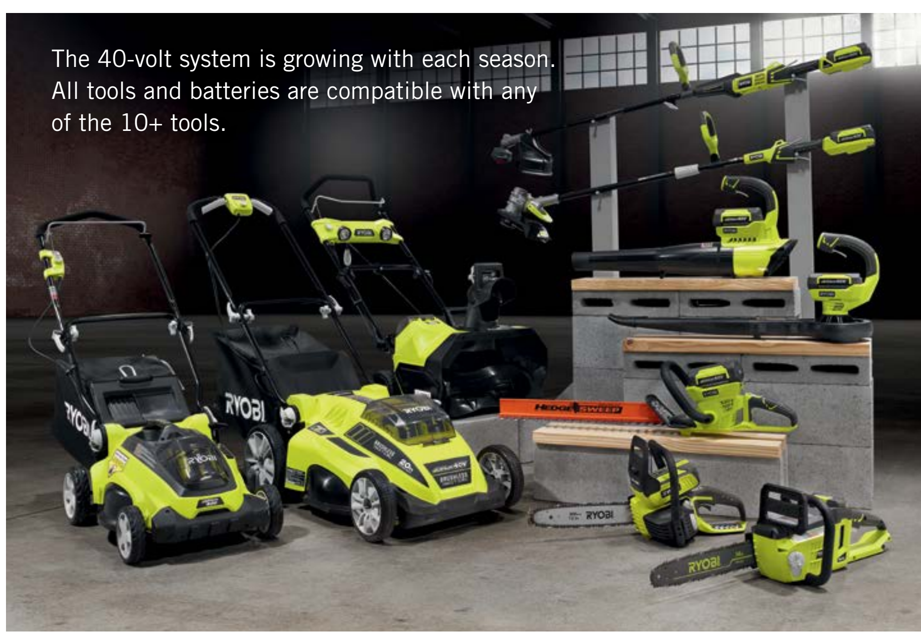
40-VOLT JET FAN BLOWER

The RYOBI® 40-volt Jet Fan Blower features GAS-LIKE POWER™ without the hassle of gas and oil. The unique jet fan design optimizes air flow to produce 155 MPH and 300CFM of power. Featuring a variable speed trigger for air speed control and an overall sleek design with a soft grip handle for user comfort, the RYOBI® 40-volt Jet Fan Blower will tackle any clearing job with ease.

INDUSTRY LEADING BATTERIES

Being the industry leaders in lithium ion technology, the RYOBI® 40-volt batteries provide the power and run-time for every job.

The 40-volt system is growing with each season. All tools and batteries are compatible with any of the 10+ tools.



Outdoor Products

RYOBI® brand brings premium engines, innovative features and best in class motors to its products. Offering a complete line of gas and electric pressure washers, gas string trimmers, hedge trimmers, blowers, chainsaws and generators, RYOBI® brand has a tool for every garden enthusiast.

Products and Technology

Products

- Gas and Electric Powered Trimmers, Blowers, Chainsaws, Hedge Trimmers, Lawn Mowers, Pressure Washers and Generators

Accessory Technology

- EXPAND-IT® Attachments

End-Users

- Do-It-Yourself home owners and garden enthusiasts

Distribution

- Home Centers, Garden Centers and Hardware Stores

2CYCLE

FULL CRANK ENGINE FOR 2X LONGER LIFE

RYOBI® brand introduces Full Crank String Trimmers to the market place; featuring quality engines for longer life and less vibrations.

2200 WATT

INVERTER GENERATOR

POWER WHERE YOU NEED IT

RYOBI® brand provides power for your sensitive electronics and job-site tools. The portable inverter generator will power tools when and where you need it.

POWERFUL CLEANING

RYOBI® brand offers a premium line of gas pressure washers powered by Honda engines and featuring exclusive innovation like IDLEDOWN™ and POWERCONTROL™ Technology.

BEST IN CLASS PERFORMANCE

RYOBI® brand introduces a line of electric pressure washers featuring a durable roll-cage frame design, turbo nozzle, quick connect nozzles and an on-board detergent tank, all backed by a three year warranty.

HOMELITE® Consumer Products manufactures a full line of Outdoor Power Equipment including string trimmers, blowers, chainsaws, hedge trimmers, pressure washers, generators and outdoor accessories for the consumer, do-it-yourself and garden enthusiast.

Products and Technology

Products

- Gas and Electric Powered Trimmers, Blowers, Chainsaws, Hedge Trimmers, Lawn Mowers, Log Splitters, Pressure Washers, Generators

Technology

- HOMELITE® products are designed to provide consumers great performance at an incredible value

End-Users

- Home owners and garden enthusiasts

Distribution

- Home Centers, Garden Centers and Hardware Stores

HOMELITE® delivers dependable, lightweight electric and gas products at an affordable price.

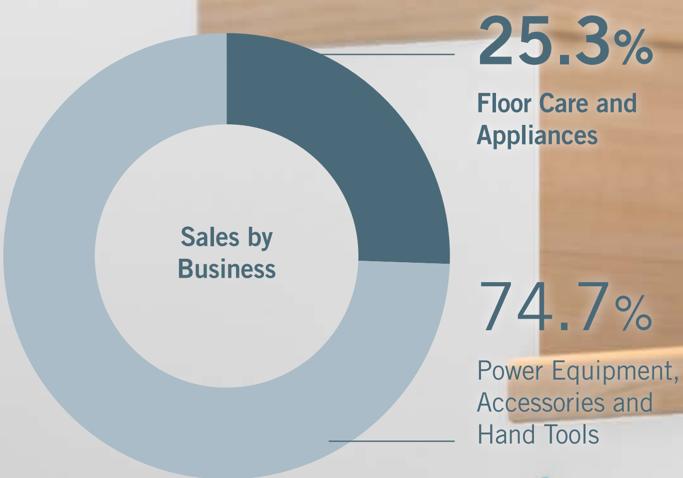
RELIABLE POWER

HOMELITE® provides easy starting and reliable tools for any outdoor weekend project. Whether you need a tool for an occasional task or if you are in need of reliable unit for routine use, HOMELITE® tools provide the power you need.

DEPENDABLE CLEANING

HOMELITE® offers a line of entry level gas pressure washers, delivering maximum power.

Floor Care and Appliances Overview



Floor Care and Appliances achieved another solid year on sales of US$1.2 billion accounting for 25.3% of group turnover. We realized significant profit improvements through realignment of operations and a focus on leveraging scale and optimizing supply chain.

HOOVER® AIR® CORDLESS LIFT UPRIGHT VACUUM

The AIR® Cordless Lift is the first full-size vacuum with detachable lift canister from HOOVER®. Two LITHIUMLIFE™ batteries provide an average of 50 minutes of fade-free battery power on carpet and hard floors.*

*The LITHIUMLIFE™ battery provides full air power while the battery discharges.


air
cordless
LithiumLife

HOOVER® is creating the future of Floor Care. Our innovation shows how we're changing with people's ever-evolving homes and lives. And each of the 1,100 patents worldwide help create new, powerful and desirable cleaning options for everyone.

Products and Technology

Products

- Upright – Bagged and Bagless
- Canister – Bagged and Bagless
- Stick
- Lithium ion Cordless
- Handheld Vacuums
- Carpet Washers and Solutions
- Hard Floor Cleaners and Solutions
- Steam Cleaners and Cleaning Solutions
- Specialty Garage Utility
- Cleaning Systems and Air Purification

Technology

- WINDTUNNEL® and WINDTUNNEL® MAX™, Multipurpose SPINSCRUB®, MAX EXTRACT®, MAX EXTRACT® Pressure Pro, Bagged, Bagless Cyclonic, Dual Tank Water Filtration, LITHIUMLIFE® and DUALTECH™

Distribution

- Leading Home Centers, Mass Merchants, Catalogue, TV Shopping, Online Retailers

*The LITHIUMLIFE® battery provides full air power while the battery discharges.

AIR® CORDLESS SERIES

FLOORMATE® DELUXE

The lightweight and maneuverable FLOORMATE® Deluxe replaces the bucket, mop and scrub brush. Dirt is scrubbed away with SPINSCRUB® technology to deliver the best clean while gently and safely scrubbing hard floors. Dual tanks are easy to fill and empty ensuring clean water is all that touches the floor.

Finally, a full-size cordless vacuum that can clean your whole home. Built on the foundation of the popular AIR® range and powered by LITHIUMLIFE® technology, AIR® Cordless provides full upright power and convenience with a 50-minute* runtime and an ultra-light 9.9lbs frame – all without the hassle of a cord.

WINDTUNNEL® 3 TECHNOLOGY

Lift deep down messes. Three channels of suction lift and remove surface debris and deep down embedded dirt. Vacuums without WINDTUNNEL® Technology rely on only one channel of suction.

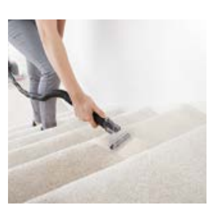
REMOVABLE CANISTER

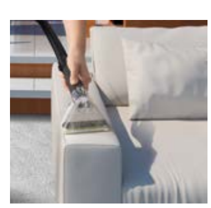
Our latest technologies include powerful cleaners with a removable canister for hard-to-reach areas like stairs and high above floors where traditional uprights can't reach.

*on average on carpet and hard floors using two batteries

POWER PATH® PRO CARPET WASHER

The POWER PATH® Pro Carpet Washer cleans in two ways. It features a rotating brushroll and our patented SPINSCRUB® Technology to lift and remove tough carpet stains. These two powerful scrubbing systems deep clean the whole home with 8ft. of above floor reach.





AIR® STEERABLE

Powerful. Steerable. Lightweight. Another innovative addition to the AIR® range of products, the highly-maneuverable AIR® Steerable twists and turns while delivering confident whole-home cleaning.

ORECK

ORECK® has earned its mark for making the finest vacuums with the premium service. Originally a hotel industry vacuum manufacturer, ORECK® is still driven by a singular, consumer-satisfying goal: to provide easy-to-use, lightweight and durable cleaners – each with exceptional power – for every room in the house.

Products and Technology

Products

- Upright – Bagged and Bagless
- Canister – Bagged and Bagless
- Stick
- Handheld Vacuums
- Carpet Washers and Solutions
- Hard Floor Cleaners and Solutions
- Steam Cleaners and Cleaning Solutions
- Cleaning Systems and Air Purification
- Cleaning Solutions

Technology

- SANISEAL® bag system, QUICKSWITCH®, SLIMSWIVEL™, HEPA media, Easy Snap Cord Clip, TRUMAN CELL® Technology, PATH™ filtration system, SPINBRUSH 360™, Smart Suction

Distribution

- 387 Exclusive and authorized stores in major US Metropolitan Areas, National Commercial Accounts, QVC, Amazon & Oreck.com online, Axe Houghton in Canada

MAGNESIUM® RS

SURFACESCRUB™ HARD FLOOR CLEANER

SURFACESCRUB™ is our first hard floor cleaner that scrubs, washes and dries all in one motion. Simply move forward to gently scrub your floors with SPINBRUSH 360™ Technology then pull it back to dry with powerful suction.

MAGNESIUM® RS is the lightest ORECK® product. At only 7.7lbs. It's incredibly powerful, durable and revolutionary. It's a cleaner that fits in even the most modern homes but finds function in form with an easy SLIMSWIVEL® design low that slips under couches and around furniture with ease.

TWO-SPEED QUICKSWITCH®

The MAGNESIUM® RS moves smoothly across all floor types with two power levels: high for carpets and low for hardwoods and tile. It's even gentle enough for fine Oriental and Persian rugs on low speed.

SLIMSWIVEL® DESIGN

It powerfully swerves to save time and effort when cleaning around and under furniture. It virtually lies flat to cover more ground and quickly gets in tight spots.

AIR INSTINCT®

We combined advanced technology, premium design and true HEPA filtration to take the guesswork out of air purification. Its innovative APS™ technology continuously monitors particles in the air and adjusts the fan speed while the 3-Stage PATH™ Filtration system captures dust, pet dander and allergens.

REVITALIZE™ CARPET WASHER

DUOSCRUB™ Technology combines SPINBRUSH 360™ Technology with a brushroll to create ORECK®'s most powerful deep cleaning system yet. It helps remove tough set-in stains and more with an 8ft. hose and upholstery tool for stairs, furniture and hard-to-reach areas.

VAX® is the UK's bestselling Floor Care brand. And the only company in the UK to offer cleaning products in every category.

From carpet cleaners, upright and canister vacuum cleaners to steam, cordless and hard floor cleaners – we listen to our customer so we can design with their needs in mind.

Products and Technology

Products

- Carpet Cleaners
- Upright/Canister Vacuums
- Hard Floor Cleaners
- Lithium ion Cordless
- VAX® Cleaning Solutions
- VAX® CLEAN WITH NO MACHINE™ solutions

Technology

- Heated Cleaning, Single Cyclonic, Multi-cyclonic, DUAL V® Twin Air Path Suction, SPINSCRUB® deep cleaning, HEPA H12 Filtration

End-Users

- Domestic and commercial cleaners who are looking for high-performing products that meet quality, service, range and price criteria

Distribution

- Mass Merchandisers, Electrical Multiples, Grocery Retailers, Do-It-Yourself Retailers, TV Shopping, Online Retailers and Direct

AIR® CORDLESS FAMILY

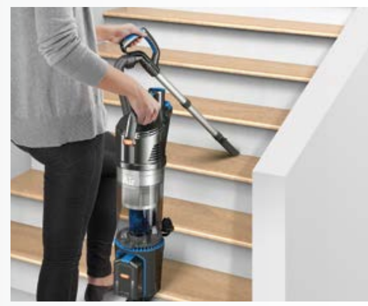
STEAM FRESH COMBI 10-IN-1

This lightweight steam cleaner with a detachable handheld cleaner is for total home cleaning. It comes with a 9-piece accessory kit for almost every household cleaning task including cleaning sealed wood floors, ovens, taps, tile grout and windows.

FLOORMATE® DELUXE

Replace the mop, bucket and scrub brush with a lightweight and maneuverable hard floor cleaner. It features Clean Boost for targeting stains and high traffic areas for extra cleaning power. SPINSCRUB® technology delivers the best clean while gently and safely scrubbing hard floors.

The VAX® Cordless range has the power to change the way you clean. We created a family of LITHIUMLIFE® powered cordless cleaners designed to bring the convenience of cord-free cleaning to every room in your home.



WINDTUNNEL® 3 TECHNOLOGY

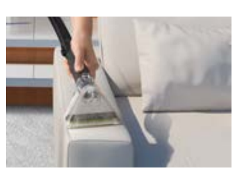
Lift deep down messes. Three channels of suction lift and remove surface debris and deep down embedded dirt. Vacuums without WINDTUNNEL® Technology rely on only one channel of suction.

REMOVABLE CANISTER

Our latest technologies include powerful cleaners with a removable canister for hard-to-reach areas like stairs and high above floors where traditional uprights can't reach.

DUAL POWER PRO & DUAL POWER PRO ADVANCE CARPET CLEANER

This powerful, quick drying carpet cleaner duo has extra-large tank capacity and DUAL V® Technology with a wide cleaning path for capturing deep down dirt. A 2.5m stretch hose cleans above the floor and up and down stairs with ease.



AIR® STEERABLE ULTRA LITE

This compact and lightweight upright vacuum is equipped with multi-cyclonic technology for powerful suction across both carpets and hard floors. Despite being compact in size, this vacuum still has a full size capacity while weighing 4.1kg.

DIRT DEVIL® stands for convenience and value in a contemporary design.

Each product is engineered to efficiently clean with bonus features that make cleaning feel less like work. From quick cleanups to whole-house cleaning, DIRT DEVIL® has options to fit the way you clean.

Products and Technology

Products

- Uprights – Bagged and Bagless
- Canisters – Bagged and Bagless
- Stick Vacs
- Hand Vacs
- Steam Cleaners
- Carpet Washers and Solutions
- Pressure Washers
- Robotic Vacuums and Accessories

Technology

- Bagged, Bagless, Cyclonic, Corded & Cordless

Distribution

- Leading Home Centers, Mass Merchants, Catalogue, TV Shopping, Online Retailers

QUICK CLEAN FAMILY

360° REACH™

This innovative design is versatile enough to clean where most upright vacuums can't. 360° REACH™ cleans from floor to ceiling with Vac+Dust Tools with SWIPES™ and the powered stair and upholstery tool to cover every part of each step.

The DIRT DEVIL® quick cleaning lineup tackles messes without the hassle of a broom and the waste of disposable pads. It includes steam, spray and dust cleaning options that are quick, simple and easy to use on any sealed hard floor surface.

FLEXIBLE EDGES

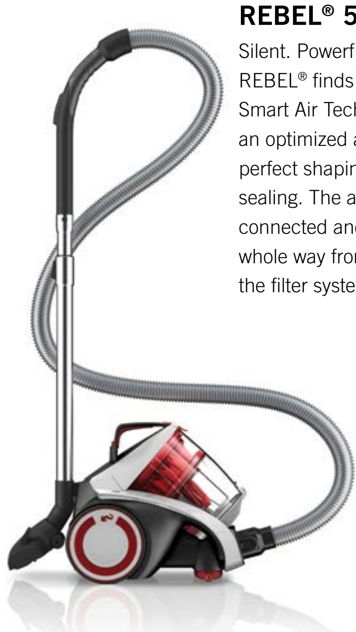
The SWIPES™ microfiber pad covers baseboards and floors at the same time, easily capturing dirt and dust in corners and other tight spaces.

WASHABLE MICROFIBER PADS

The super-soft yet durable microfiber cloth can be tossed in the wash then reused for long-lasting use.

REBEL® 50 WHITE

Silent. Powerful. Futuristic. The REBEL® finds its own path with Smart Air Technology that provides an optimized air flow thanks to perfect shaping and a casing sealing. The air flow stays connected and powerful on its whole way from the nozzle through the filter system to the air outlet.



THE HAND VAC 2.0

This next generation hand vac still has the power of an upright for couches, corners, cars upholstery and more. Now included is a 20ft. power cord, easy empty dirt cup and reusable quick-rinse filter.

LIFT & GO™

The first upright with removal canister from DIRT DEVIL® provides a perfect solution for anything above floor, including stairs, bookcases and everything in between. With its own Vac+Dust floor tool and 10ft. extended hose, LIFT & GO™ can get into every corner of the home with ease.

Board of Directors

Group Executive Directors

Horst Julius Pudwill MSc
Chairman

Mr Horst Julius Pudwill, aged 70, is Chairman of TTI, a position he has held since he jointly founded the Group in 1985. Until 2008, he also served as Chief Executive Officer. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations, with the Chief Executive Officer reporting directly to him. Mr Pudwill has extensive experience in international trade, business and commerce. Mr Pudwill is also a director of Sunning Inc. which has an interest in the equity of the Company.

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

Mr Pudwill is the father of Mr Stephan Horst Pudwill, Group Executive Director and President of Strategic Planning.

Joseph Galli Jr BSBA, MBA
Chief Executive Officer

Mr Joseph Galli Jr, aged 56, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

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

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

Patrick Kin Wah Chan FCCA, FCPA
Operations Director

Mr Patrick Kin Wah Chan, aged 55, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

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

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

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

Mr Frank Chi Chung Chan, aged 61, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

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

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

Stephan Horst Pudwill
President of Strategic Planning

Mr Stephan Horst Pudwill, aged 38, joined the Group in 2004 and was appointed as Executive Director in 2006. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic business opportunities within the Group.

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

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

Non-executive Director

Roy Chi Ping Chung BBS, JP

Prof Roy Chi Ping Chung BBS JP, aged 62, is a Co-founder of TTI. Prof Chung, previously the Group Managing Director since 1985, was appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007. He has been re-designated to Non-executive Director of the Company with effect from July 1, 2011.

Prof Chung holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom and Doctor of Business Administration Degree from City University of Macau. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and awarded an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was awarded the Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government on July 1, 2011. He was also appointed as Justice of Peace by the Hong Kong SAR Government on July 1, 2005 and won the Hong Kong Young Industrialists Award in 1997. In November 2014, he was further awarded the Industrialist of the Year.

Prof Chung is highly dedicated to the advancement of industry and was the Chairman of the Federation of Hong Kong Industries until July 5, 2013. In addition, Prof Chung holds positions on a number of Hong Kong SAR Government advisory committees and is also an active member of many social committees and associations.

Prof Chung is also an Independent Non-executive Director of KFM Kingdom Holdings Limited, TK Group (Holdings) Limited and Fujikon Industrial Holdings Limited (with effective from April 1, 2014). Prof Chung retired as Independent Non-executive Director of Kin Yat Holdings Limited with effective from August 25, 2014.

Independent Non-executive Directors

Joel Arthur Schleicher CPA, BSB

Mr Joel Arthur Schleicher, aged 63, was appointed as an Independent Non-executive Director in 1998. He has over 30 years of management experience in the manufacturing and technology/telecom services sectors.

Mr Schleicher is currently involved with several initiatives in Cyber Security, while also serving as a Managing Director for MWB Investments, LLC.

Previously Mr Schleicher was the Founder, Chairman and CEO of Presidio, Inc. (2004-2011) the foremost professional and managed services provider in North American, at the forefront of Virtualization/Data Center; Collaboration and other advanced IT infrastructure solutions. Prior he has worked with private equity firms as a consultant, advisor, board member and held portfolio management roles including as Chairman and CEO for Interpath Communications, Inc.; CEO of Expanets, Inc. and President and COO for Nextel Communications, Inc. In the past, he has served on the board of directors of various North American domestic and international companies – both public and private.

Christopher Patrick Langley OBE

Mr Christopher Patrick Langley, aged 70, was appointed as an Independent Non-executive Director in May 2001. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Ltd. Mr Langley maintains close ties with the business community in Hong Kong. He is currently a Non-executive Director of Lei Shing Hong Limited which has been delisted from the Stock Exchange of Hong Kong Limited on March 17, 2008. Mr Langley resigned as an Independent Non-executive Director of Winsor Properties Holdings Limited (now renamed as Vanke Property (Overseas) Limited) with effective from September 1, 2012 and retired as an Independent Non-executive Director of Dickson Concepts (International) Limited with effective from July 24, 2014, both of which companies are listed on the stock exchange of Hong Kong.

Independent Non-executive Directors *(continued)*

Manfred Kuhlmann

Mr Manfred Kuhlmann, aged 70, was appointed as an Independent Non-executive Director in 2004. He was General Manager of Dresdner Bank AG Hong Kong Branch between 1994 and 1998 and General Manager of Dresdner Bank AG Dubai before he retired in August 2004. Mr Kuhlmann is a graduate of the Banking Academy, Hamburg and has extensive experience in the finance and banking industry. Since 2005 he served as “Hamburg Ambassador” in the UAE to support the economic ties between Hamburg, Germany and the UAE. He retired from that position in May 2013 as he had moved his residence to Cyprus. Since July 2009 Mr Kuhlmann was a Non-executive Director and member of the Board of Avicenna Pharma Development FZLLC in Dubai, he retired from that position on December 31, 2010.

Peter David Sullivan BS

Mr Peter David Sullivan, aged 66, was appointed as Independent Non-executive Director effective February 1, 2008. He was an Executive Director and Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited. Mr Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. He also held a number of other major appointments, including as the Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce.

Mr Sullivan has been appointed as a Non-executive Director to the boards of Standard Bank Group and The Standard Bank of South Africa Limited with effect from January 15, 2013. He is the Chairman and Non-executive Director of Healthcare Locums plc, and a Non-executive Director of Winton Capital plc, AXA ASIA and AXA China Region Insurance Company Limited. Mr Sullivan was an Independent Non-executive Director of Standard Bank plc London and SmarTone Telecommunications Holdings Limited, a Non-executive Director of AXA Asia Pacific Holdings Limited that is listed on the Australian and New Zealand stock exchanges.

Mr Sullivan holds a Bachelor of Science (Physical Education) Degree from the University of New South Wales (Wollongong).

Vincent Ting Kau Cheung

Mr Vincent Ting Kau Cheung, aged 73, was appointed as a Director in 1991 and was re-designated as an Independent Non-executive Director on March 30, 2012. He is a Non-executive Director of Gold Peak Industries (Holdings) Limited, listed on The Stock Exchange of Hong Kong Limited.

Mr Cheung is a graduate in law from University College London and has been a practising solicitor since 1970. He is qualified to practice law in Hong Kong and England and Wales and he is now a Consultant of Vincent T.K. Cheung, Yap & Co. He is also a Fellow of University College London and a Commandeur de l'Ordre du Mérite Agricole from France.

Management's Discussion and Analysis

Financial Review

Financial Results

Result Analysis

The Group's turnover for the year amounted to US$4.8 billion, an increase of 10.5% as compared to US$4.3 billion in 2013. Profit attributable to Owners of the Company amounted to US$300 million as compared to US$250 million in 2013, an increase of 20.0%. Basic earnings per share for the year improved to US16.41 cents as compared to US13.68 cents in 2013.

EBITDA amounted to US$500 million, an increase of 12.9% as compared to US$443 million in 2013.

EBIT amounted to US$351 million, an increase of 15.4% as compared to US$304 million in 2013.

Gross Margin

Gross margin improved to 35.2% as compared to 34.2% last year. The margin improvement was the result of new product introduction, category expansion, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the year amounted to US$1,326 million as compared to US$1,175 million in 2013, representing 27.9% of turnover (2013: 27.3%). The increase was mainly due to the strategic spent on advertising and promotion on new products, particularly for the Floor Care division.

Investments in product design and development amounted to US$118 million, representing 2.5% of turnover (2013: 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 year was maintained at US$25 million as compared to last year. Interest coverage, expressed as a multiple of EBITDA to total interest was 13.0 times (2013: 12.4 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.9% (2013: 10.5%). The Group will continue to leverage its global operations to sustain the overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$2.0 billion as compared to US$1.7 billion in 2013. Book value per share was at US$1.07 as compared to US$0.95 last year, an increase of 12.6%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2014, the Group's cash and cash equivalents amounted to US$690 million (2013: US$698 million), of which 41.0%, 31.0%, 11.6% and 16.4% were denominated in US$, RMB, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 10.0% as compared to 10.6% last year. The gearing improvement is the result of very disciplined and focused management over working capital and free cash flow from operations applied to debt repayment. The Group remains confident that gearing will remain low going forward.

Bank Borrowings

Long term borrowings accounted for 36.3% of total debts (2013: 42.4%).

The Group's major borrowings continued to be in US Dollars and in 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 exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Working Capital

Total inventory was at US$1,056 million as compared to US$884 million in 2013. Days inventory increased by 6 days from 75 days to 81 days. The increase was mainly due to the strategic decision to carry a higher level of inventory to support our service level, considering our high growth momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 59 days as compared to 64 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 54 days as compared to 57 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were 87 days as compared to 88 days in 2013.

Working capital as a percentage of sales was at 14.6% as compared to 13.9% in 2013.

Capital Expenditure

Total capital expenditures for the year amounted to US$154 million (2013: US$105 million).

Capital Commitments and Contingent Liabilities

As at December 31, 2014, total capital commitments amounted to US$12 million (2013: US$19 million) and there were no material contingent liabilities or off balance sheet obligations.

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2014

(i) the Group's largest customer and five largest customers accounted for approximately 37.4% and 49.5% respectively of the Group's total turnover; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 5.3% and 18.5% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

Human Resources

The Group employed a total of 20,081 employees as at December 31, 2014 (2013: 18,746) in Hong Kong and overseas. Increase in the number of employees mainly due to the acquisitions completed during the past twelve months. Excluding the effect from acquisition, employees as at December 31, 2014 total to 19,100, very comparable to last year, with an increase in turnover. Total staff cost for the year under review amounted to US$678 million (2013: US$601 million).

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

Corporate Strategy and Business Model

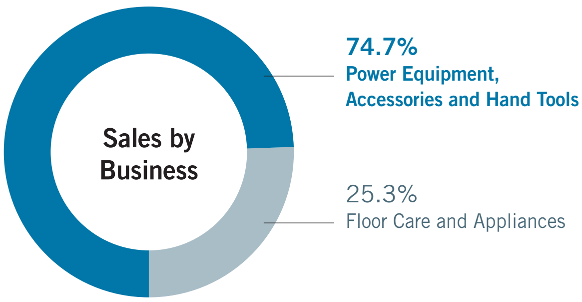
The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floor care for consumers, professional and industrial users in the home improvement, infrastructure and construction industries. We are committed to implementing our long term strategic plan that focuses on "Powerful brands, Innovative Products, Operational Excellence and Exceptional People".

We continue to strengthen our portfolio of powerful brands with a focused marketing approach. Brands extension into new product categories and under-represented markets enable us to generate outstanding growth. Geographic expansion will be a highlight of TTI's future, our long term strategy is to aggressively build our business outside the U.S. and we have spent relentless efforts to expand or establish presence in high potential markets around the world.

Introducing innovative new products is the centerpiece of our long term strategy. We continue to invest in building a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

Our strategy in operational excellence will continue, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.



Review of Operations

TTI delivered another year of excellent record performance in 2014 with growth in all business segments and geographic regions. North America grew 8.8%, Europe 11.3% and rest of world 26.4%.

Across our product lines and brands, we drove gains with the introduction of innovative new technologies including expansion of our market-disrupting Lithium cordless platforms. Our MILWAUKEE business reported exceptional performance in all geographies, and RYOBI brand furthered its penetration across core consumer power tool and outdoor segments. We continued to transform Floor Care making operational improvements and launching new products to enhance profitability.

Our gross margin expanded driven by new products coupled with improvements in operational efficiency and supply chain productivity. We delivered profitability gains across our business units and brands. Working capital remained solid with the business generating positive free cash flow.

Power Equipment

Power Equipment is our largest business and consists of power tools, hand tools, outdoor products, and accessories. For the year, sales in Power Equipment rose by 13.0% to US$3.6 billion with growth in all geographic markets and especially strong performance in our industrial division. The business accounted for 74.7% of Group turnover, against 73.1% in 2013. Based on new product introductions and enhancements in productivity, earnings grew 16.7% to US$305 million.

Industrial

Our industrial business, MILWAUKEE, outpaced the market with 22.2% growth across all geographic regions. A steady flow of innovative new products to our power tool, accessory, and hand tool lines remains central to our strong performance. Successful end-user and distribution channel initiatives as well as adjacent category expansion also played key roles in our gains.

Leveraging the tremendous upside potential of our successful M12 and M18 ranges, we continued investment in the industry's most comprehensive line of cordless industrial power tools with the launch of the ultra-fast cutting M12 FUEL HACKZALL reciprocal saw. We introduced the M18 FUEL HOLE HAWG Right Angle Drill and M18 FUEL Deep Cut Band Saw developed to provide game-changing productivity to the industrial sector. MILWAUKEE FUEL cordless products, applying innovation in both Lithium and brushless motors technology, are the first cordless power tools in their class with true corded power tool performance. Our new M18 FUEL circular saw is the market's most advanced cordless circular saw.

We grew our position in the power tool accessory market. New introductions including the DIAMOND PLUS, HOLE DOZER and SHOCKWAVE IMPACT DUTY hole saws effectively tapped growing market trends and user demands for applications focused solutions. These innovations and the strength of our range makes MILWAUKEE the first choice of demanding users. The acquisition of the world class KOTTMANN chisel bit business also enhanced our full service offering.

Our rapid expansion in hand tools also continued with new product additions including to the popular INKZALL Jobsite Markers line. The recently acquired EMPIRE business, a leading U.S. manufacturer of levels, squares, layout tools and safety and utility tapes, grew in momentum with a focus on new products.

Consumer and Professional

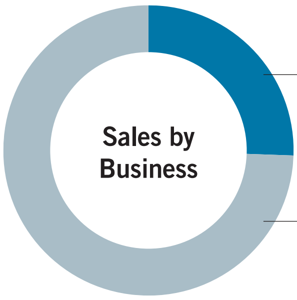
In 2014, our leading North American consumer power tool brand, RYOBI, generated gains through innovative product introductions and enhanced marketing. The RYOBI ONE+ platform continues to grow by more than one million new customers annually and penetrate further North American, Europe, Australia and New Zealand households. We continued to add products to our revolutionary 18V ONE+ SYSTEM of cordless tools for the worksite, like the high-performance compact rotary hammer drill, AC/DC hybrid 20w LED worklight and AC/DC hybrid fan. Our AIRSTRIKE technology, powered by the ONE+ system, deepened its footprint in the growing pneumatics segment with the introduction of the 16 gauge finish nailer and 18 gauge narrow crown stapler. RYOBI PHONE WORKS represented the first-to-market line of electronic pro-quality measuring tools that work in conjunction with smartphone technology to manage home improvement projects.

In Europe, RYOBI brand continued to expand its reach through the launch of innovative new ONE+ lithium products, as well as targeted media and digital marketing campaigns. RYOBI brand delivered double digit growth in Australia and New Zealand with additions to the ONE+ platform as well as the launch of an exciting pneumatic tool range under AIRWAVE and the cordless AIRSTRIKE nailer range. The AEG brand grew in Europe and rest of world geographies with a series of successful new Lithium products and focused marketing to drive brand awareness and sales.

Outdoor Products

Outdoor Products continued its steady growth in 2014 with our cordless Lithium products making impressive inroads in North America, Europe, and Australia. Sales were down slightly in North America due to unfavorable weather conditions, but this was balanced by improvements in operational efficiency and supply chain.

Our first-in-class RYOBI 18V ONE+ SYSTEM AC/DC hybrid blower has been highly successful. The "gas-like power" of the 40V RYOBI Lithium cordless platform continues to be well received and the range expanded into categories such as chainsaws, trimmers, blowers, and mowers. The recently launched RYOBI Inverter Generator is exceeding sales expectations. A series of promotional campaigns as well as growth in relationships with key retail partners also drove our positive momentum.



Review of Operations *(contiuned)*

Floor Care and Appliances

Floor Care and Appliances achieved another solid year on sales of US$1.2 billion accounting for 25.3% of group turnover. We realised significant profit improvements through realignment of operations and a focus on leveraging scale and optimising supply chain.

Applying TTI's innovative Lithium technology, we introduced the revolutionary HOOVER AIR cordless upright vacuum which delivers 50 minutes of non-stop run-time and the FLOORMATE Cordless Hard Floor Cleaner. We expanded the popular DIRT DEVIL LIFT & GO platform with a lightweight full size detachable upright, and the spray & mop series continued to perform well. The integration of ORECK brand was completed and a refreshed product range is being introduced. Our VAX business in Europe had a highly successful year with introduction of new AIR cordless upright products.

Purchase, Sale or Redemption of Shares

Other than for satisfying the awarded shares granted under the Company's share award scheme, (details of which will be set out in the Corporate Governance Report), a total of 865,000 ordinary shares of the Company were bought back by the Company during the year at prices ranging from HK$20.80 to HK$24.15 per share. The aggregate amount paid by the Company for such buy-backs amounting to US$2,486,000 was charged to the retained earnings.

The shares bought back were cancelled and accordingly the issued share capital of the Company was reduced.

The buy-back of the Company's shares during the year were effected by the Directors pursuant to the mandate received from shareholders at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

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

Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2014. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK19.00 cents (approximately US2.45 cents) per share with a total of approximately US$44,782,000 for the year ended December 31, 2014 (2013: HK13.75 cents (approximately US1.77 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 29, 2015. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 26, 2015. This payment, together with the interim dividend of HK12.50 cents (approximately US1.61 cents) per share (2013: HK10.00 cents (approximately US1.29 cents)) paid on September 26, 2014, makes a total payment of HK31.50 cents (approximately US4.05 cents) per share for 2014 (2013: HK23.75 cents (approximately US3.06 cents)).

Closure of Register of Members

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

To ascertain members' eligibility to attend and vote at the 2015 Annual General Meeting, the register of members of the Company will be closed from May 21, 2015 to May 22, 2015, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2015 Annual General Meeting, 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 May 20, 2015.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 29, 2015 when no transfers of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 28, 2015.

Corporate Governance Report

The Company is committed to maintain a high standard of corporate governance to enhance shareholders' interests and promote sustainable development. The Company emphasises a quality board of directors (the "Board") for leadership and effective internal controls, transparency and accountability to all shareholders. The Board review the codes and practices of corporate governance and the disclosure of this Corporate Governance Report from time to time to improve the Company's corporate governance practices with regards to the latest developments on all applicable laws, rules and regulations.

Compliance with the Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Corporate Governance Code") throughout the year ended December 31, 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 was previously provided with quarterly updates instead of monthly updates. In order to give the Board a more balanced and understandable assessment of the performance, position and prospects of the Company, monthly updates have been provided to the Directors starting from August 2014.

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

Corporate Governance Policy

The Board develops, reviews and monitors the corporate governance policies and practices to ensure compliance with the Company's Articles of Association and the laws, rules and regulatory requirements governing the Group. The Board performed the corporate governance function by, but not limited to, the following:

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

Board of Directors

Roles and Responsibilities

The Board is responsible for leading, directing and supervising the Group affairs collectively with an effective corporate governance framework for the long term success of the Company. Principal responsibilities of the Board including, but are not limited to, the following:

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

In order to govern the delegation of daily management responsibilities to the senior management of the Group, written procedures have been formally adopted and reviewed regularly to monitor the delegation and the reservation to the Board of specifically identified matters.

Board Composition

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

Group Executive Directors

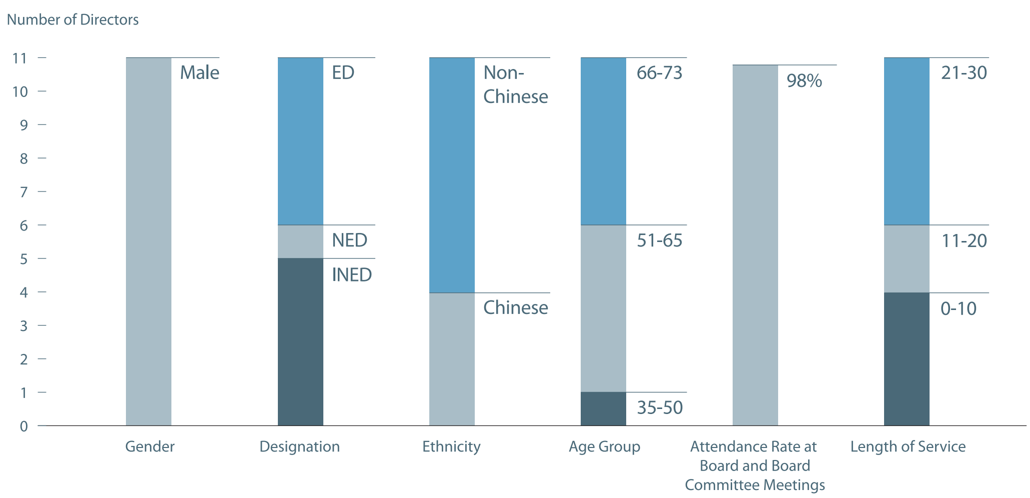
Mr Horst Julius Pudwill (Chairman)
Mr Joseph Galli Jr (Chief Executive Officer)
Mr Kin Wah Chan (Operations Director)
Mr Chi Chung Chan (Group Chief Financial Officer)
Mr Stephan Horst Pudwill (President of Strategic Planning)

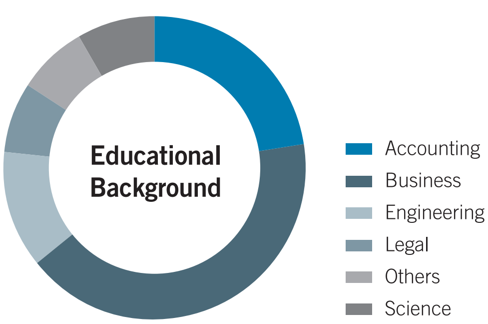
Non-executive Director

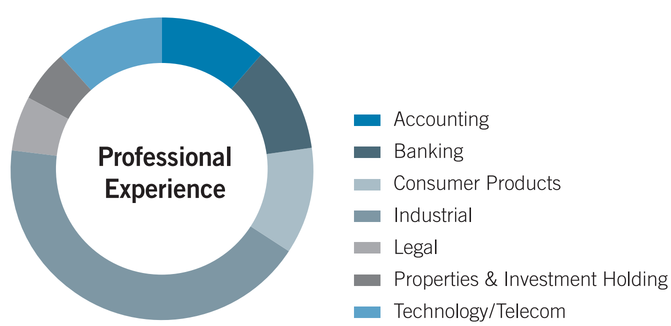
Prof Roy Chi Ping Chung BBS JP

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







The biographical details and relevant relationships of the members of the Board are set out on pages 36 to 41 of this annual report. A list of Directors and their roles and functions are published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

The roles of Chairman and Chief Executive Officer of the Company have been segregated and clearly distinguished in order to promote balance of power and authority.

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

- encourage all Directors to make full and active contributions to the Board's affairs and take the lead to ensure it acts in the best interests of the Company.
- provide leadership for the Board to ensure it performs effectively and discharges its responsibilities.
- ensure all Directors receive accurate, timely and reliable information and are properly briefed on issues arising at Board meetings.
- monitor corporate governance practices and procedures and make sure good practices and procedures are established.
- ensure appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

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

- facilitate the integrating acquisitions in North America and Europe and enhance the global sales potential of our strong brand portfolio.
- provide leadership for the global management team in the Group's daily operations.

Every Director is aware that he must be able to contribute sufficient time and attention to the affairs of the Company before accepting appointment as a director. Orientation which details the duties and responsibilities of directors under the Listing Rules, the Company's Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong is provided for every newly appointed director. Presentations by senior executives of the Company and external professionals are also provided to ensure a proper understanding of the Company's business and operations.

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

Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association and the Listing Rules. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the next annual general meeting after their appointment. As at the date of this report, Independent Non-executive Directors and Non-executive Director form majority of the Board, and the Independent Non-executive Directors represent over one-third of the Board. Furthermore, each of the Independent Non-executive Directors possesses professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All the Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received annual confirmation of independence from each of the Independent Non-executive Directors and still considers them to be independent.

Directors' Continuous Professional Development

All Directors are provided with regular training, updates and written materials on relevant laws, rules and regulations to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. The Directors are encouraged to participate in various professional development programmes especially in relation to latest updates on relevant rules, regulations and compliance requirements to develop and refresh their knowledge and skills in order to ensure that the Directors' contribution to the Board remains informed and relevant.

All Directors participated in continuous professional development as set out in code provision A.6.5 of the Corporate Governance Code. According to the records of training provided by each Director to the Company, training received by all Directors in 2014 is summarised in the following table:

	Type of Continuous Professional Development Programme		
	Updates on business operations, laws, rules and regulations or corporate governance matters	**Updates on directors' roles, functions and duties**	**Updates on accounting, financial or other professional skills**
Group Executive Directors			
Mr Horst Julius Pudwill	√	√	
Mr Joseph Galli Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr 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	√	√	√

Compliance with the Codes for Securities Transactions

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 confimed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 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 year.

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

Board Meetings

There are at least four scheduled Board meetings in a year and will meet more frequently as and when required to facilitate the effectiveness of the Board. All Directors are provided with timely, complete and reliable information on the affairs of the Group, and have access to all related materials in relation to the Board's issues to enable informed decisions with sufficient details. All Directors receive support from and access to the Company Secretary of the Company (the "Company Secretary") to ensure Board procedures and all applicable law, rules and regulations are followed. Each Director can access to senior management of the Group on their requests and to independent professional advice on performing their duties at the Company's expenses. To ensure a proper understanding of the business of the Group and directors' responsibilities under statute and at common law, all Directors are provided with briefings and professional development training as necessary.

Five Board meetings were held in 2014. Attendance records of each Director are set out in the section "Board, Board Committee and General Meetings in 2014" at the end of this report. The meeting agenda is set by the Chairman in consultation with members of the Board to include any other matters raised by Directors in advance. Minutes of the Board and Board Committee meetings with sufficient details of matters and concerns discussed are kept in safe custody by the Company Secretary, are sent to the Directors for comment and records and are open for inspection by the Directors. To facilitate maximum attendance of Directors, Board meeting, Board Committee meeting and Annual General Meeting dates for 2015 have been agreed at the Board meeting held in August 2014.

Board Committees

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

All Board Committees are formed by majority of Independent Non-executive Directors with regular attendance and active participation to ensure independent views and opinions contributed and expressed at the Board Committee meetings.

The Board monitors and oversees the delegated authority and responsibilities through regular reporting by the Board Committees in relation to their activities involved and recommendations and decisions made. Attendance records of each Board Committee are set out in the section "Board, Board Committee and General Meetings in 2014".

Audit Committee

The Audit Committee is formed by three Independent Non-executive Directors and chaired by Mr Peter David Sullivan with other members being Mr Joel Arthur Schleicher and Mr Manfred Kuhlmann. Each member of the Audit Committee has professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

The Audit Committee aims to ensure the compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations and the effectiveness of internal control system and to oversee the integrity of the financial statements of the Company. The Audit Committee is also directly responsible on behalf of the Board for the selection, oversight and remuneration of the Company's external auditors; the assessment of the independence and qualifications of the external auditors; the oversight of the performance of the Company's external auditors and the maintenance of an appropriate relationship with the external auditors.

The Audit Committee held four meetings in 2014 and performed duties summarised below:

- perform regular update and review on internal audit of the Group.
- review the Group's risk management and internal controls.
- review the interim and annual financial statements of the Group before submission to the Board.
- review the Group's accounting principles and practices, significant financial matters and financial reporting matters.
- recommend the re-appointment of the external auditors and review the audit and non-audit services provided by the external auditors.

Nomination Committee

The Nomination Committee is chaired by Mr Horst Julius Pudwill (Chairman of the Board) with other members being Mr Vincent Ting Kau Cheung, Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann. All members except Mr Horst Julius Pudwill are Independent Non-executive Directors.

The Nomination Committee aims to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitably qualified candidates and make recommendations for consideration of the Board and shareholders. The Nomination Committee would consider, but not limited to, professional knowledge, industry experience, personal skills, ethics and integrity as well as the ability to contribute sufficient time and attention to the Board when considering suitable candidates of directors.

The Nomination Committee held two meetings in 2014. The work performed by the Nomination Committee in 2014, with sufficient resources provided by the Company and/or independent professional advice if necessary, included:

- review of the structure, size and composition of the Board on a regular basis.
- assess the independence of Independent Non-executive Directors.
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2014 Annual General Meeting.
- review the Board Diversity Policy and the Nomination Policy.

The Board has adopted the Board Diversity Policy with recommendation from the Nomination Committee in August 2013, which is published on the Company's website (www.ttigroup.com). Widening diversity at the Board level is essential for sustainable development of the Group. The Nomination Committee would consider various perspectives, including, but not limited to, age, gender, cultural and educational background, professional experience and length of service while reviewing the composition of the Board. An analysis of the current Board composition based on these objective criteria is set out on page 49 of this report.

Remuneration Committee

The Remuneration Committee is formed by five Independent Non-executive Directors and is chaired by Mr Vincent Ting Kau Cheung with the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Joel Arthur Schleicher and Mr Peter David Sullivan.

The Remuneration Committee aims to develop and administer a fair and transparent procedure for setting policy on the overall human resources strategy of the Group and the remuneration of Directors and senior management of the Group, and determine their remuneration packages, on the basis of their competence, merit and qualifications, and having regard to the Company's individual performance, operating results, and comparable market statistics. The Remuneration Committee makes recommendations to the Board on the remuneration packages of Executive Directors and senior management, including, without limitation, base salaries, benefits in kind, compensation payments and bonuses, and consults the Chairman and/or Chief Executive Officer for the proposals of other Executive Directors' remuneration packages. The Remuneration Committee also makes recommendations to the Board on the remuneration of Non-executive Director and Independent Non-executive Directors. The Remuneration Committee reports directly to the Board on its decisions or recommendations and with access to sufficient resources and professional advices if necessary.

The Remuneration Committee held two meetings in 2014 and performed, among other things, the following:

- assess the Executive Directors' performance and remuneration packages.
- review and make recommendations on the existing Remuneration Policy for Directors and senior management.

On January 9, 2008 (the "Adoption Date"), the Board adopted the Share Award Scheme (the "Scheme"), pursuant to which any employee or Director (including, without limitation, any Executive, Non-executive or Independent Non-executive Director) of any member of the Group (the "Eligible Person") will be entitled to participate. Unless terminated earlier by the Board in accordance with the rules relating to the Scheme, the Scheme is valid and effective for a term of 10 years commencing on the Adoption Date provided that no contribution to the trust will be made by the Company on or after the 10^{th} anniversary date of the Adoption Date. Details of the Scheme were announced by the Company on the Adoption Date.

The Board may from time to time at their absolute discretion select any Eligible Person for participation in the Scheme as a selected grantee (the "Selected Grantee") and determine the number of shares to be awarded or make reference to a nominal amount. Relevant number of shares awarded will be purchased by the trustee of the Scheme from the market or subscribe for new shares at the cost of the Company and be held in trust until they are vested. When the Selected Grantee has satisfied all vesting conditions specified by the Board, the trustee of the Scheme will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the Selected Grantee.

The maximum number of shares which can be awarded under the Scheme is 10% of the issued share capital of the Company as at the Adoption Date and the maximum number of shares which can be awarded to a Selected Grantee at any one time shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date. The total issued share capital of the Company as at the Adoption Date is 1,501,252,152 shares.

During the year ended December 31, 2014, the Board awarded a total of 824,000 shares under the Scheme, representing 0.05% of the issued share capital of the Company as at the Adoption Date, to 2 Directors of the Company. The total payout, including related expenses, amounted to US$2,441,000.

As at December 31, 2014, details of the awarded shares under the Scheme were as follows:-

		Number of shares						
Name of Directors	**Date of Award**	**As at January 1, 2014**	**Awarded during the year**	**Vested during the year**	**Lapsed during the year**	**As at December 31, 2014**	**Vesting Period**	**Closing price at the Date of Award**
Horst Julius Pudwill	18.9.2014	—	350,000	—	—	350,000	18.9.2015 - 18.9.2017	HK$22.50
Horst Julius Pudwill	26.9.2014	—	174,000	—	—	174,000	26.9.2015 - 26.9.2017	HK$22.10
Joseph Galli Jr	17.12.2014	—	300,000	—	—	300,000	17.12.2015 - 17.12.2017	HK$25.85

Notes:

(1) All the awarded shares are purchased from the market.

(2) At the end of the year, the average fair value per share is HK$23.02. The average fair value of the awarded shares is based on the average purchase cost.

Company Secretary

The Company Secretary is responsible for facilitating information flows and communications among Directors as well as with Shareholders and management of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is also responsible for ensuring that Board procedures are followed. The Company Secretary is an employee of the Company and is appointed by the Board. During 2014, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

Accountability and Audit

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

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

Internal Controls

The Board is responsible for approving and reviewing key internal control policies which include treasury management policy, delegated authorities, policy on market disclosure, investor and media relations and non-audit services. To maintain a sound and effective internal control system, the Board conducts an annual review of the effectiveness of the internal control system of the Company, which is designed to manage and minimise risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's internal control system that has been put in place. The reviews covering financial, operational, compliance controls and risk management performed in 2014 included:

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

External Auditors

Deloitte Touche Tohmatsu, the external auditors of the Group, provided the following audit and non-audit services to the Group in 2014:

Nature of Services	Amount (US$ million)
External Audit Services	2.4
Taxation Services	0.1
Other Services	0.0

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

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

The Audit Committee and the external auditors of the Group meet twice a year without the presence of the management of the Group to enhance independent reporting by external auditors of the Group. In order to maintain effective communication with shareholders, the external auditors attended the 2014 Annual General Meeting to answer questions about the accounting policies, the auditor independence, the conduct of the audit and the preparation and content of the auditors' report.

Investor Relations and Shareholder Communications

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

Shareholders' Communication Policy

The Shareholders' Communication Policy, which primarily covered the current practices for communicating with the shareholders and published on the Company's website (www.ttigroup.com), has been adopted by the Board on March 22, 2012. All the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations conducted at press conferences, which published on the Company's website (www.ttigroup.com), provide timely, efficient and accurate information to the shareholders and investors. Essential information is communicated to the shareholders mainly through the Company's financial reports, general meetings and the information published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk). In addition, the Company holds regular meetings with institutional shareholders and analysts and encourages shareholders to attend annual general meetings to communicate with Directors and management of the Company directly.

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

Shareholders' Rights

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Article 66 of the Articles of Association of the Company and Sections 566-568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company (the "Requisitionists"), may request the Directors to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the Requisitionists and sent to the registered office of the Company which is currently located at 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

If the Directors do not within 21 days after the date on which they become subject to the requirement proceed duly to convene an EGM for a day not more than 28 days after the date of the notice convening the EGM, the Requisisionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM. The EGM must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call an EGM. Any reasonable expenses incurred by the Requisitionists by reason of the failure of the Directors duly to convene an EGM shall be repaid to the Requisitionists by the Company.

Procedure for nominating a person for election as a Director

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

Procedure for directing shareholders' enquiries to the Board

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

Procedure for putting forward proposals at general meetings

Pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholders may submit a written requisition to circulate a resolution at an annual general meeting ("AGM") if they (a) represent at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the AGM to which the request relates; or (b) are at least 50 shareholders having a right to vote on the resolution at the AGM to which the request relates.

The written requisition must (a) identify the resolution of which notice is to be given, (b) be signed by the requisitionists; (c) be sent to the registered office of the Company for the attention of the Company Secretary; and (d) be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM. Shareholders are requested to refer to Section 580 and 615 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for further details.

Constitutional Document

During 2014, no change has been made to the Company's constitutional document. The constitutional document of the Company was published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

Board, Board Committee and General Meetings in 2014

A summary of attendance of Board, Board Committee and general meetings in 2014 are detailed in the following table:

	Meetings attended/Held in 2014				
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Number of meeting(s) held during the year	5	4	2	2	1
Group Executive Directors					
Mr Horst Julius Pudwill	5/5		2/2		1/1
Mr Joseph Galli Jr	5/5				1/1
Mr Kin Wah Chan	5/5				1/1
Mr Chi Chung Chan	5/5				1/1
Mr Stephan Horst Pudwill	5/5				1/1
Non-executive Director					
Prof Roy Chi Ping Chung BBS JP	5/5				1/1
Independent Non-executive Directors					
Mr Joel Arthur Schleicher	4/5	4/4		2/2	0/1 (1)
Mr Christopher Patrick Langley OBE	4/5		2/2	2/2	1/1
Mr Manfred Kuhlmann	5/5	4/4	2/2	2/2	1/1
Mr Peter David Sullivan	5/5	4/4		2/2	1/1
Mr Vincent Ting Kau Cheung	5/5		2/2	2/2	0/1 (2)
Date(s) of meeting(s)	January 21, 2014 March 18, 2014 March 19, 2014 May 22, 2014 August 20, 2014	January 21, 2014 March 17, 2014 May 22, 2014 August 19, 2014	March 18, 2014 August 19, 2014	March 18, 2014 August 19, 2014	May 23, 2014

Notes:

(1) Mr Joel Arthur Schleicher (an Independent Non-executive Director) was unable to attend the annual general meeting of the Company held on May 23, 2014 (the "2014 Annual General Meeting") due to prior engagements.

(2) Mr Vincent Ting Kau Cheung (an Independent Non-executive Director) was unable to attend the 2014 Annual General Meeting due to prior engagements.

Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2014.

Principal Activities

The Company acts as an investment holding company.

The principal activities of the principal subsidiaries and associate are set out in Notes 52 and 53 to the financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended December 31, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68.

An interim dividend of HK12.50 cents (approximately US1.61 cents) per share amounting to approximately US$29,458,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK19.00 cents (approximately US2.45 cents) per share to the shareholders on the register of members on May 29, 2015, amounting to approximately US$44,782,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately US$14,329,000 on moulds and tooling and acquired office equipment, furniture and fixtures for approximately US$23,635,000 and plant and machinery for approximately US$32,450,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 40 to the financial statements.

A total of 865,000 ordinary shares of the Company were bought back and cancelled by the Company during the year at prices ranging from HK$20.80 to HK$24.15 per share. The aggregate amount paid by the Company for such buy-backs amounting to US$2,486,000 was charged to the retained profits.

The buy-back of the Company's shares during the year were effected by the Directors pursuant to the mandate received from shareholders at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Directors

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

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
Mr Kin Wah Chan
Mr 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

In accordance with Article 103 of the Company's Articles of Association, Messrs. Chi Chung Chan, Stephan Horst Pudwill, Joel Arthur Schleicher and Vincent Ting Kau Cheung will retire at the forthcoming Annual General Meeting. With the exception of Mr Joel Arthur Schleicher who will not stand for re-election, all other retiring Directors, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

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

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

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 103 of the Company's Articles of Association.

Directors' and Chief Executive's Interests

As at December 31, 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") 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	147,373,500[2]	1,400,000	365,693,294	19.97%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	216,159,794[3]	—		
Mr Joseph Galli Jr	Beneficial owner	1,167,000[4]	1,000,000	2,167,000	0.12%
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[5]	—		
Prof Roy Chi Ping Chung BBS JP	Beneficial owner	50,005,948	—	87,080,978	4.76%
	Interests of controlled corporation	37,075,030[6]	—		
Mr Joel Arthur Schleicher	Beneficial owner	400,000	450,000	850,000	0.05%
Mr Christopher Patrick Langley OBE	Beneficial owner	500,000	—	500,000	0.03%
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%

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

Notes:

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

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

(2) It included Mr Horst Julius Pudwill's interests in 524,000 awarded shares, which remained unvested under the Share Award Scheme as of December 31, 2014. Details of Mr Horst Julius Pudwill's awarded shares are set out in the Corporate Governance Report.

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

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

(4) It included Mr Joseph Galli Jr's interests in 300,000 awarded shares, which remained unvested under the Share Award Scheme as of December 31, 2014. Details of Mr Joseph Galli Jr's awarded shares are set out in the Corporate Governance Report.

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

(6) These 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.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2014.

Share Options

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors or Officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

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

Share Options *(continued)*

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

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

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	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**	**(1,250,000)**	**—**	**8,700,000**		

Share Options *(continued)*

The following tables disclose movements in the Company's share options during the year: *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	24.8.2007	D	980,000	—	(150,000)	—	830,000	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	—	(13,000)	—	505,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	575,000	—	(175,000)	—	400,000	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	—	(540,000)	—	1,680,000	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**	**—**	**(1,078,000)**	**—**	**4,355,000**		
Total for all categories			**12,153,000**	**3,230,000**	**(2,328,000)**	**—**	**13,055,000**		

The weighted average closing price of shares immediately before the options grant date during 2014 was HK$20.40.

The closing price of the Company's shares immediately before the date of grant was HK$20.40 in 2014.

The weighted average closing prices of the Company's shares immediately before various dates during 2014 and 2013 on which the share options were exercised were HK$24.59 and HK$18.22 respectively.

The fair value of the share options granted in 2014 measured at the date of grant was HK$5.56 per option.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Director's Interests in 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 year or at any time during the year.

Substantial Shareholders' Interests

As at December 31, 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)	129,216,500	(L)	7.06%
FMR LLC (2)	147,488,000	(L)	8.05%
JPMorgan Chase & Co. (3)	136,099,630	(L)	7.43%
	1,716,929	(S)	0.09%
	116,184,619	(LP)	6.34%
Schroders Plc (4)	146,795,026	(L)	8.02%

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

Notes:

(1) The capacity of FIL Limited in holding the 129,216,500 shares was as investment manager.

(2) The following is a breakdown of the interest in the shares in the Company held by FMR LLC:

		Total interests in shares				
Name	Remarks	Direct interests	(L/S)	Deemed interests	(L/S)	Approximate percentage of interests
FMR LLC	(2a)	—	—	147,488,000	(L)	8.05%
FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED	(2b)	—	—	12,568,500	(L)	0.69%
FIDELITY MANAGEMENT & RESEARCH (JAPAN)	(2b)	—	—	1,184,500	(L)	0.06%
FIDELITY MANAGEMENT & RESEARCH (U.K.)	(2b)	—	—	41,845,500	(L)	2.28%
FMR CO.	(2b)	—	—	27,408,000	(L)	1.50%
PYRAMIS GLOBAL ADVISORS TRUST COMPANY	(2b)	—	—	37,853,000	(L)	2.07%
PYRAMIS GLOBAL ADVISORS, LLC	(2b)	—	—	26,628,500	(L)	1.45%

Remarks:

(2a) The capacity of FMR LLC, Inc. in holding the 147,488,000 shares of long position was as investment manager.

(2b) FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, FIDELITY MANAGEMENT & RESEARCH (JAPAN), FIDELITY MANAGEMENT & RESEARCH (U.K.), FMR CO., PYRAMIS GLOBAL ADVISORS TRUST COMPANY and 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.

Substantial Shareholders' Interests *(continued)*

Notes: *(continued)*

(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)	—	—	136,099,630	(L)	7.43%
		—	—	1,716,929	(S)	0.09%
		—	—	116,184,619	(LP)	6.34%
J.P. Morgan Clearing Corp	(3b)	3,098,470	(L)	—	—	0.17%
JF Asset Management Limited	(3b)	11,822,000	(L)	—	—	0.65%
JPMorgan Asset Management (Japan) Limited	(3b)	291,000	(L)	—	—	0.02%
J.P. Morgan Investment Management Inc.	(3b)	6,000	(L)	—	—	0.00%
J.P. Morgan Whitefriars Inc.	(3b)	2,670,972	(L)	—	—	0.15%
		516,929	(S)	—	—	0.03%
J.P. Morgan Securities plc	(3b)	1,200,133	(L)	—	—	0.07%
		1,200,000	(S)	—	—	0.07%
JPMorgan Chase Bank, N.A.	(3b)	117,011,055	(L)	—	—	6.39%
Bank One International Holdings Corporation	(3b)	—	—	3,871,105	(L)	0.21%
		—	—	1,716,929	(S)	0.09%
J.P. Morgan International Inc.	(3b)	—	—	3,871,105	(L)	0.21%
		—	—	1,716,929	(S)	0.09%
J.P. Morgan Chase International Holdings	(3b)	—	—	1,200,133	(L)	0.07%
		—	—	1,200,000	(S)	0.07%
J.P. Morgan Capital Financing Limited	(3b)	—	—	1,200,133	(L)	0.07%
		—	—	1,200,000	(S)	0.07%
J.P. Morgan Securities LLC	(3b)	—	—	3,098,470	(L)	0.17%
J.P. Morgan Broker-Dealer Holdings Inc	(3b)	—	—	3,098,470	(L)	0.17%
J.P. Morgan Capital Holdings Limited	(3b)	—	—	1,200,133	(L)	0.07%
		—	—	1,200,000	(S)	0.07%
JPMorgan Asset Management Holdings Inc	(3b)	—	—	12,119,000	(L)	0.66%
JPMorgan Asset Management (Asia) Inc.	(3b)	—	—	12,113,000	(L)	0.66%
J.P. Morgan Chase (UK) Holdings Limited	(3b)	—	—	1,200,133	(L)	0.07%
		—	—	1,200,000	(S)	0.07%
J.P. Morgan Overseas Capital Corporation	(3b)	—	—	2,670,972	(L)	0.15%
		—	—	516,929	(S)	0.03%
JPMorgan Chase Bank, N.A.	(3b)	—	—	3,871,105	(L)	0.21%
		—	—	1,716,929	(S)	0.09%
J.P. Morgan International Finance Limited	(3b)	—	—	3,871,105	(L)	0.21%
		—	—	1,716,929	(S)	0.09%

Remarks:

(3a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 136,099,630 shares of long position, 1,716,929 shares of short position and 116,184,619 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 Investment Management Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, J.P. Morgan Capital Financing Limited, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Captial 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 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:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S)**	**Deemed interests**	**(L/S)**	**Approximate percentage of interests**
Schroders Plc	(4a)	—	—	146,795,026	(L)	8.02%
Schroder Administration Limited	(4b)	—	—	146,795,026	(L)	8.02%
Schroder International Holdings Limited	(4b)	—	—	117,104,000	(L)	6.39%
Schroder Holdings (Bermuda) Limited	(4b)	—	—	117,104,000	(L)	6.39%
Schroder International Holdings (Bermuda) Limited	(4b)	—	—	117,104,000	(L)	6.39%
Schroder Investment Management Limited	(4b)	12,626,000	(L)	—	—	0.69%
Schroder Investment Management Limited	(4b)	—	—	16,097,000	(L)	0.88%
Schroder Investment Management North America Limited	(4b)	16,097,000	(L)	—	—	0.88%
Schroder & Co. Limited	(4b)	—	—	968,026	(L)	0.05%
Schroder & Co. (Asia) Limited	(4b)	399,026	(L)	—	—	0.02%
Schroder Nederland Finance B.V.	(4b)	—	—	569,000	(L)	0.03%
Schroder & Co Bank AG	(4b)	569,000	(L)	—	—	0.03%
Schroder Investment Management (Singapore) Limited	(4b)	67,213,000	(L)	—	—	3.67%
Schroder Investment Management (Hong Kong) Limited	(4b)	49,891,000	(L)	—	—	2.72%

Remarks:

(4a) Schroders Plc is listed on London Stock Exchange. The capacity of Schroders Plc in holding the 146,795,026 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 Investment Management Limited, Schroder Investment Management North America Limited, Schroder & Co. Limited, Schroder & Co. (Asia) Limited, Schroder Nederland Finance B.V., Schroder & Co Bank AG, 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 December 31, 2014.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2014.

Donations

During the year, the Group made charitable and other donations totalling US$647,000.

Auditor

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

On behalf of the Board

Horst Julius Pudwill
Chairman
Hong Kong

March 18, 2015

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 68 to 158, which comprise the consolidated and Company statements of financial position as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 18, 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2014

	Notes	2014 US$'000	2013 US$'000
Turnover	6	**4,752,960**	4,299,755
Cost of sales		**(3,079,883)**	(2,827,445)
Gross profit		**1,673,077**	1,472,310
Other income	7	**3,443**	4,242
Interest income	8	**14,529**	11,836
Selling, distribution, advertising and warranty expenses		**(643,817)**	(562,835)
Administrative expenses		**(564,448)**	(505,394)
Research and development costs		**(117,992)**	(107,079)
Finance costs	9	**(39,633)**	(36,682)
Profit before taxation		**325,159**	276,398
Taxation charge	10	**(25,680)**	(29,036)
Profit for the year	11	**299,479**	247,362
Other comprehensive loss:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations		**(6,867)**	(9,143)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on foreign currency forward contracts in hedge accounting		**21,562**	101
Exchange differences on translation of foreign operations		**(26,624)**	(740)
Other comprehensive loss for the year		**(11,929)**	(9,782)
Total comprehensive income for the year		**287,550**	237,580
Profit for the year attributable to:			
Owners of the Company		**300,330**	250,284
Non-controlling interests		**(851)**	(2,922)
		299,479	247,362
Total comprehensive income attributable to:			
Owners of the Company		**288,401**	240,502
Non-controlling interests		**(851)**	(2,922)
		287,550	237,580
Earnings per share (US cents)	15		
Basic		**16.41**	13.68
Diluted		**16.34**	13.62

Consolidated Statement of Financial Position

As at December 31, 2014

	Notes	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**425,366**	383,949
Lease prepayments	17	**34,706**	36,364
Goodwill	18	**554,137**	532,488
Intangible assets	19	**496,082**	459,440
Interests in associates	22	**6,515**	15,766
Available-for-sale investments	23	**509**	520
Derivative financial instruments	29	**11,635**	12,647
Deferred tax assets	43	**86,911**	79,064
		1,615,861	1,520,238
Current assets			
Inventories	24	**1,056,329**	884,230
Trade and other receivables	25	**819,951**	783,795
Deposits and prepayments		**85,967**	76,057
Bills receivable	26	**31,600**	26,054
Tax recoverable		**6,448**	15,375
Trade receivables from an associate	28	**4,011**	2,590
Derivative financial instruments	29	**39,666**	5,073
Held-for-trading investments	30	**1,155**	1,000
Bank balances, deposits and cash	31	**690,395**	698,147
		2,735,522	2,492,321
Current liabilities			
Trade and other payables	32	**1,135,530**	1,039,923
Bills payable	33	**46,845**	40,613
Warranty provision	34	**65,819**	52,628
Tax payable		**57,945**	50,197
Derivative financial instruments	29	**11,499**	13,082
Obligations under finance leases - due within one year	35	**2,277**	977
Discounted bills with recourse	36	**72,652**	116,704
Unsecured borrowings - due within one year	39	**552,048**	454,624
Bank overdrafts	31	**2,619**	7,887
		1,947,234	1,776,635
Net current assets		**788,288**	715,686
Total assets less current liabilities		**2,404,149**	2,235,924

	Notes	2014 US$'000	2013 US$'000
Capital and Reserves			
Share capital	40	**643,914**	23,471
Reserves		**1,323,239**	1,717,242
Equity attributable to Owners of the Company		**1,967,153**	1,740,713
Non-controlling interests		**(127)**	4,723
Total equity		**1,967,026**	1,745,436
Non-current Liabilities			
Obligations under finance leases - due after one year	35	**11,135**	3,173
Unsecured borrowings - due after one year	39	**322,216**	374,744
Retirement benefit obligations	42	**99,407**	106,296
Deferred tax liabilities	43	**4,365**	6,275
		437,123	490,488
Total equity and non-current liabilities		**2,404,149**	2,235,924

The financial statements on pages 68 to 158 were approved and authorised for issue by the Board of Directors on March 18, 2015 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

Statement of Financial Position

As at December 31, 2014

	Notes	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**4,825**	1,431
Investments in subsidiaries	21	**1,007,613**	412,256
Loans to subsidiaries	21	**841,716**	560,129
Interests in associates	22	**5,225**	14,478
Available-for-sale investments	23	**189**	196
		1,859,568	988,490
Current assets			
Other receivables	25	**5,861**	6,207
Deposits and prepayments		**4,661**	5,385
Amounts due from subsidiaries	27	**1,380,060**	1,241,483
Derivative financial instruments	29	**27,897**	653
Held-for-trading investments	30	**1,155**	1,000
Bank balances, deposits and cash	31	**195,383**	52,462
		1,615,017	1,307,190
Current liabilities			
Trade and other payables	32	**33,877**	26,403
Tax payable		**2,700**	2,700
Derivative financial instruments	29	**8,758**	7,578
Amounts due to subsidiaries	27	**494,702**	579,524
Unsecured borrowings - due within one year	39	**379,252**	371,072
		919,289	987,277
Net current assets		**695,728**	319,913
Total assets less current liabilities		**2,555,296**	1,308,403
Capital and Reserves			
Share capital	40	**643,914**	23,471
Reserves	41	**1,589,166**	1,005,509
		2,233,080	1,028,980
Non-current Liabilities			
Unsecured borrowings - due after one year	39	**322,216**	279,423
Total equity and non-current liabilities		**2,555,296**	1,308,403

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Attributable to Owners of the Company										Attributable to non-controlling interests	
	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Shares held for share award scheme US$'000	Translation reserve US$'000	Employee share-based compensation reserve US$'000	Defined benefit obligations remeasurement reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000	Share of net assets of subsidiaries US$'000	Total US$'000
At January 1, 2013	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 year	—	—	—	—	—	—	—	—	250,284	250,284	(2,922)	247,362
Remeasurement of defined benefit obligations	—	—	—	—	—	—	(9,143)	—	—	(9,143)	—	(9,143)
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	101	—	101	—	101
Exchange differences on translation of foreign operations	—	—	—	—	(740)	—	—	—	—	(740)	—	(740)
Other comprehensive income (loss) for the year	—	—	—	—	(740)	—	(9,143)	101	—	(9,782)	—	(9,782)
Total comprehensive income (loss) for the year	—	—	—	—	(740)	—	(9,143)	101	250,284	240,502	(2,922)	237,580
Shares issued at premium on exercise of options	52	4,473	—	—	—	(840)	—	—	—	3,685	—	3,685
Buy-back of shares	(42)	—	42	—	—	—	—	—	(7,158)	(7,158)	—	(7,158)
Recognition of equity-settled share-based payments	—	—	—	—	—	366	—	—	—	366	—	366
Lapse of share options	—	—	—	—	—	(6)	—	—	6	—	—	—
Deferred tax liability on remeasurement of defined benefit obligations	—	—	—	—	—	—	3,325	—	—	3,325	—	3,325
Final dividend – 2012	—	—	—	—	—	—	—	—	(25,330)	(25,330)	—	(25,330)
Interim dividend - 2013	—	—	—	—	—	—	—	—	(23,554)	(23,554)	—	(23,554)
At December 31, 2013	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 year	—	—	—	—	—	—	—	—	300,330	300,330	(851)	299,479
Remeasurement of defined benefit obligations	—	—	—	—	—	—	(6,867)	—	—	(6,867)	—	(6,867)
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	21,562	—	21,562	—	21,562
Exchange differences on translation of foreign operations	—	—	—	—	(26,624)	—	—	—	—	(26,624)	—	(26,624)
Other comprehensive income (loss) for the year	—	—	—	—	(26,624)	—	(6,867)	21,562	—	(11,929)	—	(11,929)
Total comprehensive income (loss) for the year	—	—	—	—	(26,624)	—	(6,867)	21,562	300,330	288,401	(851)	287,550
Shares issued at premium on exercise of options	1,408	1,247	—	—	—	(497)	—	—	—	2,158	—	2,158
Buy-back of shares	—	—	—	—	—	—	—	—	(2,486)	(2,486)	—	(2,486)
Shares for share award scheme	—	—	—	(2,441)	—	—	—	—	—	(2,441)	—	(2,441)
Recognition of equity-settled share-based payments	—	—	—	—	—	1,718	—	—	—	1,718	—	1,718
Deferred tax liability on remeasurement of defined benefit obligations	—	—	—	—	—	—	2,282	—	—	2,282	—	2,282
Deferred tax liability on hedging reserve	—	—	—	—	—	—	—	(1,334)	—	(1,334)	—	(1,334)
Final dividend – 2013	—	—	—	—	—	—	—	—	(32,400)	(32,400)	—	(32,400)
Interim dividend - 2014	—	—	—	—	—	—	—	—	(29,458)	(29,458)	(3,999)	(33,457)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	619,035	(618,810)	(225)	—	—	—	—	—	—	—	—	—
At December 31, 2014	**643,914**	**—**	**—**	**(2,441)**	**(26,245)**	**3,954**	**(3,229)**	**19,075**	**1,332,125**	**1,967,153**	**(127)**	**1,967,026**

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).

Consolidated Statement of Cash Flow

For the year ended December 31, 2014

	2014 US$'000	2013 US$'000
Operating Activities		
Profit before taxation	**325,159**	276,398
Adjustments for:		
Amortisation/write-off of intangible assets	**69,140**	66,972
Amortisation of lease prepayments	**802**	804
Depreciation on property, plant and equipment	**80,848**	74,232
Gain on a bargain purchase	**—**	(38,319)
Employee share-based expense	**1,718**	366
Fair value gain on interest rate swap	**(1,256)**	(1,465)
Fair value (gain) loss on foreign currency forward contracts	**(9,930)**	1,081
Fair value (gain) loss on held-for-trading investments	**(155)**	4,324
Fair value loss on derivative financial instruments	**1,012**	—
Finance costs	**39,633**	36,682
Impairment loss on available-for-sale investments	**—**	723
Impairment loss on held-for-trading investments	**—**	1,402
Impairment loss on interest in associates	**3,000**	—
Impairment loss on property, plant and equipment	**—**	19,344
Impairment loss on trade receivables	**13,147**	3,923
Impairment reversal of property, plant and equipment	**(4,308)**	—
Impairment of goodwill	**—**	3,390
Interest income	**(14,529)**	(11,836)
Loss on disposal of property, plant and equipment	**12,124**	10,114
Write down of inventories	**12,358**	30,532
Operating cash flows before movements in working capital	**528,763**	478,667
Increase in inventories	**(180,356)**	(215,765)
Increase in trade and other receivables, deposits and prepayments	**(53,444)**	(99,414)
(Increase) decrease in bills receivable	**(5,546)**	22,725
Increase in trade receivables from an associate	**(1,421)**	(2,544)
Increase in trade and other payables	**89,312**	326,292
Increase in bills payable	**6,233**	1,390
Decrease in restructuring provision	**—**	(531)
Increase in warranty provision	**15,263**	5,908
(Decrease) increase in retirement benefit obligations	**(13,756)**	3,831
Net payment for purchase of shares for share award scheme	**(2,441)**	—
Cash generated from operations	**382,607**	520,559
Interest paid	**(39,633)**	(36,682)
Hong Kong Profits Tax paid	**(3,330)**	(1,410)
Overseas tax paid	**(28,456)**	(24,343)
Hong Kong Profits Tax refunded	**411**	716
Overseas tax refunded	**12,159**	5,222
Net Cash from Operating Activities	**323,758**	464,062

Consolidated Statement of Cash Flow

For the year ended December 31, 2014

	Note	2014 US$'000	2013 US$'000
Investing Activities			
Acquisition of businesses	44	**(48,151)**	(21,823)
Additions to intangible assets		**(95,664)**	(89,109)
Increase in held-for-trading investments		**—**	(1,000)
Interest received		**14,529**	11,836
Proceeds from disposal of held-for-trading investments		**—**	253
Proceeds from disposal of property, plant and equipment		**16,764**	6,386
Purchase of property, plant and equipment		**(144,013)**	(104,615)
Repayment from associates		**6,251**	1,957
Net Cash Used in Investing Activities		**(250,284)**	(196,115)
Financing Activities			
Decrease in discounted bills with recourse		**(41,848)**	(317,097)
Decrease in trust receipt loans		**—**	(1,050)
Dividends paid		**(61,858)**	(48,884)
Dividend paid to minority shareholders		**(3,999)**	—
New bank loans obtained		**2,531,802**	1,111,936
Proceeds from issue of shares		**2,158**	3,685
Repayment of bank loans		**(2,486,473)**	(890,039)
Repayment of fixed interest rate notes		**—**	(39,375)
Repayment of obligations under finance leases		**(1,134)**	(1,198)
Buy-back of shares		**(2,486)**	(7,158)
Net Cash Used in Financing Activities		**(63,838)**	(189,180)
Net Increase in Cash and Cash Equivalents		**9,636**	78,767
Cash and Cash Equivalents at Beginning of the Year		**690,260**	610,561
Effect of Foreign Exchange Rate Changes		**(12,120)**	932
Cash and Cash Equivalents at End of the Year		**687,776**	690,260
Analysis of the Balances of Cash and Cash Equivalents			
Represented by:			
Bank balances, deposits and cash		**690,395**	698,147
Bank overdrafts		**(2,619)**	(7,887)
		687,776	690,260

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong.

The principal activities of the Group are the manufacturing and trading of electrical and electronic products.

The functional currency of the Company is United States dollars.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group and the Company have applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) - Int 21	Levies

The application of the revised and amendments to HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group have not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at January 1, 2014:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[4]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016.
3 Effective for annual periods beginning on or after January 1, 2017.
4 Effective for annual periods beginning on or after January 1, 2016.
5 Effective for annual periods beginning on or after July 1, 2014.
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Annual Improvements to HKFRSs 2010-2012 Cycle

The "Annual Improvements to HKFRSs 2010-2012 Cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the "Annual Improvements to HKFRSs 2010-2012 Cycle" will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The "Annual Improvements to HKFRSs 2011-2013 Cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The directors do not anticipate that the application of the amendments included in the "Annual Improvements to HKFRSs 2011-2013 Cycle" will have a material effect on the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Annual Improvements to HKFRSs 2012-2014 Cycle

The "Annual Improvements to HKFRSs 2012-2014 Cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after January 1, 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 15 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation *(continued)*

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on Company's financial performance and financial position for the current and prior year and/or on the disclosures set out in these financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622).

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies *(continued)*

Basis of Consolidation

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

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

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

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

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

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

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

Allocation of Total Comprehensive Income to Non-controlling Interests

Total comprehensive income and expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from January 1, 2010 onwards).

Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies *(continued)*

Business Combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

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

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

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of profit or loss of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies *(continued)*

Interests in Associates *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Intangible Assets

Intangible Assets Acquired Separately

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

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

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially measured at their fair value at the acquisition date. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. Significant Accounting Policies *(continued)*

Intangible Assets *(continued)*

Research and Development Expenditure

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

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

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

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

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group and the Company as Lessee

Assets held under finance leases are recognised as assets of the Group and the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidation statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. Significant Accounting Policies *(continued)*

Leasehold Land and Building

When a lease includes both land and building elements, the Group and the Company assess the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group or the Company, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3. Significant Accounting Policies *(continued)*

Impairment Losses on Tangible and Intangible Assets other than Goodwill (see the Accounting Policy in Respect of Goodwill Above)

At the end of the reporting period, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or a cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or a cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective Interest Method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Financial Assets at Fair Value Through Profit or Loss
Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates, bills receivable, trade receivables from an associate, loans to subsidiaries, amounts due from subsidiaries and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale Financial Assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

Impairment of Financial Assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and trade receivables from an associate, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 120 days, or observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of Financial Assets *(continued)*
For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and trade receivables from an associate, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Financial Liabilities and Equity
Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

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

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

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity *(continued)*

Other Financial Liabilities
Other financial liabilities (including unsecured borrowings, trade and other payables, bills payable, discounted bills with recourse, bank overdrafts and amounts due to subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

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

Hedge Accounting
The Group designates certain derivatives as hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges).

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

Cash Flow Hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Financial Guarantee Contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition
The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Derecognition *(continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

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

A provision for warranties is recognised at the time the products are sold based on the estimated cost using historical data for the level of repairs and replacements.

For a provision in relation to employee termination benefits, the liability and expenses are recognised when the Group committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold by the Group and the Company to outside customers in the normal course of business, less returns and allowances, and commission income and royalty income received.

Turnover from sales of goods is recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

Royalty income is recognised on a time proportion basis in accordance with the terms of the relevant agreements.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders’ right to receive payment have been established.

3. Significant Accounting Policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

3. Significant Accounting Policies *(continued)*

Foreign Currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. Significant Accounting Policies *(continued)*

Equity-Settled Share-Based Payment Transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of each reporting period, the Group and the Company revise its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, such that the cumulative expenses reflecting the revised estimate, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share capital (share premium before March 3, 2014). When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

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

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

Retirement Benefit Schemes

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

For defined benefit retirement benefits plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

3. Significant Accounting Policies *(continued)*

Government Grants

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

4. Key Sources of Accounting Estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

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

Estimated Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. As at December 31, 2014, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately US$554,137,000 (2013: US$532,488,000) and approximately US$219,934,000 (2013: US$213,934,000) respectively. Details of the recoverable amount calculation are disclosed in Note 20.

Useful Lives and Estimated Impairment of Deferred Development Costs

As at December 31, 2014, the carrying amounts of deferred development costs of the Group are US$238,286,000 (2013: US$207,977,000). The estimation of their useful lives impacts the level of annual amortisation recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material loss may arise. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

4. Key Sources of Accounting Estimates *(continued)*

Useful Lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2014, the Group's and the Company's carrying amount of property, plant and equipment are US$425,366,000 (2013: US$383,949,000) and US$4,825,000 (2013: US$1,431,000) respectively. The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life that the Group and the Company place the equipment into production reflects the directors' estimate of the periods that the Group and the Company intend to derive future economic benefits from the use of the Group's and the Company's property, plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

Income Taxes

As at December 31, 2014, a deferred tax asset of approximately US$47,119,000 (2013: US$39,747,000) in relation to unused tax losses and approximately US$38,241,000 (2013: US$32,860,000) in relation to employee related provisions has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. During the year, deferred tax assets of approximately US$789,000 (2013: US$7,913,000) in relation to unused tax losses were utilised.

Estimated Impairment of Trade and Other Receivables, Bills Receivable and Trade Receivables from an Associate

When there is objective evidence of an impairment loss, the Group and the Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2014, the Group's and the Company's carrying amount of trade and other receivables, bills receivable and trade receivables/amounts due from associates is US$862,077,000 (net of allowance for doubtful debts of US$22,522,000) (2013: US$828,205,000 (net of allowance for doubtful debts of US$18,168,000)) and US$11,086,000 (net of allowance for doubtful debts of nil) (2013: US$20,685,000 (net of allowance for doubtful debts of nil)).

5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods sold.

The principal categories of goods supplied are "Power Equipment" and "Floor Care and Appliances". The Group's operating segments under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE, EMPIRE, AEG, RYOBI and HOMELITE brands plus original equipment manufacturer ("OEM") customers.

2. Floor Care and Appliances – sales of floor care products and floor care accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

Information regarding the above segments is reported below.

Segment Turnover and Results

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

For the year ended December 31, 2014

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment turnover				
External sales	3,552,790	1,200,170	—	4,752,960
Inter-segment sales	—	923	(923)	—
Total segment turnover	3,552,790	1,201,093	(923)	4,752,960

Inter-segment sales are charged at prevailing market rates.

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Result				
Segment results before finance costs	305,094	59,698	—	364,792
Finance costs				(39,633)
Profit before taxation				325,159
Taxation charge				(25,680)
Profit for the year				299,479

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

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

5. Segment Information *(continued)*

Other Segment Information

For the year ended December 31, 2014

Amounts included in the measure of segment profit or loss:

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Loss (gain) on disposal of property, plant and equipment	**13,100**	**(976)**	**12,124**
Impairment reversal of property, plant and equipment	**—**	**(4,308)**	**(4,308)**
Write down of inventories	**9,455**	**2,903**	**12,358**
Impairment loss on trade receivables	**6,736**	**6,411**	**13,147**
Depreciation and amortisation	**105,618**	**42,834**	**148,452**

Segment Turnover and Results

For the year ended December 31, 2013

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment turnover				
External sales	3,143,915	1,155,840	—	4,299,755
Inter-segment sales	—	2,384	(2,384)	—
Total segment turnover	3,143,915	1,158,224	(2,384)	4,299,755

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results before finance costs	261,340	51,740	—	313,080
Finance costs				(36,682)
Profit before taxation				276,398
Taxation charge				(29,036)
Profit for the year				247,362

5. Segment Information *(continued)*

Other Segment Information

For the year ended December 31, 2013

Amounts included in the measure of segment profit or loss:

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Loss on disposal of property, plant and equipment	9,281	833	10,114
Impairment loss on property, plant and equipment	—	19,344	19,344
Write down of inventories	11,572	18,960	30,532
Impairment loss on trade receivables	3,557	366	3,923
Depreciation and amortisation	94,288	44,163	138,451

Turnover from Major Products

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

	2014 US$'000	2013 US$'000
Power Equipment	**3,552,790**	3,143,915
Floor Care and Appliances	**1,200,170**	1,155,840
Total	**4,752,960**	4,299,755

Geographical Information

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

	Turnover from external customers		**Non-Current Assets***	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
North America	**3,393,493**	3,120,251	**840,251**	805,065
Europe	**968,544**	870,119	**111,294**	93,726
Other countries	**390,923**	309,385	**558,746**	513,450
Total	**4,752,960**	4,299,755	**1,510,291**	1,412,241

* Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

5. Segment Information *(continued)*

Information about Major Customer

During the years ended December 31, 2014 and 2013, the Group's largest customer contributed total turnover of US$1,779,833,000 (2013: US$1,622,819,000), of which US$1,717,950,000 (2013: US$1,568,856,000) was under the Power Equipment segment and US$61,883,000 (2013: US$53,963,000) was under the Floor Care and Appliances segment. There is no other customer contributing more than 10% of total turnover.

6. Turnover

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

	2014 US$'000	2013 US$'000
Sale of goods	**4,743,262**	4,287,773
Commission and royalty income	**9,698**	11,982
	4,752,960	4,299,755

7. Other Income

Other income in 2014 mainly comprises of sales of scrap materials, claims and reimbursements from customers and vendors.

Other income in 2013 mainly comprises of the net of gain on a bargain purchase of US$38,319,000, sales of scrap materials, claims and reimbursements from customers and vendors, impairment losses on property, plant and equipment and inventories and other costs arising from the integration of floor care and appliances manufacturing operations of US$34,659,000 and goodwill impairment of US$3,390,000.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2014 US$'000	2013 US$'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**31,870**	27,290
Obligations under finance leases	**325**	355
Fixed interest rate notes	**7,438**	9,037
	39,633	36,682

10. Taxation Charge

	2014 US$'000	2013 US$'000
Current tax:		
Hong Kong profits tax	**(1,971)**	(909)
Underprovision in prior years	**(1,514)**	(3,403)
	(3,485)	(4,312)
Overseas taxation	**4,204**	(16,057)
Underprovision in prior years	**(36,209)**	(23,512)
	(32,005)	(39,569)
Deferred tax (Note 43):		
Current year	**9,810**	14,845
	(25,680)	(29,036)

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

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

Underprovision of income tax in prior periods includes provisions for estimated tax exposures in respect of ongoing tax audits. Given the tax provided, no provision for additional income tax, if any, arising from the ongoing tax audits has been recognised as such amounts cannot be reliably estimated at this stage.

The tax charges for the year are reconciled as follows:

	2014 US$'000	2014 %	2013 US$'000	2013 %
Profit before taxation	**325,159**		276,398	
Tax at Hong Kong Profits Tax rate	**(53,651)**	**16.5%**	(45,606)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**71,088**	**(21.9%)**	48,259	(17.5%)
Tax effect of expenses not deductible for tax purposes	**(16,509)**	**5.1%**	(7,114)	2.6%
Tax effect of income not taxable for tax purposes	**21,920**	**(6.7%)**	13,846	(5.0%)
Utilisation of deductible temporary differences previously not recognised	**245**	**(0.1%)**	—	0.0%
Tax effect of tax losses and deductible temporary differences not recognised	**(11,019)**	**3.4%**	(9,099)	3.3%
Underprovision in respect of prior years	**(37,723)**	**11.6%**	(26,915)	9.7%
Others	**(31)**	**0.0%**	(2,407)	0.9%
Tax charge for the year	**(25,680)**	**7.9%**	(29,036)	10.5%

Details of deferred tax are set out in Note 43.

11. Profit for the Year

	2014 US$'000	2013 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**66,802**	63,415
Amortisation of lease prepayments	**802**	804
Auditors' remuneration	**3,113**	3,251
Cost of inventories recognised as an expense	**3,079,883**	2,827,445
Depreciation and amortisation on property, plant and equipment		
Owned assets	**79,822**	73,185
Assets held under finance leases	**1,026**	1,047
Fair value gain on interest rate swap	**(1,256)**	(1,465)
Fair value (gain) loss on foreign currency forward contracts	**(9,930)**	1,081
Fair value (gain) loss on held-for-trading investments	**(155)**	4,324
Fair value loss on derivative financial instruments	**1,012**	—
Impairment loss on available-for-sale investments	**—**	723
Impairment loss on held-for-trading investments	**—**	1,402
Impairment loss on interest in associates	**3,000**	—
Impairment loss on property, plant and equipment	**—**	19,344
Impairment loss on trade receivables	**13,147**	3,923
Impairment reversal of property, plant and equipment	**(4,308)**	—
Impairment loss on goodwill	**—**	3,390
Loss on disposal of property, plant and equipment	**12,124**	10,114
Net exchange loss (gain)	**4,964**	(14,951)
Operating lease expenses recognised in respect of:		
Motor vehicles	**16,895**	14,588
Plant and machinery	**5,153**	6,115
Premises	**31,155**	29,704
Other assets	**2,770**	2,740
Unconditional government grants	**(9)**	(70)
Write off of intangible assets	**2,338**	3,557
Write down of inventories	**12,358**	30,532
Staff costs		
Directors' remuneration		
Fees	**234**	234
Other emoluments	**30,296**	22,313
	30,530	22,547
Other staff costs	**542,762**	483,940
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**3,475**	2,506
Defined benefit plans (Note 42)	**3,114**	3,724
	579,881	512,717

Staff costs disclosed above do not include an amount of US$97,684,000 (2013: US$87,871,000) relating to research and development activities.

12. Director's Emoluments

The emoluments paid or payable to each of the eleven (2013: eleven) directors were as follows:

For the year ended December 31, 2014

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus paid US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill	—	**1,657**	**2**	**4,570**	**371**	**6,600**
Mr Joseph Galli Jr	—	**1,574**	**69**	**13,334**	**23**	**15,000**
Mr Kin Wah Chan	—	**2,916**	**2**	**748**	**421**	**4,087**
Mr Chi Chung Chan	—	**1,629**	**2**	**899**	**421**	**2,951**
Mr Stephan Horst Pudwill	—	**337**	**2**	**668**	**447**	**1,454**
Prof Roy Chi Ping Chung BBS JP	**39**	**5**	—	—	—	**44**
Mr Joel Arthur Schleicher	**39**	**36**	—	—	**7**	**82**
Mr Christopher Patrick Langley OBE	**39**	**18**	—	—	**7**	**64**
Mr Manfred Kuhlmann	**39**	**42**	—	—	**7**	**88**
Mr Peter David Sullivan	**39**	**46**	—	—	**7**	**92**
Mr Vincent Ting Kau Cheung	**39**	**22**	—	—	**7**	**68**
Total	**234**	**8,282**	**77**	**20,219**	**1,718**	**30,530**

For the year ended December 31, 2013

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus paid US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill	—	1,602	2	3,849	68	5,521
Mr Joseph Galli Jr	—	1,505	2	11,344	—	12,851
Mr Kin Wah Chan	—	688	2	666	—	1,356
Mr Chi Chung Chan	—	686	2	707	—	1,395
Mr Stephan Horst Pudwill	—	327	2	379	120	828
Prof Roy Chi Ping Chung BBS JP	39	8	—	—	—	47
Mr Joel Arthur Schleicher	39	39	—	—	36	114
Mr Christopher Patrick Langley OBE	39	21	—	—	36	96
Mr Manfred Kuhlmann	39	45	—	—	33	117
Mr Peter David Sullivan	39	48	—	—	36	123
Mr Vincent Ting Kau Cheung	39	24	—	—	36	99
Total	234	4,993	10	16,945	365	22,547

The bonuses paid were based on performance of the Group.

12. Director's Emoluments *(continued)*

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option schemes and share award scheme, respectively, as estimated at the date of grant and award. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 48 and 49 respectively.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining one (2013: one) individual for the year ended December 31, 2014 was as follows:

	2014 **US$'000**	2013 US$'000
Basic salaries and allowances	**590**	590
Contributions to retirement benefits schemes	**72**	9
Bonus paid	**3,180**	885
Other benefit	**27**	28
Share-based payments	**—**	—
	3,869	1,512

The emoluments of this one (2013: one) highest paid individual for the year ended December 31, 2014 was within the following bands:

	No. of persons	
US$	**2014**	2013
1,000,001 to 1,500,000	**—**	—
1,500,001 to 2,000,000	**—**	1
3,500,001 to 4,000,000	**1**	—

During each of the two years ended December 31, 2014 and 2013, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

14. Dividends

	2014 US$'000	2013 US$'000
Dividends recognised as distributions during the year:		
Final dividend paid:		
2013: HK13.75 cents (approximately US1.77 cents) (2012: HK10.75 cents (approximately US1.38 cents)) per share	**32,400**	25,330
Interim dividend paid:		
2014: HK12.50 cents (approximately US1.61 cents) (2013: HK10.00 cents (approximately US1.29 cents)) per share	**29,458**	23,554
	61,858	48,884

The final dividend of HK19.00 cents (approximately US2.45 cents) per share with a total of approximately US$44,782,000 in respect of the year ended December 31, 2014 (2013: final dividend of HK13.75 cents (approximately US1.77 cents) per share in respect of the year ended December 31, 2013) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

15. Earnings per Share

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

	2014 US$'000	2013 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**300,330**	250,284
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,830,438,103**	1,829,954,083
Effect of dilutive potential ordinary shares:		
Share options	**7,778,724**	7,168,529
Share award	**28,773**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,838,245,600**	1,837,122,612

16. Property, Plant and Equipment

	Freehold land and buildings outside Hong Kong (Note) US$'000	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Vessels US$'000	Construction in progress US$'000	Total US$'000
The Group									
Cost									
At January 1, 2013	147,445	64,290	154,755	207,984	4,968	230,456	2,298	58,228	870,424
Currency realignment	1,142	888	821	1,905	(75)	1,060	—	494	6,235
Additions	2,060	1,166	7,635	9,699	493	7,879	—	75,683	104,615
Acquisition of businesses	—	—	95	760	—	—	—	—	855
Disposals	(12,610)	(6,575)	(11,711)	(19,730)	(484)	(61,564)	—	(2,985)	(115,659)
Impairment	(15,362)	—	(4,056)	(23,005)	(161)	(20,585)	—	—	(63,169)
Reclassification	2,061	441	5,994	9,963	464	29,884	—	(48,807)	—
At December 31, 2013	124,736	60,210	153,533	187,576	5,205	187,130	2,298	82,613	803,301
Currency realignment	(2,694)	(1,479)	(5,581)	(5,403)	(226)	(1,624)	—	(1,760)	(18,767)
Additions	2,576	2,507	23,635	32,450	751	14,329	—	78,160	154,408
Acquisition of businesses	—	103	206	2,974	64	219	—	—	3,566
Disposals	(12,183)	(801)	(7,753)	(14,462)	(349)	(30,870)	—	(3,430)	(69,848)
Reversal of impairment	—	—	—	1,820	—	8,784	—	—	10,604
Reclassification	1,270	1,335	6,387	27,108	245	42,779	—	(79,124)	—
At December 31, 2014	**113,705**	**61,875**	**170,427**	**232,063**	**5,690**	**220,747**	**2,298**	**76,459**	**883,264**
Depreciation and impairment									
At January 1, 2013	43,246	22,991	122,950	134,437	3,378	158,082	1,186	—	486,270
Currency realignment	115	187	366	719	(16)	463	—	—	1,834
Provided for the year	6,699	4,316	12,450	15,425	517	34,365	460	—	74,232
Eliminated on disposals	(6,904)	(5,770)	(10,746)	(18,787)	(344)	(56,608)	—	—	(99,159)
Impairment	(6,020)	—	(3,541)	(17,968)	(137)	(16,159)	—	—	(43,825)
At December 31, 2013	37,136	21,724	121,479	113,826	3,398	120,143	1,646	—	419,352
Currency realignment	(123)	(601)	(3,707)	(2,197)	(111)	(898)	—	—	(7,637)
Provided for the year	5,508	4,070	14,546	18,074	630	37,560	460	—	80,848
Eliminated on disposals	(653)	(331)	(7,081)	(11,741)	(180)	(20,975)	—	—	(40,961)
Reversal of impairment	—	—	—	1,034	—	5,262	—	—	6,296
At December 31, 2014	**41,868**	**24,862**	**125,237**	**118,996**	**3,737**	**141,092**	**2,106**	**—**	**457,898**
Carrying amounts									
At December 31, 2014	**71,837**	**37,013**	**45,190**	**113,067**	**1,953**	**79,655**	**192**	**76,459**	**425,366**
At December 31, 2013	87,600	38,486	32,054	73,750	1,807	66,987	652	82,613	383,949

Note: Buildings with a carrying amount of US$21,606,000 (2013: US$23,474,000) are erected on leasehold land that is presented as lease prepayments on the consolidated statement of financial position.

16. Property, Plant and Equipment *(continued)*

	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Total US$'000
The Company						
Cost						
At January 1, 2013	2,754	12,306	3,190	746	4,843	23,839
Additions	—	242	—	—	—	242
Disposals	(2,682)	(5,438)	(3,190)	—	(3,681)	(14,991)
Transfer to subsidiaries	—	—	—	—	(1,162)	(1,162)
At December 31, 2013	72	7,110	—	746	—	7,928
Additions	620	3,850	—	155	—	4,625
Disposals	—	(270)	—	(26)	—	(296)
At December 31, 2014	**692**	**10,690**	**—**	**875**	**—**	**12,257**
Depreciation						
At January 1, 2013	2,608	10,518	3,181	567	4,843	21,717
Provided for the year	46	735	9	49	—	839
Eliminated on disposals	(2,614)	(5,412)	(3,190)	—	(3,681)	(14,897)
Transfer to subsidiaries	—	—	—	—	(1,162)	(1,162)
At December 31, 2013	40	5,841	—	616	—	6,497
Provided for the year	55	1,077	—	60	—	1,192
Eliminated on disposals	—	(231)	—	(26)	—	(257)
At December 31, 2014	**95**	**6,687**	**—**	**650**	**—**	**7,432**
Carrying amounts						
At December 31, 2014	**597**	**4,003**	**—**	**225**	**—**	**4,825**
At December 31, 2013	32	1,269	—	130	—	1,431

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Buildings	$2\frac{1}{5}$% - $6\frac{2}{3}$%
Leasehold improvements	$2\frac{1}{2}$% - $33\frac{1}{3}$%
Office equipment, furniture and fixtures	10% - $33\frac{1}{3}$%
Plant and machinery	9% - $33\frac{1}{3}$%
Motor vehicles	10% - $33\frac{1}{3}$%
Moulds and tooling	18% - $33\frac{1}{3}$%
Vessels	20%

16. Property, Plant and Equipment *(continued)*

The net book values of properties shown above comprise:

	The Group	
	2014 US$'000	2013 US$'000
Land and buildings are situated outside Hong Kong and are analysed as follows:		
Freehold	**50,231**	64,126
Medium-term lease	**21,606**	23,474
	71,837	87,600

The net book values of the Group's property, plant and equipment include amounts of approximately US$12,711,000 (2013: US$3,416,000) in respect of assets held under finance leases.

The gross carrying amount of the Group's and the Company's property, plant and equipment include amounts of approximately US$224,034,000 and US$5,708,000 (2013: US$217,407,000 and US$4,752,000) respectively in respect of fully depreciated property, plant and equipment that are still in use.

17. Lease Prepayments

	The Group US$'000
Cost	
At January 1, 2013	39,678
Currency realignment	1,149
At December 31, 2013	40,827
Currency realignment	(965)
At December 31, 2014	**39,862**
Amortisation	
At January 1, 2013	3,545
Currency realignment	114
Provided for the year	804
At December 31, 2013	4,463
Currency realignment	(109)
Provided for the year	802
At December 31, 2014	**5,156**
Carrying amounts	
At December 31, 2014	**34,706**
At December 31, 2013	36,364

All lease prepayments are medium-term leases outside Hong Kong.

18. Goodwill

	The Group US$'000
At January 1, 2013	531,160
Currency realignment	857
Arising on acquisition of a business	3,861
Goodwill impairment	(3,390)
At December 31, 2013	532,488
Currency realignment	(2,363)
Arising on acquisition of businesses (Note 44)	24,012
At December 31, 2014	**554,137**

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

19. Intangible Assets

	Deferred development costs US$'000	Patents US$'000	Trademarks US$'000	Manufacturing know-how US$'000	Retailer and service relationships US$'000	Non compete agreement US$'000	Total US$'000
The Group							
Cost							
At January 1, 2013	381,207	47,463	192,364	453	6,500	10,634	638,621
Currency realignment	67	—	—	—	—	—	67
Additions	83,691	5,418	—	—	—	—	89,109
Acquisition of businesses	—	1,857	36,379	—	—	—	38,236
Written off in the year	(12,120)	(28)	—	—	—	—	(12,148)
At December 31, 2013	452,845	54,710	228,743	453	6,500	10,634	753,885
Currency realignment	(242)	—	—	—	—	—	(242)
Additions	90,442	2,176	3,046	—	—	—	95,664
Acquisition of businesses	462	2,706	3,000	—	4,000	—	10,168
Written off in the year	(8,055)	(150)	(5)	—	—	—	(8,210)
At December 31, 2014	**535,452**	**59,442**	**234,784**	**453**	**10,500**	**10,634**	**851,265**
Amortisation							
At January 1, 2013	198,636	28,490	9,109	453	1,625	1,241	239,554
Currency realignment	67	—	—	—	—	—	67
Provided for the year	54,728	5,111	1,124	—	325	2,127	63,415
Eliminated on write off	(8,563)	(28)	—	—	—	—	(8,591)
At December 31, 2013	244,868	33,573	10,233	453	1,950	3,368	294,445
Currency realignment	(192)	—	—	—	—	—	(192)
Provided for the year	58,207	4,867	1,121	—	480	2,127	66,802
Eliminated on write off	(5,717)	(150)	(5)	—	—	—	(5,872)
At December 31, 2014	**297,166**	**38,290**	**11,349**	**453**	**2,430**	**5,495**	**355,183**
Carrying amounts							
At December 31, 2014	**238,286**	**21,152**	**223,435**	**—**	**8,070**	**5,139**	**496,082**
At December 31, 2013	207,977	21,137	218,510	—	4,550	7,266	459,440

19. Intangible Assets *(continued)*

The retailer and service relationships were acquired through business combinations which related to the relationships with retailers and service centres.

Deferred development costs are internally generated.

Included in trademarks of the Group, US$219,934,000 (2013: US$213,934,000) are trademarks with indefinite useful lives as considered by the management of the Group as having an indefinite useful life because they are expected to contribute indefinitely to the Group's net cash inflows. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

The above intangible assets, other than trademarks with indefinite useful lives, are amortised on a straight-line basis, at the following rates per annum:

Deferred development costs	20% - $33^1/_3$%
Patents	10% - 25%
Trademarks with finite useful lives	$6^2/_3$% - 10%
Retailer and service relationships	5% - $6^2/_3$%
Non compete agreement	20%

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

As explained in Note 5, the Group uses the types of goods sold for operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19, the majority of the amounts have been allocated to five major individual cash generating units (CGUs), including four units in the Power Equipment segment and one unit in the Floor Care and Appliances segment. The carrying amounts of goodwill and trademarks as at December 31, 2014 allocated to these units are as follows:

	Goodwill		Trademarks	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Power Equipment – MET	**416,617**	402,424	**118,907**	115,907
Power Equipment – HCP	**7,492**	7,492	**30,648**	30,648
Power Equipment – Drebo	**23,120**	25,483	**—**	—
Power Equipment – Baja	**9,017**	9,017	**3,200**	3,200
Floor Care and Appliances – RAM/Hoover/VAX	**75,748**	75,748	**67,179**	64,179
Others	**22,143**	12,324	**—**	—
	554,137	532,488	**219,934**	213,934

During the year ended December 31, 2013, management of the Group determined to impair goodwill which originally generated from a CGU under "Others" amounting to US$3,390,000. No impairment of goodwill has been recognised for the year ended December 31, 2014.

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Power Equipment - MET ("MET")

The recoverable amount of MET's goodwill and intangibles has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 11.5% (2013: 11.5%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on MET's past performance, management's expectations of the market development, the success in new products launched, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2013: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of MET's goodwill and intangibles to exceed the recoverable amounts.

Power Equipment – HCP ("HCP")

The recoverable amount of HCP's goodwill and intangibles has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 12.0% (2013: 12.0%) per annum.

Cash flow projections during the budget period for HCP are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on HCP's past performance, management's expectations of the market development, the success in new products launched and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of HCP's goodwill and intangibles to exceed the aggregate recoverable amounts.

Power Equipment – Drebo ("Drebo")

The recoverable amount of Drebo's goodwill has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11.0% (2013: 11.0%) per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Drebo's past performance, management's expectations of the market development, the success in new products launched and the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Drebo's goodwill to exceed the recoverable amount.

Power Equipment – Baja ("Baja")

The recoverable amount of Baja's goodwill and intangibles has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13.0% (2013: 13.0%) per annum.

Cash flow projections during the budget period for Baja are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Baja's past performance, management's expectations of the market development and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2013: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Baja's goodwill and intangibles to exceed the aggregate recoverable amounts.

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Floor Care and Appliances – RAM/Hoover/VAX (“RAM/Hoover/VAX”)

The recoverable amount of RAM/Hoover/VAX’s goodwill and intangibles has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 15.0% (2013: 15.0%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management’s estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimations are based on RAM/Hoover/VAX’s past performance, management’s expectations of the market development, the success in reducing the working capital requirements and the success of the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2013: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of RAM/Hoover/VAX’s goodwill and intangibles to exceed the aggregate recoverable amounts.

21. Investments in Subsidiaries/Loans to Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2014 and December 31, 2013 are set out in Note 52.

Loans to subsidiaries are unsecured, bear fixed interest at rates ranging from 0.250% to 11.750% per annum (2013: 5.275% to 10.150%) and are fully repayable by 2024.

22. Interests in Associates

	The Group		The Company	
	2014 US$’000	2013 US$’000	**2014 US$’000**	2013 US$’000
Unlisted shares, at cost less impairment loss recognised	**—**	—	**—**	—
Share of net assets	**—**	—	**—**	—
Amounts due from associates	**6,515**	15,766	**5,225**	14,478
	6,515	15,766	**5,225**	14,478

Particulars of the associates as at December 31, 2014 and December 31, 2013 are set out in Note 53.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

At the end of the reporting period, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together the “Gimelli Group companies”). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of gain (loss) for the year and cumulatively, extracted from the relevant management accounts of the associates, are US$302,000 (2013: US$1,025,000) and (US$5,078,000) (2013: (US$5,380,000)) respectively.

23. Available-for-sale Investments

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**509**	520	**189**	196

As at December 31, 2014, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at the reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. Inventories

	The Group	
	2014 US$'000	2013 US$'000
Raw materials	**112,023**	95,186
Work in progress	**11,478**	11,505
Finished goods	**932,828**	777,539
	1,056,329	884,230

25. Trade and other Receivables

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade receivables	**795,492**	770,033	**—**	—
Less: Allowances for doubtful debts	**(22,522)**	(18,168)	**—**	—
	772,970	751,865	**—**	—
Other receivables	**46,981**	31,930	**5,861**	6,207
	819,951	783,795	**5,861**	6,207

25. Trade and other Receivables *(continued)*

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:

	The Group	
	2014	2013
	US$'000	US$'000
0 to 60 days	**651,192**	625,004
61 to 120 days	**84,514**	95,120
121 days or above	**37,264**	31,741
Total trade receivables	**772,970**	751,865

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of US$115,959,000 (2013: US$110,082,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 74 days (2013: 96 days).

The Group has a policy of allowing credit periods ranging mainly from 30 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the relevant customers and the balances are still considered fully recoverable.

Ageing of Trade Receivables which are past due but not Impaired

	The Group	
	2014	2013
	US$'000	US$'000
1 - 60 days	**98,008**	91,864
61 - 120 days	**9,568**	4,326
121 - 365 days	**1,497**	4,433
1 - 2 years	**3,621**	3,557
Over 2 years	**3,265**	5,902
Total	**115,959**	110,082

25. Trade and other Receivables *(continued)*

Movement in the Allowance for Doubtful Debts

	The Group	
	2014 **US$'000**	2013 US$'000
Balance at beginning of the year	**18,168**	13,987
Currency realignment	**(1,171)**	271
Impairment losses recognised on receivables	**13,147**	3,923
Acquisition of businesses	**389**	2,696
Amounts written off as uncollectible	**(3,154)**	(1,848)
Amounts recovered during the year	**(4,857)**	(861)
Balance at end of the year	**22,522**	18,168

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to US$22,522,000 (2013: US$18,168,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Ageing of Impaired Trade Receivables (by Invoice Date)

	2014 **US$'000**	2013 US$'000
0 - 120 days	**4,024**	2,592
121 - 365 days	**3,284**	8,419
1 - 2 years	**11,379**	5,778
Over 2 years	**3,835**	1,379
Total	**22,522**	18,168

Under certain receivables purchase agreements, a percentage in various pools of trade receivables were factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group continued to recognise the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of approximately US$75,000,000 (2013: US$74,952,000) were recognised as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

26. Bills Receivable

All the Group's bills receivable at December 31, 2014 and 2013 are due within 120 days.

27. Amounts Due from/(to) Subsidiaries

The amounts are unsecured, interest-free and payable on demand.

28. Trade Receivables from an Associate

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

29. Derivative Financial Instruments

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Assets				
Acquisition right of certain property, plant and equipment	**11,635**	12,647	**—**	—
Foreign currency forward contracts – under hedge accounting	**39,486**	5,034	**27,897**	653
Foreign currency forward contracts – not under hedge accounting	**180**	39	**—**	—
	51,301	17,720	**27,897**	653
Liabilities				
Foreign currency forward contracts – under hedge accounting	**9,006**	9,603	**6,811**	4,376
Foreign currency forward contracts – not under hedge accounting	**546**	277	**—**	—
Interest rate swap	**1,947**	3,202	**1,947**	3,202
	11,499	13,082	**8,758**	7,578

Acquisition Right of Certain Property, Plant and Equipment

As at December 31, 2014, the Group owned a right to acquire certain property, plant and equipment which was acquired as part of the acquisition of the Oreck business from the Oreck Bankruptcy Estate. The right is expected to be exercised in 2032. The fair value of the property, plant and equipment was US$11,635,000 valued on September 30, 2014 by American Appraisal Associates, Inc., an independent valuer not related to the Group.

Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

29. Derivative Financial Instruments *(continued)*

Foreign Currency Forward Contracts under Hedge Accounting

At the end of the reporting period, the Group had the following foreign currency forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to future foreign currency sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

Major terms of the foreign currency forward contracts under hedge accounting are as follows:

The Group

2014

Notional amounts in millions	**Maturity**	**Exchange rates**
Sell US$ 493.2M, Buy RMB	**January 7, 2015 to December 30, 2015**	**RMB 6.0040 to 6.3971 : US$ 1**
Buy US$ 106M, Sell GBP	**January 5, 2015 to November 9, 2015**	**GBP 0.5883 to 0.6382 : US$ 1**
Buy US$ 57M, Sell EUR	**January 1, 2015 October 26, 2015**	**US$ 1.2801 to 1.3929 : EUR 1**
Sell EUR 110M, Buy US$	**January 30, 2015 to October 30, 2015**	**US$ 1.2383 to 1.3852 : EUR 1**
Buy US$ 139.6M, Sell AUD	**January 30, 2015 to September 30, 2015**	**AUD 0.8436 to 0.9235 : US$ 1**

The Company

2014

Notional amounts in millions	**Maturity**	**Exchange rates**
Sell EUR 110M, Buy US$	**January 30, 2015 to October 30, 2015**	**US$ 1.2383 to 1.3852 : EUR 1**
Buy US$ 139.6M, Sell AUD	**January 30, 2015 to September 30, 2015**	**AUD 0.8436 to 0.9235 : US$ 1**
Sell US$ 165M, Buy RMB	**January 7, 2015 to December 30, 2015**	**RMB 6.0040 to 6.0585 : US$ 1**

The Group

2013

Notional amounts in millions	Maturity	Exchange rates
Sell EUR 108M, Buy US$	January 30, 2014 to December 31, 2014	US$ 1.3211 to 1.3682 : EUR 1
Buy US$ 30M, Sell AUD	February 28, 2014 to June 30, 2014	AUD 0.9012 to 0.9088 : US$ 1
Sell US$ 280M, Buy RMB	January 19, 2014 to December 31, 2014	RMB 6.1162 to 6.2285 : US$ 1
Buy US$ 91M, Sell GBP	January 6, 2014 to September 15, 2014	GBP 0.6085 to 0.6489 : US$ 1
Sell US$ 48.2M, Buy EUR	January 15, 2014 to October 3, 2014	US$ 1.3020 to 1.3794 : EUR 1

The Company

2013

Notional amounts in millions	Maturity	Exchange rates
Sell EUR 108M, Buy US$	January 30, 2014 to December 31, 2014	US$ 1.3211 to 1.3682 : EUR 1
Buy US$ 30M, Sell AUD	February 28, 2014 to June 30, 2014	AUD 0.9012 to 0.9088 : US$ 1

During the year, US$1,153,000 (2013: US$1,254,000) is reclassified from equity to profit and loss (included in administrative expenses).

29. Derivative Financial Instruments *(continued)*

Foreign Currency Forward Contracts not under Hedge Accounting

Major terms of the foreign currency forward contracts not under hedge accounting are as follows:

The Group

2014

Notional amounts in millions	Maturity	Exchange rates
Sell CHF 1.2M, Buy EUR	**January 15, 2015 to June 19, 2015**	**CHF 1.2066 to 1.2119 : EUR 1**
Sell GBP 8.25M, Buy EUR	**January 15, 2015 to September 17, 2015**	**GBP 0.7863 to 0.8079 : EUR 1**
Sell US$ 3.2M, Buy EUR	**January 20, 2015 to June 15, 2015**	**US$ 1.2615 to 1.2880 : EUR 1**
Buy US$ 9.3M, Sell NZD	**January 21, 2015 to July 22, 2015**	**US$ 0.7783 to 0.8509 : NZD 1**
Buy AUD 2.4M, Sell NZD	**January 7, 2015 to October 30, 2015**	**NZD 1.0948 to 1.1135 : AUD 1**
Sell US$ 50M, Buy RMB	**January 22, 2015 to December 30, 2015**	**RMB 6.1715 to 6.3971 : US$ 1**

2013

Notional amounts in millions	Maturity	Exchange rates
Buy US$ 12.3M, Sell NZD	January 20, 2014 to December 22, 2014	US$ 0.800 : NZD 1
Sell CHF 0.6M, Buy EUR	January 23, 2014 to June 20, 2014	CHF 1.2374 to 1.2386 : EUR 1
Sell SEK 30M, Buy EUR	January 23, 2014 to June 20, 2014	SEK 8.7453 to 8.7820 : EUR 1
Buy US$ 6M, Sell GBP	January 15, 2014 to December 2, 2014	GBP 0.6144 to 0.6438 : US$ 1

Interest Rate Swap (not under Hedge Accounting)

The fair value of the interest rate swap of the Group and the Company is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Major terms of the interest rate swap are as follows:

The Group and the Company

2014

Notional amount	Maturity	Receive floating	Pay fixed
US$ 50,000,000	**December 31, 2013 to May 4, 2016**	**LIBOR**	**1.2% - 3.1%**

2013

Notional amount	Maturity	Receive floating	Pay fixed
US$ 50,000,000	December 31, 2013 to May 4, 2016	LIBOR	1.2% - 3.1%

30. Held-for-Trading Investments

The Group's and the Company's held-for-trading investments at December 31, 2014 and 2013 are carried at fair value using the market bid prices on the reporting date.

Held-for-trading investments include:

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Equity securities:				
– Unlisted investment funds	**1,155**	1,000	**1,155**	1,000
	1,155	1,000	**1,155**	1,000

31. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.03% to 0.05% (2013: 0.05% to 0.17%) per annum. Bank overdrafts carry interest at market rates which range from 3.25% to 5.00% (2013: 3.25% to 5.00%) per annum.

32. Trade and other Payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
0 to 60 days	**541,681**	467,635	**—**	—
61 to 120 days	**149,729**	148,839	**—**	—
121 days or above	**5,076**	29,502	**5**	5
Total trade payables	**696,486**	645,976	**5**	5
Other payables	**439,044**	393,947	**33,872**	26,398
	1,135,530	1,039,923	**33,877**	26,403

The credit period on the purchase of goods ranges from 30 days to 120 days (2013: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

33. Bills Payable

All the Group's bills payable at December 31, 2014 and 2013 are due within 120 days.

34. Warranty Provision

	The Group US$'000
At January 1 ,2013	42,395
Currency realignment	94
Additional provision in the year	91,118
Acquisition of businesses	4,231
Utilisation of provision	(85,210)
At December 31, 2013	52,628
Currency realignment	(2,371)
Additional provision in the year	134,417
Acquisition of businesses	300
Utilisation of provision	(119,155)
At December 31, 2014	**65,819**

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold, based on prior experience and industry averages for defective products. It is expected that the majority of this expenditure will be incurred in the next financial year.

35. Obligations under Finance Leases

It is the Group's policy to lease certain of its land and buildings, plant and machinery, fixtures and equipment and motor vehicles under finance leases, with lease terms ranging from 3 years to 20 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 6.6% to 19.42% (December 31, 2013: 7.5% to 22.4%) per annum. No arrangements have been entered into that include contingent rental payments.

The maturity of obligations under finance leases is as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Amounts payable under finance leases:				
Within one year	**3,071**	1,245	**2,277**	977
In more than one year but not more than two years	**2,653**	1,330	**2,009**	1,137
In more than two years but not more than three years	**2,130**	785	**1,596**	663
In more than three years but not more than four years	**2,130**	298	**1,699**	202
In more than four years but not more than five years	**2,130**	298	**1,810**	218
More than five years	**4,310**	1,099	**4,021**	953
	16,424	5,055	**13,412**	4,150
Less: future finance charges	**(3,012)**	(905)	**—**	—
Present value of lease obligations	**13,412**	4,150	**13,412**	4,150
Less: Amount due within one year shown under current liabilities			**(2,277)**	(977)
Amount due after one year			**11,135**	3,173

The Group's obligations under finance leases are secured by charges over the leased assets.

36. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 1.43% per annum (2013: 1.53% per annum) have maturity profiles of less than 120 days.

37. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes borrowings, discounted bills with recourse and obligations under finance leases), net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing Ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not exceeding 35% determined as the proportion of net debt to equity. The Group will continue to execute very disciplined control and management of its working capital and generate free cash inflows through the growth of the business.

The gearing ratio at the year end was as follows:

	2014 **US$'000**	2013 US$'000
Debt [(i)]	**887,947**	883,157
Bank balances, deposits and cash	**(690,395)**	(698,147)
Net debt	**197,552**	185,010
Equity [(ii)]	**1,967,153**	1,740,713
Net debt to equity ratio	**10.04%**	10.63%

(i) Debt comprises obligations under finance leases, discounted bills with recourse, unsecured borrowings and bank overdrafts but excludes bank advances from factored trade receivables as detailed in Notes 25, 31, 35, 36 and 39 respectively.

(ii) Equity includes all capital and reserves attributable to the owners of the Company.

In addition, based on management recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

38. Financial Instruments

38.1 Categories of Financial Instruments

	2014 US$'000	2013 US$'000
The Group		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**1,155**	1,000
Derivative financial instruments		
Acquisition right of certain property, plant and equipment	**11,635**	12,647
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**39,486**	5,034
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**180**	39
	51,301	17,720
Available-for-sale investments	**509**	520
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**819,951**	783,795
Bills receivable	**31,600**	26,054
Trade receivables from an associate	**4,011**	2,590
Bank balances, deposits and cash	**690,395**	698,147
	1,545,957	1,510,586
Financial liabilities		
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**9,006**	9,603
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**546**	277
Interest rate swap	**1,947**	3,202
	11,499	13,082
Other financial liabilities		
Trade and other payables	**1,135,530**	1,039,923
Bills payable	**46,845**	40,613
Discounted bills with recourse	**72,652**	116,704
Unsecured borrowings	**874,264**	829,368
Bank overdrafts	**2,619**	7,887
	2,131,910	2,034,495

38. Financial Instruments *(continued)*

38.1 Categories of Financial Instruments *(continued)*

	2014 US$'000	2013 US$'000
The Company		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**1,155**	1,000
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**27,897**	653
Available-for-sale investments	**189**	196
Loans and receivables (including cash and cash equivalents)		
Other receivables	**5,861**	6,207
Bank balances, deposits and cash	**195,383**	52,462
Loans to/Amounts due from subsidiaries	**2,221,776**	1,801,612
	2,423,020	1,860,281
Financial liabilities		
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**6,811**	4,376
Derivative financial instruments – not under hedge accounting		
Interest rate swap	**1,947**	3,202
	8,758	7,578
Other financial liabilities		
Trade and other payables	**33,877**	26,403
Amounts due to subsidiaries	**494,702**	579,524
Unsecured borrowings	**701,468**	650,495
	1,230,047	1,256,422

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies

The Group's corporate treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

38.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 24.4% (2013: 24.6%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 48.2% (2013: 44.1%) of purchases are denominated in the group entity's respective functional currency.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
The Group				
Foreign Currency				
EURO	**45,752**	37,671	**144,803**	194,941

	Liabilities		Assets	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
The Company				
Foreign Currency				
EURO	**239**	23,395	**307,961**	365,022

Note: For group entities with their functional currency as the United States dollar, monetary assets and monetary liabilities denominated in Hong Kong dollars have no material foreign currency risk exposure as the Hong Kong dollar is pegged with the United States dollar.

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposure. The foreign exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into forward contracts in relation to the foreign currency denominated monetary liabilities amounting to US$133,672,000 (2013: US$148,845,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness (see Note 29 for details).

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity Analysis

The Group and the Company are mainly exposed to the effects of rate fluctuations in the EURO to US$.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against the EURO without considering the foreign currency forward contracts entered at end of the reporting period. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the EURO:US$ foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of any foreign currency forward contracts held at reporting date. A positive number below indicates an increase in profit for the year where the United States dollar weakens 5% against the EURO.

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Impact of EURO				
Profit for the year (i)	**4,561**	7,037	**14,171**	15,287

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in EURO at the reporting date.

38.2.2 Interest Rate Risk Management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate borrowing (see Note 39 for details of these borrowings), discounted bills with recourse, bank overdrafts and bank balances and deposits. In relation to these floating-rate borrowings, the Group aims at keeping certain borrowings at fixed rates. In order to achieve this result, the Group enters into interest rate swap contracts to hedge against part of its exposure to potential variability of cash flows arising from changes in floating rates (see Note 29 for details). The management continuously monitors interest rate fluctuations and will consider further hedging interest rate risk should the need arise.

The Group's and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") arising from the Group's and the Company's Hong Kong dollar denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk is insignificance.

The Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see Note 39 for details of these borrowings). The Company's fair value interest rate risk related primarily to its loan to subsidiaries (see Note 21).

During the year, the Group obtained new bank borrowings in the amount of US$2,532 million (2013: US$1,112 million) which are either LIBOR or Hong Kong best lending rates based. The proceeds were used for refinancing the Group's borrowings.

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.2 Interest Rate Risk Management *(continued)*

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year without considering the interest rate swaps entered at the end of the reporting period. A 50 basis point increase or decrease in LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2014 would decrease/increase by US$3,932,000 (2013: decrease/increase by US$3,842,000). The Company's profit for the year ended December 31, 2014 would decrease/increase by US$3,230,000 (2013: decrease/increase by US$2,911,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate borrowings.

The Group's and the Company's sensitivity to interest rates has decreased and increased during the current period mainly due to the decrease and increase in variable rate debt instruments respectively.

38.2.3 Other Price Risk

The Group and the Company are exposed to price risk through its held-for-trading investments and derivative financial instruments.

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to price risks of equity investments held-for-trading measured at fair value at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower the profit for the year ended December 31, 2014 of the Group and the Company would increase/decrease by US$116,000 (2013: US$100,000) and US$116,000 (2013: US$100,000) as a result of the changes in fair value of held-for-trading investments.

38.2.4 Credit Risk Management

As at December 31, 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in Note 47.

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.4 Credit risk Management *(continued)*

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt and debt investments at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited for the Group and the Company because the counterparties are banks with good reputations and credit ratings.

The credit risk on amount due from subsidiaries is limited for the Company because the counterparties are subsidiaries with positive cash flow.

The Group's concentration of credit risk by geographical location is mainly in North America, where 59.0% (2013: 62.7%) of the total trade receivables as at December 31, 2014 are located.

The Group has concentration of credit risk at 23.3% (2013: 24.0%) and 35.6% (2013: 36.6%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

38.2.5 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2014, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately US$70 million (2013: US$67 million) and US$1,892 million (2013: US$1,824 million) respectively.

Liquidity Tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as well as non-derivative financial assets which are included in the maturity analysis. For non-derivative financial assets, the tables have been drawn up based on the contractual maturities of the undiscounted cash flow of the financial assets unless specified separately. For non-derivative financial liabilities, the tables reflect the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.5 Liquidity Risk Management *(continued)*

Liquidity Tables *(continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	Less than 1month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2014 US$'000
The Group								
2014								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	1,155	—	—	—	—	1,155	1,155
Available-for-sale investments (Note)	—	509	—	—	—	—	509	509
Trade and other receivables	—	648,521	82,966	88,464	—	—	819,951	819,951
Bills receivable	—	16,695	11,534	3,371	—	—	31,600	31,600
Trade receivables from an associate	—	4,011	—	—	—	—	4,011	4,011
Bank balances, deposits and cash	0.03% - 0.05%	621,764	68,646	—	—	—	690,410	690,395
		1,292,655	163,146	91,835	—	—	1,547,636	1,547,621
Non-derivative financial liabilities								
Trade and other payables	—	(611,265)	(429,548)	(94,717)	—	—	(1,135,530)	(1,135,530)
Bills payable	—	(16,563)	(30,282)	—	—	—	(46,845)	(46,845)
Discounted bills with recourse	1.43%	(72,519)	(133)	—	—	—	(72,652)	(72,652)
Variable rate borrowings	1.11% - 3.63%	(83,186)	(86,396)	(290,190)	(104,622)	(232,523)	(796,917)	(778,565)
Fixed rate borrowings	7.44%	—	(99,312)	—	—	—	(99,312)	(95,699)
Bank overdrafts	3.25% - 5.00%	(2,619)	—	—	—	—	(2,619)	(2,619)
Financial guarantee contracts	—	(8,877)	—	—	—	—	(8,877)	—
		(795,029)	(645,671)	(384,907)	(104,622)	(232,523)	(2,162,752)	(2,131,910)

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.5 Liquidity Risk Management *(continued)*

Liquidity Tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2014 US$'000
The Group								
2014								
Derivatives - net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	11,635	11,635	11,635
Interest rate swap	0.26% - 0.55%	—	(356)	(1,052)	(651)	—	(2,059)	(1,947)
Foreign currency forward contracts								
– NZD	—	37	9	(21)	—	—	25	25
		37	(347)	(1,073)	(651)	11,635	9,601	9,713
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– AUD	—	16,149	36,615	86,376	—	—	139,140	139,140
– EUR	—	7,585	18,353	47,863	—	—	73,801	73,801
– RMB	—	41,359	75,839	366,176	—	—	483,374	483,374
– GBP	—	8,992	20,989	76,033	—	—	106,014	106,014
– US$	—	12,356	32,235	101,816	—	—	146,407	146,407
		86,441	184,031	678,264	—	—	948,736	948,736
– outflow								
– AUD	—	(14,288)	(33,020)	(76,423)	—	—	(123,731)	(123,731)
– EUR	—	(7,077)	(16,991)	(45,176)	—	—	(69,244)	(69,244)
– RMB	—	(41,650)	(76,553)	(373,769)	—	—	(491,972)	(491,972)
– GBP	—	(8,397)	(19,581)	(71,803)	—	—	(99,781)	(99,781)
– US$	—	(10,940)	(29,183)	(93,796)	—	—	(133,919)	(133,919)
		(82,352)	(175,328)	(660,967)	—	—	(918,647)	(918,647)
		4,089	8,703	17,297	—	—	30,089	30,089

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.5 Liquidity Risk Management *(continued)*

Liquidity Tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2013 US$'000
The Group								
2013								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	1,000	—	—	—	—	1,000	1,000
Available-for-sale investments (Note)	—	520	—	—	—	—	520	520
Trade and other receivables	—	607,266	133,537	42,992	—	—	783,795	783,795
Bills receivable	—	14,994	10,692	368	—	—	26,054	26,054
Trade receivables from an associate	—	2,580	3	7	—	—	2,590	2,590
Bank balances, deposits and cash	0.05% - 0.17%	688,836	9,313	—	—	—	698,149	698,147
		1,315,196	153,545	43,367	—	—	1,512,108	1,512,106
Non-derivative financial liabilities								
Trade and other payables	—	(621,013)	(313,378)	(105,532)	—	—	(1,039,923)	(1,039,923)
Bills payable	—	(15,180)	(25,433)	—	—	—	(40,613)	(40,613)
Discounted bills with recourse	1.53%	(89,447)	(20,757)	(6,628)	—	—	(116,832)	(116,704)
Variable rate borrowings	0.97% - 4.23%	(20,860)	(284,885)	(147,961)	(119,837)	(176,315)	(749,858)	(734,047)
Fixed rate borrowings	7.44%	—	(3,562)	(3,562)	(99,312)	—	(106,436)	(95,321)
Bank overdrafts	3.25% - 5.00%	(7,887)	—	—	—	—	(7,887)	(7,887)
Financial guarantee contracts	—	(9,099)	—	—	—	—	(9,099)	—
		(763,486)	(648,015)	(263,683)	(219,149)	(176,315)	(2,070,648)	(2,034,495)

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.5 Liquidity Risk Management *(continued)*

Liquidity Tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2013 US$'000
The Group								
2013								
Derivatives - net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	12,647	12,647	12,647
Interest rate swap	0.25% - 1.47%	—	(357)	(1,040)	(1,226)	(446)	(3,069)	(3,202)
Foreign currency forward contracts								
– NZD	—	(5)	(13)	(9)	—	—	(27)	(27)
		(5)	(370)	(1,049)	(1,226)	12,201	9,551	9,418
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– AUD	—	—	7,528	22,472	—	—	30,000	30,000
– EUR	—	2,899	20,998	29,686	—	—	53,583	53,583
– RMB	—	18,298	40,780	225,522	—	—	284,600	284,600
– GBP	—	32,521	20,993	43,511	—	—	97,025	97,025
– US$	—	11,933	23,872	108,277	—	—	144,082	144,082
		65,651	114,171	429,468	—	—	609,290	609,290
– outflow								
– AUD	—	—	(7,364)	(21,983)	—	—	(29,347)	(29,347)
– EUR	—	(2,930)	(21,685)	(30,447)	—	—	(55,062)	(55,062)
– RMB	—	(17,946)	(39,925)	(222,348)	—	—	(280,219)	(280,219)
– GBP	—	(33,524)	(22,357)	(45,103)	—	—	(100,984)	(100,984)
– US$	—	(12,369)	(24,737)	(111,352)	—	—	(148,458)	(148,458)
		(66,769)	(116,068)	(431,233)	—	—	(614,070)	(614,070)
		(1,118)	(1,897)	(1,765)	—	—	(4,780)	(4,780)

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.5 Liquidity Risk Management *(continued)*

Liquidity Tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2014 US$'000
The Company								
2014								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	1,155	—	—	—	—	1,155	1,155
Available-for-sale investments (Note)	—	189	—	—	—	—	189	189
Other receivables	—	—	—	5,861	—	—	5,861	5,861
Bank balances, deposits and cash	0.03% - 0.05%	195,383	—	—	—	—	195,383	195,383
Loan to/Amounts due from subsidiaries (Note)	0.25% - 11.75%	4,729	9,459	1,422,625	56,753	1,894,520	3,388,086	2,221,776
		201,456	9,459	1,428,486	56,753	1,894,520	3,590,674	2,424,364
Non-derivative financial liabilities								
Trade and other payables	—	(2,877)	(5,899)	(25,101)	—	—	(33,877)	(33,877)
Amounts due to subsidiaries	—	(494,702)	—	—	—	—	(494,702)	(494,702)
Unsecured borrowings	1.98% - 2.67%	(86,997)	(86,032)	(210,156)	(103,561)	(231,285)	(718,031)	(701,468)
Financial guarantee contracts	—	(100,577)	(126,165)	(77,046)	—	—	(303,788)	—
		(685,153)	(218,096)	(312,303)	(103,561)	(231,285)	(1,550,398)	(1,230,047)
Derivatives - net settlement								
Interest rate swap	0.26% - 0.55%	—	(356)	(1,052)	(651)	—	(2,059)	(1,947)
		—	(356)	(1,052)	(651)	—	(2,059)	(1,947)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– US$	—	12,356	32,235	101,816	—	—	146,407	146,407
– AUD	—	16,149	36,615	86,376	—	—	139,140	139,140
– RMB	—	9,585	19,170	129,209	—	—	157,964	157,964
		38,090	88,020	317,401	—	—	443,511	443,511
– outflow								
– US$	—	(10,940)	(29,183)	(93,796)	—	—	(133,919)	(133,919)
– AUD	—	(14,288)	(33,020)	(76,423)	—	—	(123,731)	(123,731)
– RMB	—	(9,830)	(19,749)	(135,196)	—	—	(164,775)	(164,775)
		(35,058)	(81,952)	(305,415)	—	—	(422,425)	(422,425)
		3,032	6,068	11,986	—	—	21,086	21,086

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.5 Liquidity Risk Management *(continued)*

Liquidity Tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2013 US$'000
The Company								
2013								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	1,000	—	—	—	—	1,000	1,000
Available-for-sale investments (Note)	—	196	—	—	—	—	196	196
Other receivables	—	5	—	6,202	—	—	6,207	6,207
Bank balances, deposits and cash	0.05% - 0.17%	52,462	—	—	—	—	52,462	52,462
Loan to/Amounts due from subsidiaries (Note)	5.28% - 10.15%	8,551	8,311	1,274,486	49,865	1,312,182	2,653,395	1,801,612
		62,214	8,311	1,280,688	49,865	1,312,182	2,713,260	1,861,477
Non-derivative financial liabilities								
Trade and other payables	—	(2,519)	(4,518)	(19,366)	—	—	(26,403)	(26,403)
Amounts due to subsidiaries	—	(579,524)	—	—	—	—	(579,524)	(579,524)
Unsecured borrowings	1.87% - 2.70%	(26,896)	(284,574)	(61,722)	(116,923)	(172,657)	(662,772)	(650,495)
Financial guarantee contracts	—	(128,574)	(60,063)	(69,217)	(38,128)	(57,193)	(353,175)	—
		(737,513)	(349,155)	(150,305)	(155,051)	(229,850)	(1,621,874)	(1,256,422)
Derivatives - net settlement								
Interest rate swap	0.25% - 1.47%	—	(357)	(1,040)	(1,226)	(446)	(3,069)	(3,202)
		—	(357)	(1,040)	(1,226)	(446)	(3,069)	(3,202)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– US$	—	11,933	23,872	108,277	—	—	144,082	144,082
– AUD	—	—	7,528	22,472	—	—	30,000	30,000
		11,933	31,400	130,749	—	—	174,082	174,082
– outflow								
– US$	—	(12,369)	(24,737)	(111,352)	—	—	(148,458)	(148,458)
– AUD	—	—	(7,364)	(21,983)	—	—	(29,347)	(29,347)
		(12,369)	(32,101)	(133,335)	—	—	(177,805)	(177,805)
		(436)	(701)	(2,586)	—	—	(3,723)	(3,723)

Note: Maturities are based on the management's estimation of the expected realisation of these financial assets.

38. Financial Instruments *(continued)*

38.2 Financial Risk Management Objectives and Policies *(continued)*

38.2.5 Liquidity Risk Management *(continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

38.3 Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of the interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from noted interest rate;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The fair value of financial assets and financial liabilities carried at amortised cost approximate their carrying amounts.

Fair Value Measurements Recognised in the Statement of Financial Position

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are 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 markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. Financial Instruments *(continued)*

38.3 Fair Value (continued)

Fair Value Measurements Recognised in the Statement of Financial Position *(continued)*

	Financial assets/financial liabilities	Fair value 2014	Fair value 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 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$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 consolidated statement of financial position	Assets – US$39,666,000; and Liabilities – US$9,552,000	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 consolidated statement of financial position	Unlisted investment fund: US$1,155,000	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 consolidated statement of financial position	Liabilities (not designated for hedging) – US$1,947,000	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 consolidated financial statements approximate their fair values. There were no transfers between Level 1 and 2 in both periods.

38. Financial Instruments *(continued)*

38.3 Fair Value *(continued)*

Fair Value Measurements Recognised in the Statement of Financial Position *(continued)*

	Level 2 US$'000	Total US$'000
The Group		
2014		
Financial assets		
Acquisition right of certain property, plant and equipment	**11,635**	**11,635**
Foreign currency forward contracts	**39,666**	**39,666**
Held-for-trading investments	**1,155**	**1,155**
Total	**52,456**	**52,456**
Financial liabilities		
Foreign currency forward contracts	**(9,552)**	**(9,552)**
Interest rate swap	**(1,947)**	**(1,947)**
Total	**(11,499)**	**(11,499)**
2013		
Financial assets		
Acquisition right of certain property, plant and equipment	12,647	12,647
Foreign currency forward contracts	5,073	5,073
Held-for-trading investments	1,000	1,000
Total	18,720	18,720
Financial liabilities		
Foreign currency forward contracts	(9,880)	(9,880)
Interest rate swap	(3,202)	(3,202)
Total	(13,082)	(13,082)

38. Financial Instruments *(continued)*

38.3 Fair Value *(continued)*

Fair Value Measurements Recognised in the Statement of Financial Position *(continued)*

	Level 2 US$'000	Total US$'000
The Company		
2014		
Financial assets		
Foreign currency forward contracts	**27,897**	**27,897**
Held-for-trading investments	**1,155**	**1,155**
Total	**29,052**	**29,052**
Financial liabilities		
Foreign currency forward contracts	**(6,811)**	**(6,811)**
Interest rate swap	**(1,947)**	**(1,947)**
Total	**(8,758)**	**(8,758)**
2013		
Financial assets		
Foreign currency forward contracts	653	653
Held-for-trading investments	1,000	1,000
Total	1,653	1,653
Financial liabilities		
Foreign currency forward contracts	(4,376)	(4,376)
Interest rate swap	(3,202)	(3,202)
Total	(7,578)	(7,578)

38.4 Transfer of Financial Assets

The following were the Group's financial assets as at December 31, 2014 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as discounted bills with recourse (see Note 36) and unsecured borrowings - due within one year (see Note 39). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

The trade and bills receivable discounted with banks with full recourse at the year end was as follows:

	2014 US$'000	2013 US$'000
Carrying amount of transferred assets	**147,652**	191,656
Carrying amount of associated liabilities	**(147,652)**	(191,656)
Net position	**—**	—

39. Unsecured Borrowings

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Bank advance from factored trade receivables	**75,000**	74,952	**—**	—
Bank loans	**703,565**	659,095	**701,468**	650,495
Bank borrowings	**778,565**	734,047	**701,468**	650,495
Fixed interest rate notes (Note)	**95,699**	95,321	**—**	—
Total borrowings	**874,264**	829,368	**701,468**	650,495

The borrowings of the Group and the Company are repayable as follows:

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Fixed rate				
Within one year	**95,699**	—	**—**	—
In more than one year but not more than two years	**—**	95,321	**—**	—
Floating rate				
Within one year	**456,349**	454,624	**379,252**	371,072
In more than one year but not more than two years	**145,301**	113,730	**145,301**	113,730
In more than two years but not more than five years	**176,915**	165,693	**176,915**	165,693
	874,264	829,368	**701,468**	650,495
Less: Amount due within one year shown under current liabilities	**(552,048)**	(454,624)	**(379,252)**	(371,072)
Amount due after one year	**322,216**	374,744	**322,216**	279,423

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**7.44%**	7.44%
Variable-rate borrowings	**1.11% to 3.63%**	0.97% to 4.23%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$'000
As at December 31, 2014	**195,419**
As at December 31, 2013	210,807

39. Unsecured Borrowings *(continued)*

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of US$145,000,000. The notes were issued in two fixed rate tranches, being US$120,000,000 for 10 years at 6.70% per annum and US$25,000,000 for 7 years at 6.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes. During 2013, the Group repaid US$39,375,000 of the first tranche and the first tranche was then fully repaid. The second tranche was fully repaid in 2010.

In 2005, the Group issued additional fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of US$200,000,000. The notes were issued in two fixed rate tranches of US$150,000,000 for 10 years at 7.44% per annum and US$50,000,000 for 7 years at 7.17% per annum. The proceeds were used to finance the acquisition of subsidiaries. The second tranche was fully repaid in 2012.

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

40. Share Capital

	2014 Number of shares	2013 Number of shares	**2014 US$'000**	2013 US$'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.

	2014 Number of shares	2013 Number of shares	**2014 US$'000**	2013 US$'000
Issued and fully paid:				
At the beginning of the year	**1,829,883,941**	1,829,080,941	**23,471**	23,461
Issue of shares upon exercise of share options	**2,328,000**	4,103,000	**1,408**	52
Buy-back of shares	**(865,000)**	(3,300,000)	**—**	(42)
Transfer of share premium and capital redemption reserve upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	**—**	—	**619,035**	—
At the end of the year	**1,831,346,941**	1,829,883,941	**643,914**	23,471

Note: In accordance with the transitional provisions set out in section 37 of schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

Details of the share options are set out in Note 48.

During the year, the Company bought back and cancelled its own shares through the Stock Exchange as follows:

Month of buy-back	**No. of ordinary shares**	**Price per share Highest** HK$	**Price per share Lowest** HK$	**Aggregate consideration paid** US$'000
September 2014	**285,000**	**21.80**	**20.80**	**779**
October 2014	**330,000**	**22.50**	**21.10**	**935**
November 2014	**150,000**	**24.15**	**24.00**	**467**
December 2014	**100,000**	**23.65**	**23.60**	**305**
	865,000			**2,486**

The consideration paid on the buy-back of shares of approximately US$2,486,000 was charged to retained profits.

41. Reserves

	Share premium US$'000	Capital redemption reserve US$'000	Shares held for share award scheme US$'000	Employee share-based compensation reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000
The Company							
At January 1, 2013	613,090	183	—	3,213	(1,254)	449,463	1,064,695
Loss for the year	—	—	—	—	—	(4,715)	(4,715)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	(2,470)	—	(2,470)
Other comprehensive loss for the year	—	—	—	—	(2,470)	—	(2,470)
Total comprehensive loss for the year	—	—	—	—	(2,470)	(4,715)	(7,185)
Shares issued at premium on exercise of options	4,473	—	—	(840)	—	—	3,633
Buy-back of shares	—	42	—	—	—	(7,158)	(7,116)
Recognition of equity settled share-based payments	—	—	—	366	—	—	366
Lapse of share options	—	—	—	(6)	—	6	—
Final dividend - 2012	—	—	—	—	—	(25,330)	(25,330)
Interim dividend - 2013	—	—	—	—	—	(23,554)	(23,554)
At December 31, 2013	617,563	225	—	2,733	(3,724)	388,712	1,005,509
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,242,198**	**1,242,198**
Fair value gain on foreign currency forward contracts in hedge accounting	**—**	**—**	**—**	**—**	**24,811**	**—**	**24,811**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**24,811**	**—**	**24,811**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**24,811**	**1,242,198**	**1,267,009**
Shares issued at premium on exercise of options	**1,247**	**—**	**—**	**(497)**	**—**	**—**	**750**
Buy-back of shares	**—**	**—**	**—**	**—**	**—**	**(2,486)**	**(2,486)**
Shares for share award scheme	**—**	**—**	**(2,441)**	**—**	**—**	**—**	**(2,441)**
Recognition of equity settled share-based payments	**—**	**—**	**—**	**1,718**	**—**	**—**	**1,718**
Final dividend - 2013	**—**	**—**	**—**	**—**	**—**	**(32,400)**	**(32,400)**
Interim dividend - 2014	**—**	**—**	**—**	**—**	**—**	**(29,458)**	**(29,458)**
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	**(618,810)**	**(225)**	**—**	**—**	**—**	**—**	**(619,035)**
At December 31, 2014	**—**	**—**	**(2,441)**	**3,954**	**21,087**	**1,566,566**	**1,589,166**

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).

As at December 31, 2014, the Company's reserves available for distribution to shareholders comprised the retained profits of US$1,566,566,000 (2013: US$388,712,000).

42. Retirement Benefit Obligations

Defined Contribution Plans:

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with maximum amount of HK$16,750 (2013: HK$15,000) per employee per annum, which contribution is matched by the employee.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group's overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

The total expense recognised in profit or loss of US$3,475,000 (2013: US$2,506,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined Benefits Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The defined benefit plan is administered by a separate fund that is legally separated from the Group. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. The major defined benefit plans are as follows:

	2014 **US$'000**	2013 US$'000
Pension plan obligations (Note i)	**87,027**	95,476
Post-retirement, medical and dental plan obligations (Note ii)	**220**	383
Life and medical insurance plan (Note ii)	**1,100**	1,549
Post-employment benefit plan obligations (Note iii)	**5,661**	7,694
Others	**5,399**	1,194
	99,407	106,296

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the employees are entitled to retirement benefits varying between 10% and 20% of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on October 20, 2014, by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

Note ii: Post-retirement, medical and dental plan obligations/Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on January 15, 2015 by Willis North America, Inc.

Note iii: Post-employment benefit plan obligations

The pension plan obligations are provided by Hoover Inc. for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on January 13, 2015 by CBIZ Benefits & Insurance Services.

42. Retirement Benefit Obligations *(continued)*

Defined Benefits Plans: *(continued)*

The plans in Germany and the US expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is reinsured by an external insurance company.

The main actuarial assumptions used were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Discount rate	**2.70%**	3.00%	**0.75%**	0.75%	**3.25%**	3.50%	**4.57%**	3.70%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**4.57%**	3.70%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%	**5.00%**	5.00%	**N/A**	N/A

The actuarial valuation showed that the market value of plan assets was US$7,445,000 (2013: US$4,489,000) and that the actuarial value of these assets represented 56.8% (2013: 36.8%) of the benefits that had accrued to members.

The effect of an increase of one percentage point in the assumed medical cost trend rate on the aggregate of the current service cost and interest cost; and the accumulated post-employment benefit obligations are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000
Current service cost and interest cost	**N/A**	N/A	**—**	—	**2**	3	**N/A**	N/A
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**2**	5	**72**	91	**N/A**	N/A

42. Retirement Benefit Obligations *(continued)*

Amounts recognised in comprehensive income in respect of the plans are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical Insurance plan		Post-employment benefit plan	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000
Service cost:								
Current service cost	**312**	348	**—**	—	**—**	—	**—**	—
Net interest on defined benefit liabilities	**2,397**	3,032	**2**	4	**52**	49	**351**	291
Components of defined benefit costs recognised in profit or loss	**2,709**	3,380	**2**	4	**52**	49	**351**	291
Remeasurement on the net defined benefit liability:								
Actuarial losses (gains) arising from changes in financial assumptions	**5,323**	10,033	**(134)**	(99)	**(437)**	(332)	**2,115**	(459)
Components of defined benefit costs recognised in other comprehensive income	**5,323**	10,033	**(134)**	(99)	**(437)**	(332)	**2,115**	(459)
Total	**8,032**	13,413	**(132)**	(95)	**(385)**	(283)	**2,466**	(168)

The charge for the year has been included in staff costs.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the major plans is as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000
Present value of funded obligations	**—**	—	**—**	—	**—**	—	**13,106**	12,183
Fair value of plan assets	**—**	—	**—**	—	**—**	—	**(7,445)**	(4,489)
	—	—	**—**	—	**—**	—	**5,661**	7,694
Present value of unfunded obligations	**87,027**	95,476	**220**	383	**1,100**	1,549	**—**	—
	87,027	95,476	**220**	383	**1,100**	1,549	**5,661**	7,694

42. Retirement Benefit Obligations *(continued)*

Movements in the present value of the defined benefit obligations in the current year in respect of major plans were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000
At January 1	**95,476**	82,588	**383**	602	**1,549**	1,861	**12,183**	13,700
Exchange differences	**(11,846)**	4,203	**—**	—	**—**	—	**—**	—
Current service cost	**312**	348	**—**	—	**—**	—	**—**	—
Actuarial losses (gains)	**5,323**	10,033	**(134)**	(99)	**(437)**	(332)	**1,938**	(657)
Interest cost	**2,397**	3,032	**2**	4	**52**	49	**526**	482
Benefit paid	**(4,635)**	(4,728)	**(31)**	(124)	**(64)**	(29)	**(1,541)**	(1,342)
At December 31	**87,027**	95,476	**220**	383	**1,100**	1,549	**13,106**	12,183

Movements in the fair value of the plan assets in the current year in respect of certain major plans were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000	**2014 US$'000**	2013 US$'000
At January 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**4,489**	5,838
Exchange differences	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	—
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**175**	191
Actuarial losses	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(177)**	(198)
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**4,500**	—
Benefit paid	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(1,542)**	(1,342)
At December 31	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**7,445**	4,489

The plan assets of the post-employment benefit plan are cash and cash equivalents in a Federated Money Market Fund with an expected return of 4.57% (2013: 3.70%).

The actual return on plan assets was US$177,000 (2013: US$198,000).

Significant actuarial assumptions for the determination of the defined obligation is discount rate, if the discount rate is 100 basis points higher (lower), the effect on defined benefit obligation would be immaterial.

The Group expects to make a contribution of nil (2013: US$4,500,000) to the defined benefit plans during the next financial year.

43. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation US$'000	Warranty provision US$'000	Employee related provision US$'000	Tax losses US$'000	Inventory provision and LIFO US$'000	Others US$'000	Total US$'000
The Group							
At January 1, 2013	(1,603)	3,377	25,242	53,704	1,448	(23,953)	58,215
Currency realignment	(45)	(164)	(83)	485	(22)	(330)	(159)
(Charge) credit to profit or loss	(251)	942	4,376	(14,442)	3,716	20,504	14,845
Credit to equity	—	—	3,325	—	—	—	3,325
Acquisition of businesses	—	—	—	—	—	(3,437)	(3,437)
At December 31, 2013	(1,899)	4,155	32,860	39,747	5,142	(7,216)	72,789
Currency realignment	**37**	**(173)**	**(212)**	**(323)**	**(64)**	**(266)**	**(1,001)**
Credit (charge) to profit or loss	**5,685**	**2,274**	**3,311**	**7,695**	**3,205**	**(12,360)**	**9,810**
Credit (charge) to equity	**—**	**—**	**2,282**	**—**	**—**	**(1,334)**	**948**
At December 31, 2014	**3,823**	**6,256**	**38,241**	**47,119**	**8,283**	**(21,176)**	**82,546**

	Tax loss US$'000	Accelerated tax depreciation US$'000	Total US$'000
The Company			
At January 1, 2013	178	(178)	—
(Charge) credit to profit or loss	(48)	48	—
At December 31, 2013	130	(130)	—
Credit (charge) to profit or loss	**313**	**(313)**	**—**
At December 31, 2014	**443**	**(443)**	**—**

Note: Included in Others are the deferred tax impact of the restructuring provision, intellectual properties and other temporary differences.

43. Deferred Tax Assets (Liabilities) *(continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group	
	2014 US$'000	2013 US$'000
Deferred tax assets	**86,911**	79,064
Deferred tax liabilities	**(4,365)**	(6,275)
	82,546	72,789

At the end of the reporting period, the Group has unused tax losses of US$532 million (2013: US$553 million) available for the offset against future taxable profits that carry forward for at least fourteen years. No deferred tax asset has been recognised in respect of tax losses of US$409 million (2013: US$413 million) due to the lack of probable future taxable profits.

44. 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.

	Fair value US$'000
Net Assets Acquired	
Property, plant and equipment	**3,566**
Intangible assets	**10,168**
Inventories	**10,441**
Trade and other receivables, deposits and prepayments	**8,693**
Bank balances and cash	**418**
Trade and other payables	**(6,423)**
Warranty provision	**(300)**
	26,563
Goodwill arising on acquisition of businesses	**24,012**
Total consideration	**50,575**
Net cash outflow arising on acquisition:	
Total consideration	**50,575**
Less: Purchase consideration payable (due in January 2015)	**(2,006)**
Bank balances and cash acquired	**(418)**
Net outflow of cash and cash equivalents in respect of the acquisition of businesses	**48,151**

44. Acquisition of Businesses *(continued)*

Intangible assets of US$10.2 million and goodwill of US$24.0 million arose on the acquisitions of Index, Empire and Kottmann's business from trademarks, patents, deferred development cost, 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 insignificance and have been excluded from the consideration transferred and have been recognised as an expense in the current year.

The businesses acquired contributed approximately US$27,697,000 to the Group's turnover, and approximately US$576,000 increase in the Group's profit before taxation for the period between the respective dates of acquisition and the reporting date as at December 31, 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 annual reporting period is not presented as it was impracticable to obtain various values in various acquiree's operations prior to the acquisition.

45. Major Non-Cash Transactions

During the year ended December 31, 2014, the Group entered into finance lease arrangements in respect of assets at the inception of the finance leases of US$10,395,000 (2013: nil).

46. Lease Commitments

At the end of the reporting period, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Within one year	**46,795**	31,635	**780**	780
In the second to fifth year inclusive	**109,589**	55,989	**—**	—
After five years	**51,257**	26,989	**—**	—
	207,641	114,613	**780**	780

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery, motor vehicles, office properties and other assets. Leases are negotiated for a term ranging from 1 year to 17 years.

47. Contingent Liabilities

	The Group		The Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**8,877**	9,099	**8,877**	9,099

In addition, the Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries as at December 31, 2014 amounted to US$294,911,000 (2013: US$344,076,000).

48. Share Options

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors or officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

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

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

48. Share Options *(continued)*

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

2014

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	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	(1,250,000)	—	8,700,000		

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	24.8.2007	D	980,000	—	(150,000)	—	830,000	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	—	(13,000)	—	505,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	575,000	—	(175,000)	—	400,000	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	—	(540,000)	—	1,680,000	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	—	(1,078,000)	—	4,355,000		
Total for all categories			12,153,000	3,230,000	(2,328,000)	—	13,055,000		

48. Share Options *(continued)*

2013

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	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
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	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 - 15.11.2019
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	—	—	1,000,000	8.742	21.5.2012 - 20.5.2022
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	(600,000)	—	—	6.770	16.11.2009 - 15.11.2019
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	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 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	400,000	—	(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			8,720,000	—	(2,000,000)	—	6,720,000		

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Employees	24.8.2007	D	1,180,000	—	(200,000)	—	980,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	75,000	—	(15,000)	—	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	605,000	—	(87,000)	—	518,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	775,000	—	(175,000)	(25,000)	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	426,000	—	(76,000)	—	350,000	7.546	30.5.2008 - 29.5.2018
	11.9.2008	D	50,000	—	(50,000)	—	—	7.430	11.9.2008 - 10.9.2018
	1.12.2008	D	100,000	—	(100,000)	—	—	2.340	1.12.2008 - 30.11.2018
	16.11.2009	D	3,570,000	—	(1,350,000)	—	2,220,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 - 6.12.2019
	21.12.2009	D	50,000	—	(50,000)	—	—	6.350	21.12.2009 - 20.12.2019
	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			7,561,000	—	(2,103,000)	(25,000)	5,433,000		
Total for all categories			16,281,000	—	(4,103,000)	(25,000)	12,153,000		

48. Share Options *(continued)*

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	Outstanding at January 1, 2014	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2014
Scheme D	**12,153,000**	**3,230,000**	**(2,328,000)**	**—**	**13,055,000**
	12,153,000	**3,230,000**	**(2,328,000)**	**—**	**13,055,000**
Exercisable at the end of the year					**9,825,000**

Option type	Outstanding at January 1, 2013	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2013
Scheme D	16,281,000	—	(4,103,000)	(25,000)	12,153,000
	16,281,000	—	(4,103,000)	(25,000)	12,153,000
Exercisable at the end of the year					10,743,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2014	**6,720,000**	**3,230,000**	**(1,250,000)**	**—**	**8,700,000**

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2013	8,720,000	—	(2,000,000)	—	6,720,000

48. Share Options *(continued)*

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the year ended December 31, 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 the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing prices of shares immediately before the options grant date during 2014 was HK$20.40.

The closing price of the Company's shares immediately before date of grant was HK$20.40 in 2014.

The weighted average closing prices of the Company's shares immediately before various dates during 2014 and 2013 on which the share options were exercised were HK$24.59 and HK$18.22 respectively.

The Group recognised a total expense of US$1,436,000 for the year ended December 31, 2014 (2013: US$366,000) in relation to share options granted by the Company.

The fair value of the share options granted in 2014 measured at date of grant was HK$5.56 per option.

The Company had 13,055,000 share options outstanding, which represented approximately 0.71% of the issued share capital of the Company as at December 31, 2014. No option was cancelled during the year.

49. Share Award Scheme

The purpose of the share award scheme is to recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the Board of Directors on January 9, 2008. The Board may from time to time at their absolute discretion select any eligible person for participation in the scheme as a selected grantee and determine the number of shares to be awarded or make reference to a nominal amount. The Board must cause to be paid to the trustee the purchase price and the related expenses. The trustee must either purchase shares from the market or subscribe for new shares. The trustee must hold the shares until they are vested in accordance with the scheme rules. When the selected grantee has satisfied all vesting conditions specified by the board at the time of making the award and become entitled to the shares forming the subject of the award, the trustee will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the selected grantee.

An award of shares automatically lapses when, (i) a selected grantee who is an employee ceases to be an employee; or (ii) the subsidiary by which a selected grantee is employed ceases to be a subsidiary of the Company (or of a member of the Group); or (iii) a selected grantee who is a Director of the Company or a subsidiary ceases to be a director of the same; or (iv) an order for the winding-up of the Company is made or a resolution is passed (otherwise than for certain purposes) for the voluntary winding-up of the Company, and, in any such case, the award, unless the Board otherwise agrees, automatically lapses forthwith and all the awarded shares and related income of such award do not vest on the relevant vesting date but become returned shares for the purpose of the scheme.

Recognition of share-based payment expenses under share award scheme during the year was US$282,000 (2013: nil). During 2014, no shares (2013: nil) were transferred to the awardees upon vesting.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

	Number
At January 1, 2013 and December 31, 2013	—
Awarded (Note (a))	824,000
At December 31, 2014 (Note (b))	**824,000**

Notes:

(a) All the awarded shares are purchased from the market. The vesting schedule of the awarded share spans three years, and one third of the grant vests each year.

(b) At the end of the year, the average fair value per share is HK$23.02. The average fair value of the awarded shares is based on the average purchase cost.

(ii) The remaining vesting periods of the awarded shares outstanding are as follows:

	2014 Number of awarded shares
Less than 1 year	**274,500**
More than 1 year	**549,500**
	824,000

50. Capital Commitments

	The Group		The Company	
	2014 **US$'000**	2013 US$'000	**2014** **US$'000**	2013 US$'000
Capital expenditure in respect of the purchase of property, plant and equipment:				
Contracted for but not provided	**9,077**	17,613	**27**	27
Authorised but not contracted for	**2,851**	1,134	**—**	—

51. Related Party Transactions

During the year, the Group entered into the following transactions with its associates, which did not constitute connected transactions under Chapter 14A of the Listing Rules:

	2014 **US$'000**	2013 US$'000
Sales income	**10,316**	4,730
Purchases	**37**	858
Acquisition of certain assets and business	**—**	4,621
Tenancy compensation	**—**	2,000

The remuneration of directors and other members of key management during the year was as follows:

	2014 **US$'000**	2013 US$'000
Short-term benefits	**42,844**	34,377
Post-employment benefits	**348**	214
Share-based payments	**1,718**	365
	44,910	34,956

Details of the balances and transactions with related parties are set out in the statements of financial position and Notes 21, 22, 27, 28 and 47.

52. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2014 and December 31, 2013 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
AC (Macao Commercial Offshore) Limited	Macau	MOP 780,000	—	100	Trading of power equipment, floor care and outdoor power equipment products
Baja, Inc.	US	US$ 17.36	—	100	Trading of outdoor power equipment products
DreBo Werkzeugfabrik GmbH *	Germany	EUR 1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Consumer Products, Inc.	US	US$ 10	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	US$ 1	—	100	Trading and manufacture of floor care products
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK$ 100,000	100	—	Trading of household electronic and electrical products
Milwaukee Electric Tool Corporation	US	US$ 50,000,000	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	US	US$ 10	—	100	Trading of power equipment products
Royal Appliance International GmbH	Germany	EUR 2,050,000	100	—	Trading of floor care products
Royal Appliance Mfg. Co.	US	US$ 1	—	100	Trading and manufacture of floor care products
Sang Tech Industries Limited	Hong Kong	HK$ 1,000,000	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK$ 2,000,000	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HK$ 2,000,000	75.725	—	Manufacture of electronic products

52. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Floor Care Technology Limited	BVI	US$ 1	100	—	Investment and intellectual properties holding
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	US$ 47,000,000	—	100	Manufacture of power equipment, floor care and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NTD 5,000,000	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd	United Kingdom	GBP 4,000,000	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD 25,575,762	—	100	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR 25,600	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR 25,000	—	100	Trading of power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR 14,919,832	—	100	Trading of power equipment products
Techtronic Industries GmbH	Germany	EUR 20,452,500	—	100	Trading and manufacture of power equipment products
Techtronic Industries Korea Limited	Korea	KRW 1,200,000,000	100	—	Trading of power equipment products
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN 50,000 (Serie I) MXN53,290,717 (Serie II)	—	100	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries N.Z. Limited	New Zealand	NZD 4,165,500	100	—	Trading of power equipment, floor care and outdoor power equipment products

52. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Industries North America, Inc.	US	US$ 10	98.4	1.6	Investment holding
Techtronic Outdoor Products Technology Limited	Bermuda	US$ 12,000	100	—	Investment and intellectual properties holding
Techtronic Power Tools Technology Limited	BVI	US$ 1	100	—	Investment and intellectual properties holding
Techtronic Product Development Limited	Hong Kong	HK$ 2	100	—	Engage in research & development activities
Techtronic Trading Limited	Hong Kong	HK$ 2	100	—	Trading of power equipment, floor care and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$ 2	100	—	Investment holding
Vax Limited	United Kingdom	GBP 30,000 (Ordinary A shares) GBP 2,500 (Ordinary B shares)	100	—	Trading of household electrical and floor care products

* Exempt from the obligation to publish local financial statements.

A wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

52. Particulars of Principal Subsidiaries *(continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/2014	31/12/2013
Manufacture of power equipment, floor care and outdoor power equipment products	Europe, Latin America, PRC, US	**6**	6
Trading of power equipment, floor care and other power equipment product	Canada, Europe, HK, Latin America, PRC, US	**32**	30
Investment Holding	Australia, BVI, Europe, HK, US	**20**	20
Dormant	BVI, Europe, HK, US	**14**	13

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

53. Particulars of Principal Associate

Particulars of the principal associate is as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company directly		Principal activities
			2014 %	2013 %	
Gimelli International (Holdings) Limited	The Cayman Islands	US$ 6,250	**40.8**	40.8	Investment holding

Financial Summary

Results

	Year ended December 31,				
	2010 US$'000 (Restated)	2011 US$'000 (Restated)	2012 US$'000	2013 US$'000	**2014** **US$'000**
Turnover	3,382,838	3,667,058	3,852,418	4,299,755	**4,752,960**
Profit before restructuring, share of results of associates and taxation	123,165	161,704	222,246	276,398	**325,159**
Restructuring costs	(26,653)	—	—	—	**—**
Share of results of associates	(155)	(347)	—	—	**—**
Profit before taxation	96,357	161,357	222,246	276,398	**325,159**
Taxation (charge) credit	70	(9,242)	(22,139)	(29,036)	**(25,680)**
Profit for the year	96,427	152,115	200,107	247,362	**299,479**
Attributable to:					
Owners of the Company	95,556	152,009	200,991	250,284	**300,330**
Non-controlling interests	871	106	(884)	(2,922)	**(851)**
Profit for the year	96,427	152,115	200,107	247,362	**299,479**
Basic earnings per share (US cents)	5.97	9.47	11.42	13.68	**16.41**

Assets and Liabilities

	Year ended December 31,				
	2010 US$'000	2011 US$'000	2012 US$'000	2013 US$'000	**2014** **US$'000**
Total assets	3,265,912	3,369,616	3,581,078	4,012,559	**4,351,383**
Total liabilities	2,136,205	2,115,488	2,024,556	2,267,123	**2,384,357**
	1,129,707	1,254,128	1,556,522	1,745,436	**1,967,026**
Equity attributable to Owners of the Company	1,114,759	1,245,576	1,548,877	1,740,713	**1,967,153**
Non-controlling interests	14,948	8,552	7,645	4,723	**(127)**
	1,129,707	1,254,128	1,556,522	1,745,436	**1,967,026**

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 2015

March 18	: Announcement of 2014 annual results
May 20	: Last day to register for the entitlement to attend and vote at Annual General Meeting
May 21-22	: Book closure period for the entitlement to attend and vote at Annual General Meeting
May 22	: Annual General Meeting
May 28	: Last day to register for 2014 final dividend
May 29	: Book closure for 2014 final dividend
June 26	: Final dividend payment
June 30	: Six months interim period end
December 31	: Financial year end

Investor Relations Contact

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Website

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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

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