



Techtronic Industries



Interim Report 2015

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.

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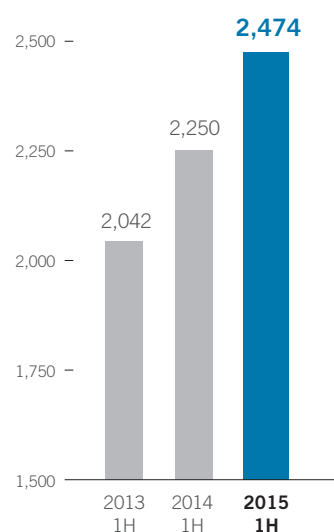
Financial Highlights

	2015 US\$' million	2014 US\$' million	Changes %
Revenue	2,474	2,250	+10.0
Gross profit margin	35.6%	35.0%	+60 bpt
EBIT	181	162	+12.1
Profit attributable to Owners of the Company	159	136	+16.5
EPS (US cents)	8.67	7.45	+16.4
Interim dividend per share (approx. US cents)	2.06	1.61	+28.0

- Revenue increased 10.0% to a record US\$2.5 billion
- Gross margin improved for the seventh consecutive reporting period by 60 basis points to 35.6%
- Net profit increased by 16.5%, delivering double-digit growth for a sixth consecutive reporting period
- Our Milwaukee Tool business continues to take substantial market share with a sales increase of 24.4%

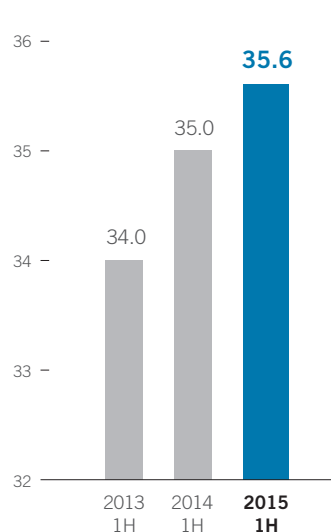
Revenue

US\$m



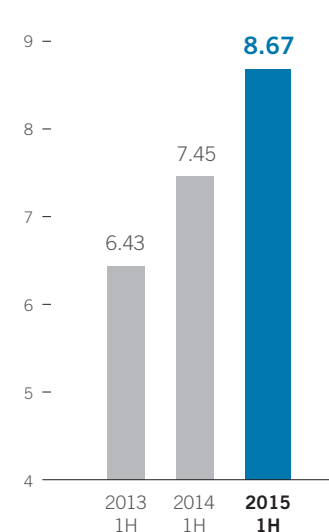
Gross Profit Margin

%



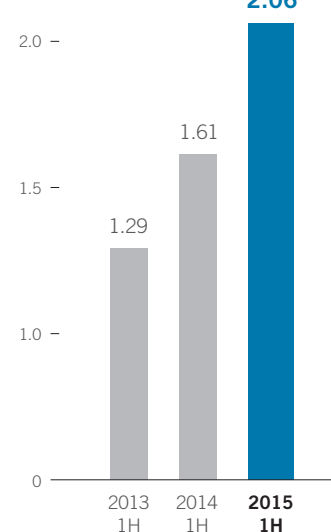
Basic Earnings per Share

US cents



Interim Dividend per Share

US cents



Management's Discussion and Analysis

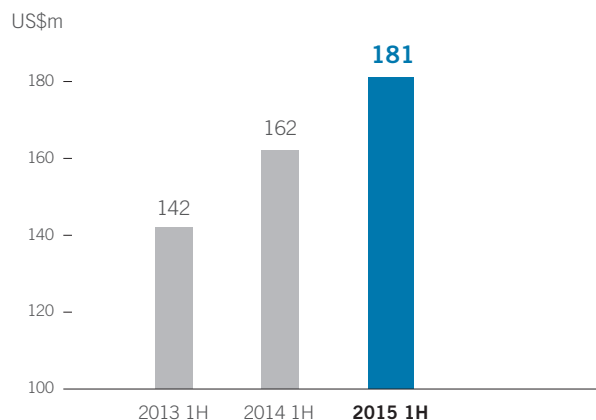
Record Performance

In the first half of 2015, TTI delivered record results with double-digit growth in revenue, gross profit and net income. Profit margins continued to improve with revenues increasing by 10.0% or 14.4% when excluding the effect of foreign currency exchange. All regions delivered impressive organic growth, demonstrating the company's ability to capture market share through innovation. The Power Equipment segment, comprising 79.1% of the Group's revenue, generated double-digit sales growth of 16.7%, outpacing the power tool industry with our Milwaukee Tool business recording a 24.4% increase in global sales. The Consumer Power Tools and Outdoor Products businesses showed strong momentum also delivering double-digit increases in sales. Accounting for one-fifth of the Group's revenue, the Floor Care and Appliance division continued to grow in the cordless product category although the overall division was down by 9.7%, primarily due to a mandated European Union (EU) Energy Labeling Directive and the strategic exit of our low margin OEM businesses. We view this as episodic and the business will resume its normal course in the years to come.

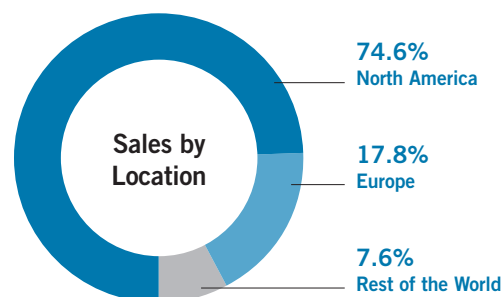
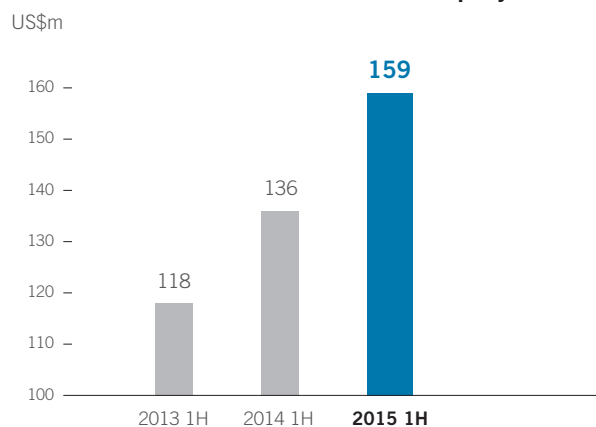
The Group's strong first half results reflect the continued success of our strategy to bring to market exciting new products with cutting-edge technology such as our industry-leading lithium cordless platforms, powerful brands built on in-depth understanding of customer needs, loyalty from end-users, and consistent commitment to continued improvements in operational efficiency.

Our focus on driving the gross margin to new levels, has yielded the seventh consecutive reporting period of gross margin improvement. The relentless efforts on manufacturing productivity, global purchasing programs, and ongoing initiatives to boost supply chain efficiency, combined with the impact from our high margin new product stream and volume leverage resulted in a 60 basis point improvement in gross margin to 35.6%. Investments in R&D, geographic expansion and marketing programs have driven the flow of new and innovative products, increasing our distribution reach. Our EBIT increased by 12.1% and net profit attributable to shareholders reached US\$159 million, which is a 16.5% expansion. Basic earnings per share increased 16.4% to 8.67 US cents.

EBIT



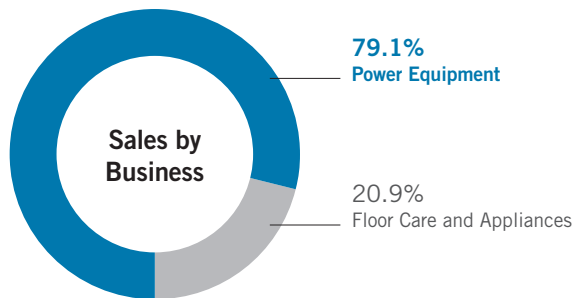
Profit Attributable to Owners of the Company



Business Review

Power Equipment

The Power Equipment business had a strong first half delivering US\$1,958 million in revenue, a 16.7% increase compared with the same period in 2014, accounting for 79.1% of the Group's revenue.



Industrial

Our Milwaukee Tool business delivered another exceptional first half growing 24.4% globally with double-digit sales across all regions. We continue to take market share with a consistent flow of innovative new products, implementation of targeted end-user initiatives and a focus on operational excellence.

The MILWAUKEE M12 and M18 lithium cordless power tool platforms continued to penetrate global markets and were supported by a number of innovative new product additions. The brand's disruptive FUEL technology franchise was fortified with the introduction of breakthrough products such as the industry's first sub-compact 12 volt brushless circular saw. FUEL technology continues to receive an extremely positive response from end users and distribution channels throughout our global markets. Powered by industry-leading technology, the MILWAUKEE brand continues to accelerate professional and industrial users' transition from traditional corded tools to lithium cordless power tools. The introduction of the M18 compact brushless drill driver, hammer drill driver and impact drivers strengthened the MILWAUKEE brand's position among the cordless drilling and driving solutions segment. In the second half of the year, an extensive flow of additional M18 cordless products will be released to bolster our industrial product and productivity solutions offerings.

Our MILWAUKEE brand continues to grow in the power tool accessory business by bringing to market new products that offer productivity enhancing solutions to end-users. We introduced HOLE DOZER bi-metal hole saws, providing end users with high-performance hole-cutting solutions engineered to withstand the extreme conditions of jobsites. In addition, the new MILWAUKEE adjustable hole saw reinforces the brand's position as a leading solutions provider for challenging electrical and plumbing installations.

Management's Discussion and Analysis

We strengthened our hand tool business with the introduction of an innovative line of lightweight and compact pliers, storage products that deliver game-changing user-focused solutions, and tape measures with longer-lasting blade life. Continued development of the tape measure business has resulted in double-digit market share gains in targeted markets.

We invested in the expansion of our layout and measurement business through EMPIRE levels, which is receiving strong commercial support throughout the U.S. and Canada, and continued expansion across global markets. In addition, operational enhancements within our hand tool business have resulted in significant productivity gains while setting the stage for rapid and sustained growth.

Consumer Power Tools

We recorded substantial gains in our Consumer Power Tools business delivering double-digit organic growth across North America, Europe ("EMEA"), and Australia and New Zealand ("ANZ"). RYOBI is the number one do-it-yourself ("DIY") power tools brand in the world and is based on our flagship 18V ONE+ SYSTEM platform. To build on the leadership position of the ONE+ brand, we continue to expand the system through innovative products with industry-leading technological improvements such as the new 5.0ah lithium battery pack. The ONE+ brand is generating customer loyalty with backward compatible new batteries and tools that work with all previous RYOBI 18V ONE+ tools and batteries.

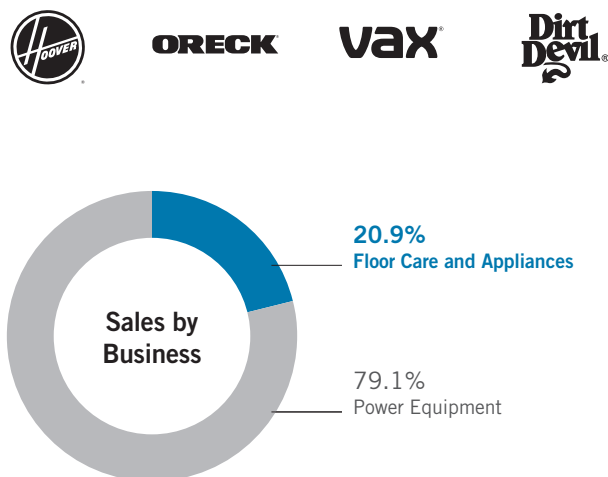
The AEG tradesman brand delivered exceptional growth in EMEA and ANZ. The brand gained traction with a further expansion of the 18V lithium cordless range that has best-in-class features and industry leading lithium technology including the recently launched brushless motor technology.

Outdoor Products

The Outdoor Products business achieved outstanding double-digit growth across the North American, EMEA and ANZ markets. This growth was the result of favorable weather conditions and an exciting range of new products. We are leading the industry's transition to lithium cordless outdoor tools with new products additions to the RYOBI lithium cordless platforms. By driving the benefits of lithium cordless-powered outdoor products, the highly successful RYOBI 18V ONE+ SYSTEM platform and 40V programs generated robust sales and delivered share gains in key markets. In the traditional corded and gas product categories, a number of new additions such as the RYOBI electric pressure washers, RYOBI full crank gas trimmers, and RYOBI gas powered 2800PSI pressure washer contributed to overall business growth. Positive momentum was generated by product marketing events, product training for our retail partners and promotional marketing campaigns.

Floor Care and Appliances

Floor Care and Appliances, accounting for 20.9% of the Group's revenue, declined 9.7% to US\$516 million in the first half of 2015.



As part of our continued focus on building strong brands, we are by design strategically exiting our low margin OEM appliance businesses, which had a significant impact to the revenue decline in this segment. In addition, we underestimated the EMEA sales impact of complying with the EU Energy Labeling Directive. This resulted in higher than expected engineering costs and an oversupply of legacy products in the channel. Fortunately, the episodic impact on our business is behind us and we will be on track for growth in the years to come. On a positive note, our European cordless program is flourishing and holds great promise for the floor care business.

Our North American business exceeded overall industry growth driven by the HOOVER brand at key mass retailers and with our commercial cleaning partners using the HOOVER and ORECK commercial brands. Category share gains were achieved with the expansion of our HOOVER cordless cleaning line of products that are powered by leveraging TTI's lithium cordless technology. We are driving demand for cordless cleaning with the introduction of two revolutionary products including the industry's first cordless upright cleaner with a detachable "lift off" canister and the first cordless hard floor cleaner designed on our market-leading FLOORMATE platform. The ORECK brand generated solid double-digit growth with continued partner store expansion and new product introductions. In addition, our commercial HOOVER brand launched a new innovative platform of products that features industry-leading performance and new HUSHTONE technology, which enables high-performance, quiet cleaning for noise-sensitive commercial environments such as offices, hotels and hospitals.

Outlook

TTI is firmly positioned to build on the positive momentum generated by our businesses and we are confident that we will sustain solid organic growth in the second half of the year. At the core of our successful business is a sophisticated product development process that aims to solve end-user needs. Our innovative products, powerful brands, and relentless efforts to pursue operational excellence have set a solid foundation for delivering exceptional organic sales growth and ongoing positive financial performance. We remain focused on propelling our business forward through investments in product development, marketing, and geographic expansion. Our ongoing commitment in these areas will continue to deliver value to support robust business growth and meet financial objectives.

Financial Review

Financial Results

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

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

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

Result Analysis

Gross Margin

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

Operating Expenses

Total operating expenses for the period amounted to US\$703 million as compared to US\$627 million reported for the same period last year, representing 28.4% of revenue (2014: 27.9%). The increase was mainly due to the strategic spent on advertising and promotion on new products, particularly for the Floor Care division.

Investment in product design and development amounted to US\$66 million (2014: US\$57 million), representing 2.6% of revenue (2014: 2.5%), reflecting our continuous strive for innovation. We will continue to invest to create breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

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

Effective tax rate for the period was maintained at 8.5% as compared to the same period last year. The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$2.0 billion, an increase of 4.2% as compared to December 31, 2014. Book value per share was US\$1.12 as compared to US\$1.07 at December 31, 2014, an increase of 4.7%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2015, the Group's cash and cash equivalents amounted to US\$725 million (US\$690 million at December 31, 2014) after the payment of US\$44.8 million dividend during the period (US\$32.4 million in first half 2014), of which 44.7%, 34.8%, 8.7%, and 11.8% were denominated in RMB, US\$, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 17.7% as compared to 22.8% as at June 30, 2014. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing will remain low going forward.

Bank Borrowings

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

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

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

Working Capital

Total inventory was at US\$1,131 million as compared to US\$1,025 million as at June 30, 2014. The number of days inventory was maintained at 83 days as compared to the same period last year. When compared to the year end level, inventory at the end of the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year and to maintain the high service quality level to customers having taken into consideration of our sales momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 63 days as compared to 69 days as at June 30, 2014. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 58 days as compared to 62 days as at June 30, 2014. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

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

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

Capital Expenditure

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

Capital Commitment and Contingent Liability

As at June 30, 2015, total capital commitments amounted to US\$14 million (2014: US\$19 million), and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

Human Resources

The Group employed a total of 20,964 employees (20,355 employees as at June 30, 2014) in Hong Kong and overseas. Total staff cost for the period under review amounted to US\$367 million as compared to US\$336 million in the same period last year.

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

Interim Dividend

The Directors have resolved to declare an interim dividend of HK16.00 cents (approximately US2.06 cents) (2014: HK12.50 cents (approximately US1.61 cents)) per share for the six months period ended June 30, 2015. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 7, 2015. It is expected that the interim dividend will be paid on or about September 25, 2015.

Closure of Register of Members

The register of members of the Company will be closed on September 7, 2015 when no transfers of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 4, 2015.

Report on Review of Condensed Consolidated Financial Statements



To the Board of Directors of
Techtronic Industries Company Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Techtronic Industries Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 9 to 19, which comprise the condensed consolidated statement of financial position as of June 30, 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong
August 19, 2015

Condensed Consolidated Financial Statements

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

For the six months period ended June 30, 2015

	Notes	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
Revenue	3	2,474,009	2,249,941
Cost of sales		(1,592,644)	(1,463,108)
Gross profit		881,365	786,833
Other income		2,145	1,213
Interest income		5,580	7,953
Selling, distribution, advertising and warranty expenses		(358,914)	(319,020)
Administrative expenses		(278,105)	(251,473)
Research and development costs		(65,529)	(56,703)
Finance costs		(13,169)	(20,582)
Profit before taxation		173,373	148,221
Taxation charge	4	(14,737)	(12,599)
Profit for the period	5	158,636	135,622
Other comprehensive loss:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		(5,434)	(5,059)
Items that may be subsequently reclassified to profit or loss:			
Fair value loss on foreign currency forward contracts in hedge accounting		(13,914)	(15,892)
Exchange differences on translation of foreign operations		(14,328)	(7,376)
Other comprehensive loss for the period		(33,676)	(28,327)
Total comprehensive income for the period		124,960	107,295
Profit for the period attributable to:			
Owners of the Company		158,693	136,274
Non-controlling interests		(57)	(652)
		158,636	135,622
Total comprehensive income attributable to:			
Owners of the Company		125,017	107,947
Non-controlling interests		(57)	(652)
		124,960	107,295
Earnings per share (US cents)	7		
Basic		8.67	7.45
Diluted		8.64	7.41

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2015

	Notes	June 30 2015 US\$'000 (Unaudited)	December 31 2014 US\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8 & 16	507,113	425,366
Lease prepayments		34,498	34,706
Goodwill		552,723	554,137
Intangible assets	8	507,838	496,082
Interests in associates		6,553	6,515
Available-for-sale investments		505	509
Derivative financial instruments		11,635	11,635
Deferred tax assets		90,027	86,911
		1,710,892	1,615,861
Current assets			
Inventories		1,130,883	1,056,329
Trade and other receivables	9	892,389	819,951
Deposits and prepayments		120,560	85,967
Bills receivable	9	30,852	31,600
Tax recoverable		12,797	6,448
Trade receivables from an associate	10	2,260	4,011
Derivative financial instruments		25,697	39,666
Held-for-trading investments		1,207	1,155
Bank balances, deposits and cash		725,153	690,395
		2,941,798	2,735,522
Current liabilities			
Trade and other payables	11	1,145,357	1,135,530
Bills payable	11	35,256	46,845
Warranty provision		69,215	65,819
Tax payable		78,432	57,945
Derivative financial instruments		8,148	11,499
Obligations under finance leases – due within one year		2,348	2,277
Discounted bills with recourse		94,976	72,652
Unsecured borrowings – due within one year	12	652,760	552,048
Bank overdrafts		5,674	2,619
		2,092,166	1,947,234
Net current assets		849,632	788,288
Total assets less current liabilities		2,560,524	2,404,149

	Notes	June 30 2015 US\$'000 (Unaudited)	December 31 2014 US\$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	13	644,895	643,914
Reserves		1,404,538	1,323,239
Equity attributable to Owners of the Company		2,049,433	1,967,153
Non-controlling interests		(184)	(127)
Total equity		2,049,249	1,967,026
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		9,941	11,135
Unsecured borrowings – due after one year	12	397,695	322,216
Retirement benefit obligations		100,207	99,407
Deferred tax liabilities		3,432	4,365
		511,275	437,123
Total equity and non-current liabilities		2,560,524	2,404,149

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended June 30, 2015

	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 re-measurement reserve US\$'000	Hedging reserve US\$'000	Retained profits US\$'000	Total US\$'000		Share of net assets of subsidiaries US\$'000
At January 1, 2014 (audited)	23,471	617,563	225	—	379	2,733	1,356	(1,153)	1,096,139	1,740,713	4,723	1,745,436
Profit (loss) for the period	—	—	—	—	—	—	—	—	136,274	136,274	(652)	135,622
Remeasurement of defined benefit obligations	—	—	—	—	—	—	(5,059)	—	—	(5,059)	—	(5,059)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	(15,892)	—	(15,892)	—	(15,892)
Exchange differences on translation of foreign operations	—	—	—	—	(7,376)	—	—	—	—	(7,376)	—	(7,376)
Other comprehensive loss for the period	—	—	—	—	(7,376)	—	(5,059)	(15,892)	—	(28,327)	—	(28,327)
Total comprehensive (loss) income for the period	—	—	—	—	(7,376)	—	(5,059)	(15,892)	136,274	107,947	(652)	107,295
Shares issued at premium on exercise of options	14	1,247	—	—	—	(237)	—	—	—	1,024	—	1,024
Recognition of equity-settled share-based payments	—	—	—	—	—	562	—	—	—	562	—	562
Final dividend – 2013	—	—	—	—	—	—	—	—	(32,400)	(32,400)	—	(32,400)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	619,035	(618,810)	(225)	—	—	—	—	—	—	—	—	—
At June 30, 2014 (unaudited)	642,520	—	—	—	(6,997)	3,058	(3,703)	(17,045)	1,200,013	1,817,846	4,071	1,821,917
Profit (loss) for the period	—	—	—	—	—	—	—	—	164,056	164,056	(199)	163,857
Remeasurement of defined benefit obligations	—	—	—	—	—	—	—	—	—	(1,808)	—	(1,808)
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	37,454	—	37,454	—	37,454
Exchange differences on translation of foreign operations	—	—	—	—	(19,248)	—	—	—	—	(19,248)	—	(19,248)
Other comprehensive (loss) income for the period	—	—	—	—	(19,248)	—	(1,808)	37,454	—	16,398	—	16,398
Total comprehensive income (loss) for the period	—	—	—	—	(19,248)	—	(1,808)	37,454	164,056	180,454	(199)	180,255
Shares issued at premium on exercise of options	1,394	—	—	—	—	(260)	—	—	—	1,134	—	1,134
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	—	—	—	—	—	1,156	—	—	—	1,156	—	1,156
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)
Interim dividend - 2014	—	—	—	—	—	—	—	—	(29,458)	(29,458)	(3,999)	(33,457)
At December 31, 2014 and January 1, 2015 (audited)	643,914	—	—	(2,441)	(26,245)	3,954	(3,229)	19,075	1,332,125	1,967,153	(127)	1,967,026
Profit (loss) for the period	—	—	—	—	—	—	—	—	158,693	158,693	(57)	158,636
Remeasurement of defined benefit obligations	—	—	—	—	—	—	—	—	—	(5,434)	—	(5,434)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	—	—	(13,914)	—	(13,914)	—	(13,914)
Exchange differences on translation of foreign operations	—	—	—	—	(14,328)	—	—	—	—	(14,328)	—	(14,328)
Other comprehensive loss for the period	—	—	—	—	(14,328)	—	(5,434)	(13,914)	—	(33,676)	—	(33,676)
Total comprehensive income (loss) for the period	—	—	—	—	(14,328)	—	(5,434)	(13,914)	158,693	125,017	(57)	124,960
Shares issued at premium on exercise of options	981	—	—	—	—	(192)	—	—	—	789	—	789
Recognition of equity-settled share-based payments	—	—	—	—	—	1,273	—	—	—	1,273	—	1,273
Final dividend – 2014	—	—	—	—	—	—	—	—	(44,799)	(44,799)	—	(44,799)
At June 30, 2015 (unaudited)	644,895	—	—	(2,441)	(40,573)	5,035	(8,663)	5,161	1,446,019	2,049,433	(184)	2,049,249

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

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months period ended June 30, 2015

	June 30 2015 US\$'000 (Unaudited)	June 30 2014 US\$'000 (Unaudited)
Net cash from (used in) operating activities	59,330	(65,266)
Net cash used in investing activities	(174,914)	(127,186)
Net cash from financing activities	152,664	153,477
Net increase (decrease) in cash and cash equivalents	37,080	(38,975)
Cash and cash equivalents at January 1	687,776	690,260
Effect of foreign exchange rate changes	(5,377)	(4,099)
Cash and cash equivalents at June 30	719,479	647,186
Analysis of the balances of cash and cash equivalents Represented by:		
Bank balances, deposits and cash	725,153	655,681
Bank overdrafts	(5,674)	(8,495)
	719,479	647,186

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Basis of preparation and accounting policies

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

2. Significant accounting policies

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

Except as described below, the accounting policies and method of computations used in the condensed consolidated financial statements for the six months ended June 30, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2014.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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

3. Segment information

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

For the period ended June 30, 2015

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

3. Segment information *(continued)*

For the period ended June 30, 2014

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

Inter-segment sales are charged at prevailing market rates.

	Six months period ended June 30					
	2015			2014		
	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Consolidated US\$'000	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Consolidated US\$'000
Segment results	160,148	20,814	180,962	135,635	25,215	160,850
Interest income			5,580			7,953
Finance costs			(13,169)			(20,582)
Profit before taxation			173,373			148,221
Taxation charge			(14,737)			(12,599)
Profit for the period			158,636			135,622

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

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

4. Taxation charge

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

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

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

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

5. Profit for the period

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

6. Dividends

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

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

7. Earnings per share

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

	Six months period ended June 30	
	2015 US\$'000	2014 US\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	158,693	136,274
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,829,912,665	1,830,205,875
Effect of dilutive potential ordinary shares:		
Share options	7,426,563	8,003,462
Share award	406,156	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,837,745,384	1,838,209,337

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

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

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

9. Trade and other receivables/Bills receivable

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

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

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

10. Trade receivables from an associate

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

11. Trade and other payables/Bills payable

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

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

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

12. Unsecured borrowings

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

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

13. Share capital

	Number of shares		Share capital	
	June 30 2015	December 31 2014	June 30 2015 US\$'000	December 31 2014 US\$'000
Ordinary shares				
Authorised shares	2,400,000,000	2,400,000,000	N/A	N/A
Issued and fully paid:				
At the beginning of the period	1,831,346,941	1,829,883,941	643,914	23,471
Issue of shares upon exercise of share options	710,000	2,328,000	981	1,408
Buy-back of shares	—	(865,000)	—	—
Transfer of share premium and capital redemption reserve upon abolition of par value under the new Hong Kong Companies Ordinance	—	—	—	619,035
At the end of the period	1,832,056,941	1,831,346,941	644,895	643,914

14. Contingent liabilities

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

15. Fair value measurements of financial instruments

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	June 30, 2015	December 31, 2014				
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the condensed consolidated statement of financial position	Acquisition right of certain property, plant and equipment: US\$11,635,000	Acquisition right of certain property, plant and equipment: US\$11,635,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3 rd party independent valuer at the end of the financial year.	N/A	N/A
2) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – US\$25,697,000; and Liabilities – US\$6,792,000	Assets – US\$39,666,000; and Liabilities – US\$9,552,000	Level 2	Quoted forward exchange rates matching maturities of the contracts.	N/A	N/A
3) Held-for-trading non-derivative financial assets classified as held-for-trading investments in the condensed consolidated statement of financial position	Unlisted investment fund: US\$1,207,000	Unlisted investment fund: US\$1,155,000	Level 2	Quoted prices provided by the fund administrator based on the prices of stocks invested by the investment fund.	N/A	N/A
4) Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities (not designated for hedging) – US\$1,356,000	Liabilities (not designated for hedging) – US\$1,947,000	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.	N/A	N/A

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

16. Capital commitments

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

Corporate Governance and Other Information

Directors' and Chief Executive's Interests

As at June 30, 2015, 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	148,373,500 ⁽²⁾	1,400,000	366,693,294	20.02%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	216,159,794 ⁽³⁾	—		
Mr Joseph Galli Jr	Beneficial owner	1,183,000 ⁽⁴⁾	1,000,000	2,183,000	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	49,005,948	—	86,080,978	4.70%
	Interests of controlled corporation	37,075,030 ⁽⁶⁾	—		
Mr Christopher Patrick Langley OBE	Beneficial owner	300,000	—	300,000	0.02%
Mr Manfred Kuhlmann	Beneficial owner	—	350,000	350,000	0.02%
Mr Peter David Sullivan	Beneficial owner	—	650,000	650,000	0.04%
Mr Vincent Ting Kau Cheung	Beneficial owner	2,920,000	850,000	3,770,000	0.21%

Notes:

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

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

(2) These included Mr Horst Julius Pudwill's interests in 524,000 awarded shares, which remained unvested under the Share Award Scheme as of June 30, 2015. Details of Mr Horst Julius Pudwill's awarded shares are set out in the section headed "Share Award Scheme" below.

(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) These included Mr Joseph Galli Jr's interests in 300,000 awarded shares, which remained unvested under the Share Award Scheme as of June 30, 2015. Details of Mr Joseph Galli Jr's awarded shares are set out in the section headed "Share Award Scheme" below.

(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 June 30, 2015.

Share Options

The following tables disclose movements in the Company's share options during the six months period ended June 30, 2015:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
Directors									
Mr Horst Julius Pudwill	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	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	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			8,700,000	—	(450,000)	—	8,250,000		

Share Options *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
Employees	24.8.2007	D	830,000	—	(100,000)	—	730,000	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	505,000	—	—	—	505,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	400,000	—	(50,000)	—	350,000	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	250,000	—	—	—	250,000	7.546	30.5.2008 - 29.5.2018
	16.11.2009	D	1,680,000	—	(110,000)	—	1,570,000	6.770	16.11.2009 - 15.11.2019
	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			4,355,000	—	(260,000)	—	4,095,000		
Total for all categories			13,055,000	—	(710,000)	—	12,345,000		

Notes:

- (1) Scheme D is the share option scheme adopted by the Company on May 29, 2007.
- (2) The share options are vested in parts over 3 years from the date of grant. No option was granted and cancelled during the period.
- (3) The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK\$26.96.
- (4) The Group recognised a total expense of US\$533,000 for the six months period ended June 30, 2015 in relation to share options granted by the Company.
- (5) The Company had 12,345,000 share options outstanding, which represented approximately 0.67% of the issued shares of the Company as at June 30, 2015.
- (6) Total securities available for issue under Scheme D is 150,505,065 shares, which represented approximately 8.22% of the issued shares of the Company as at June 30, 2015.

Arrangements to Purchase Shares or Debentures

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

Share Award Scheme

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 10th 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.

Since the Adoption Date and up to June 30, 2015, a total of 824,000 shares had been awarded under the Scheme, representing 0.05% of the issued share capital of the Company as at the Adoption Date.

Recognition of share-based payment expenses under share award scheme during the period was US\$740,000. During the period, no shares were transferred to the Selected Grantees upon vesting.

As at June 30, 2015, details of the awarded shares under the Scheme were as follows:

Name of Directors	Date of Award	Number of shares					As at June 30, 2015	Vesting Period	Closing price at the Date of Award
		As at January 1, 2015	Awarded during the period	Vested during the period	Lapsed during the period	As at June 30, 2015			
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 period, 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.
- (3) During the reporting period, a total of 1,800,000 shares were purchased at an aggregate consideration of US\$6,023,000 for satisfying the awards granted pursuant to the Scheme.

Substantial Shareholders' Interests

As at June 30, 2015, 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⁾	123,361,500	(L)	6.73%
FMR LLC ⁽²⁾	144,896,275	(L)	7.91%
JPMorgan Chase & Co. ⁽³⁾	143,616,643	(L)	7.84%
	470,000	(S)	0.03%
	127,260,082	(LP)	6.95%
Schroders Plc ⁽⁴⁾	146,795,026	(L)	8.01%

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

Notes:

- (1) The capacity of FIL Limited in holding the 123,361,500 shares was as investment manager.
 (2) The following is a breakdown of the interests in shares in the Company held by FMR LLC:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct interests	(L/S)	Deemed interests	(L/S)	
FMR LLC	(2a)	—	—	144,896,275	(L)	7.91%
FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED	(2b)	—	—	11,193,500	(L)	0.61%
FIDELITY MANAGEMENT & RESEARCH (JAPAN)	(2b)	—	—	968,000	(L)	0.05%
FIDELITY MANAGEMENT & RESEARCH (U.K.)	(2b)	—	—	41,845,500	(L)	2.28%
FMR CO.	(2b)	—	—	28,425,000	(L)	1.55%
PYRAMIS GLOBAL ADVISORS TRUST COMPANY	(2b)	—	—	35,869,775	(L)	1.96%
PYRAMIS GLOBAL ADVISORS, LLC	(2b)	—	—	26,594,500	(L)	1.45%

Remarks:

- (2a) The capacity of FMR LLC in holding the 144,896,275 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 directly or indirectly owned by FMR LLC and by virtue of the SFO, FMR LLC was deemed to be interested in the shares held by these subsidiaries.

(3) The following is a breakdown of the interests in shares in the Company held by JPMorgan Chase & Co.:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct Interests	(L/S)	Deemed interests	(L/S/LP)	
JPMorgan Chase & Co.	(3a)	—	—	143,616,643	(L)	7.84%
		—	—	470,000	(S)	0.03%
		—	—	127,260,082	(LP)	6.95%
J.P. Morgan Clearing Corp	(3b)	958,315	(L)	—	—	0.05%
		45,000	(S)	—	—	0.00%
JF International Management Inc.	(3b)	211,000	(L)	—	—	0.01%
JF Asset Management Limited	(3b)	10,014,500	(L)	—	—	0.55%
JPMorgan Asset Management (Japan) Limited	(3b)	547,000	(L)	—	—	0.03%
J.P. Morgan Investment Management Inc.	(3b)	53,500	(L)	—	—	0.00%
J.P. Morgan Trust Company of Delaware	(3b)	9,290	(L)	—	—	0.00%
J.P. Morgan Whitefriars Inc.	(3b)	3,033,463	(L)	—	—	0.17%
J.P. Morgan Securities plc	(3b)	425,729	(L)	—	—	0.02%
		425,000	(S)	—	—	0.02%
J.P. Morgan International Inc.	(3b)	—	—	3,459,192	(L)	0.19%
		—	—	425,000	(S)	0.02%
J.P. Morgan Chase International Holdings	(3b)	—	—	425,729	(L)	0.02%
		—	—	425,000	(S)	0.02%
CMC Holding Delaware Inc.	(3b)	—	—	9,290	(L)	0.00%
JPMorgan Chase Bank, N.A.	(3b)	128,363,846	(L)	—	—	7.01%
J.P. Morgan Capital Financing Limited	(3b)	—	—	425,729	(L)	0.02%
		—	—	425,000	(S)	0.02%
J.P. Morgan Securities LLC	(3b)	—	—	958,315	(L)	0.05%
		—	—	45,000	(S)	0.00%
J.P. Morgan Broker-Dealer Holdings Inc	(3b)	—	—	958,315	(L)	0.05%
		—	—	45,000	(S)	0.00%
J.P. Morgan Capital Holdings Limited	(3b)	—	—	425,729	(L)	0.02%
		—	—	425,000	(S)	0.02%
JPMorgan Asset Management Holdings Inc	(3b)	—	—	10,826,000	(L)	0.59%
JPMorgan Asset Management (Asia) Inc.	(3b)	—	—	10,772,500	(L)	0.59%
J.P. Morgan Chase (UK) Holdings Limited	(3b)	—	—	425,729	(L)	0.02%
		—	—	425,000	(S)	0.02%
J.P. Morgan Overseas Capital Corporation	(3b)	—	—	3,033,463	(L)	0.17%
JPMorgan Chase Bank, N.A.	(3b)	—	—	3,459,192	(L)	0.19%
		—	—	425,000	(S)	0.02%
J.P. Morgan Equity Holdings, Inc.	(3b)	—	—	9,290	(L)	0.00%
J.P. Morgan International Finance Limited	(3b)	—	—	3,459,192	(L)	0.19%
		—	—	425,000	(S)	0.02%
Bank One International Holdings Corporation	(3b)	—	—	3,459,192	(L)	0.19%
		—	—	425,000	(S)	0.02%

Remarks:

- (3a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 143,616,643 shares of long position, 470,000 shares of short position and 127,260,082 shares of lending pool respectively was as controlled corporation.
- (3b) J.P. Morgan Clearing Corp, JF International Management Inc., JF Asset Management Limited, JPMorgan Asset Management (Japan) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Trust Company of Delaware, J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, CMC Holding Delaware Inc., JPMorgan Chase Bank, N.A., J.P. Morgan Capital Financing Limited, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Overseas Capital Corporation, J.P. Morgan Equity Holdings, Inc., J.P. Morgan International Finance Limited, Bank One International Holdings Corporation were all directly or indirectly owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholders' Interests *(continued)*

Notes: *(continued)*

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

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct interests	(L/S)	Deemed interests	(L/S)	
Schroders Plc	(4a)	—	—	146,795,026	(L)	8.01%
Schroder Administration Limited	(4b)	—	—	146,795,026	(L)	8.01%
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 North America Limited, Schroder & Co. Limited, Schroder & Co. (Asia) Limited, Schroder Nederland Finance B.V., Schroder & Co Bank AG, Schroder Investment Management (Singapore) Limited, Schroder Investment Management (Hong Kong) Limited were all directly or indirectly 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 above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at June 30, 2015.

Compliance with the Corporate Governance Code of the Listing Rules

The Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the “Corporate Governance Code”) throughout the six months period ended June 30, 2015, 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 Horst Julius Pudwill (the Chairman of the Board) and Mr Joel Arthur Schleicher (an Independent Non-executive Director who has retired after the conclusion of the annual general meeting of the Company held on May 22, 2015 (the “2015 AGM”)) were unable to attend the 2015 AGM due to business reason and prior engagement respectively.

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.

Compliance with the Model Code of the Listing Rules

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the six months period ended June 30, 2015.

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

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

Change in Director’s Emoluments

Mr Vincent Ting Kau Cheung (an Independent Non-executive Director) was appointed as a member of the Audit Committee with effect from May 22, 2015. Mr. Vincent Ting Kau Cheung will be entitled to the Audit Committee fee and the related attendance fee which has been fixed by the Board.

Review of Accounts

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

Directors’ Interests in Contracts of Significance

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

Purchase, Sales or Redemption of Securities

Other than for satisfying the awarded shares granted under the Company’s share award scheme (details of which are set out in the “Share Award Scheme” section), neither the Company nor any of its subsidiaries has, during the period, purchased, sold or redeemed any listed securities of the Company.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong
August 19, 2015

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

Financial Calendar 2015

June 26 : Final dividend payment for 2014
June 30 : Six months interim period end
August 19 : Announcement of 2015 interim results
September 4 : Last day to register for 2015 interim dividend
September 7 : Book closure for 2015 interim dividend
September 25 : Interim dividend payment for 2015
December 31 : Financial year end

Investor Relations Contact

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Hong Kong
email: ir@tti.com.hk

Website

www.ttigroup.com
Earnings results, annual/interim reports are available online.

Listing Information

The Stock Exchange of Hong Kong Limited
Ordinary Shares (stock code: 669)
ADR Level 1 Programme (symbol: TTNDY)

Share Registrar and Transfer Office

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

ADR Depositary

The Bank of New York

Principal Bankers

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

Solicitors

Vincent T. K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Ms Veronica Ka Po Ng

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