Techtronic Industries

ANNUAL REPORT 2021

FULL THROTTLE CONTROL UNDER ONE SECOND

Push button start eliminates pull start frustrations of gas and less motor ramp-up time than battery competitors

MORE MAX TORQUE THAN 200cc GAS

M18 FUEL Technology delivers more max torque for increased performance in thick, wet grass

M18 FUEL™ 21" SELF-PROPELLED DUAL BATTERY MOWER

Delivers best cut quality and more max torque than 200cc gas competitors, meeting the needs of the Landscape Maintenance professional.

Contents

Company Profile

Techtronic Industries Company Limited (the "Company", the "Group" or "TTI") is a fast-growing world leader in Power Tools, Accessories, Hand Tools, Outdoor Power Equipment, and Floorcare and Cleaning for Do-It-Yourself (DIY), professional and industrial users in the home improvement, repair, maintenance, construction and infrastructure industries. The Company is committed to accelerating the transformation of these industries through superior environmentally friendly cordless technology. The TTI brands like MILWAUKEE, RYOBI and HOOVER are recognized worldwide for their deep heritage and cordless product platforms of superior quality, outstanding performance, safety, productivity and compelling innovation.

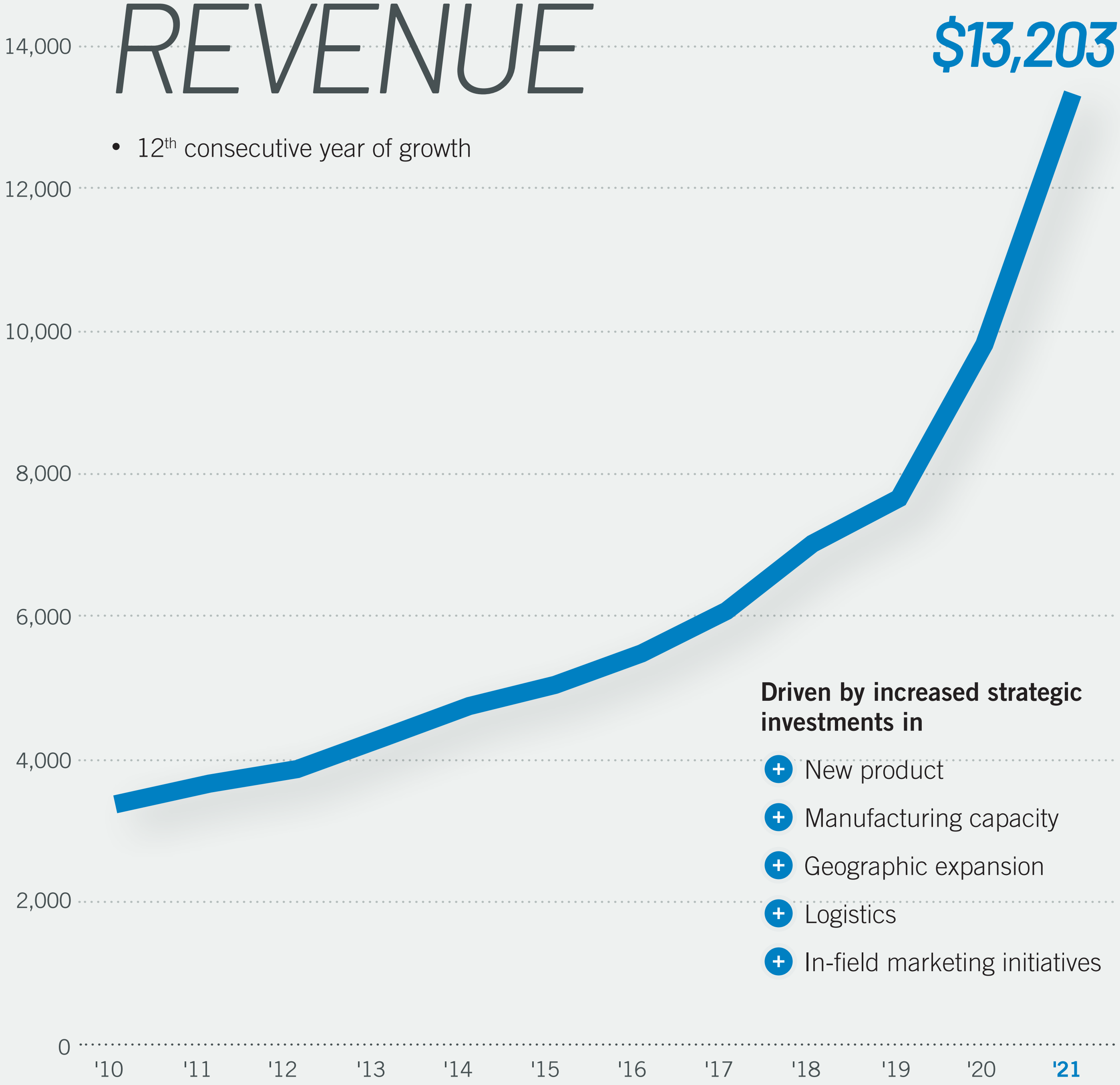
Founded in 1985 and listed on the Stock Exchange of Hong Kong ("SEHK") in 1990, TTI is included in the Hang Seng Index as one of their constituent stocks. The Company maintains a powerful brand portfolio, global manufacturing and product development footprint, healthy financial position with record 2021 worldwide sales of US$13.2 billion and over 51,000 employees.

Financial Highlights

Revenue
US$m

RECORD *REVENUE*

- 12th consecutive year of growth



Driven by increased strategic investments in

- New product
- Manufacturing capacity
- Geographic expansion
- Logistics
- In-field marketing initiatives

For the year ended December 31, 2021

	2021 US$' million	2020 US$' million	Changes
Revenue	**13,203**	9,812	+34.6%
Gross profit margin	**38.8%**	38.3%	+54 bps
EBIT	**1,192**	868	+37.2%
Profit attributable to Owners of the Company	**1,099**	801	+37.2%
Basic earnings per share (US cents)	**60.04**	43.80	+37.1%
Dividend per share (approx. US cents)	**23.81**	17.37	+37.0%

EBIT

37.2%↑

US$1,192 million

EBIT margin improved by 17 basis points to 9.0%

Basic earnings per share

37.1%↑

US60.04 cents

Increased 37.1% over 2020 to US60.04 cents

Dividend per share

37.0%↑

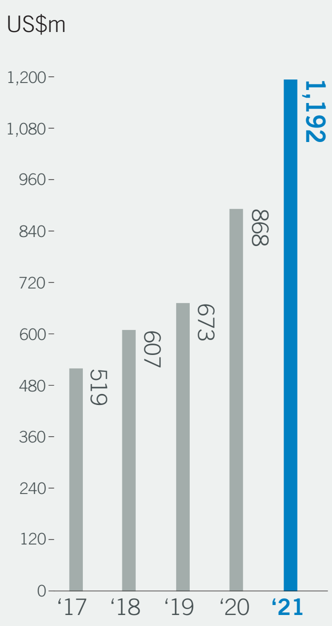
US23.81 cents

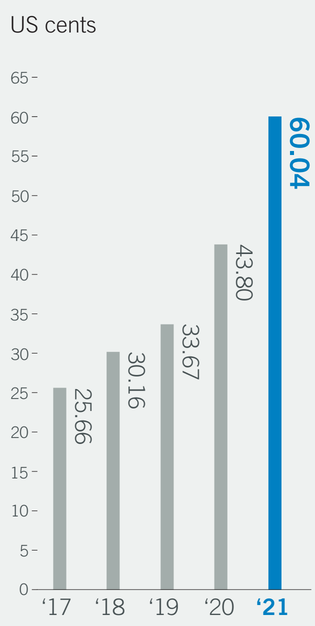
Full-year dividend increased 37.0% against US17.37 cents per share in 2020

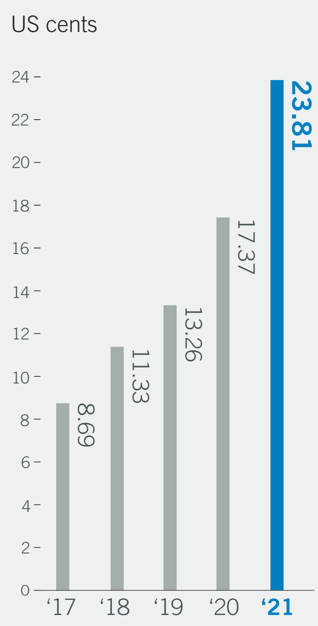
Working capital as % of sales

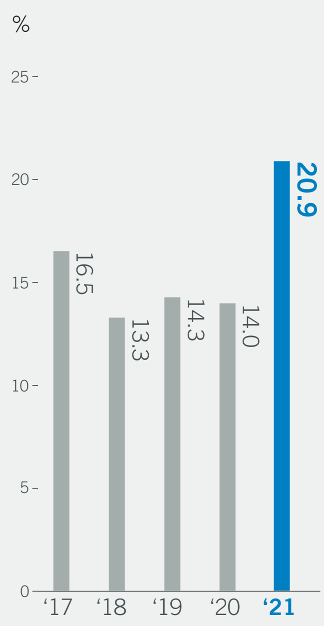
20.9%

The Group maintained a disciplined working capital ratio







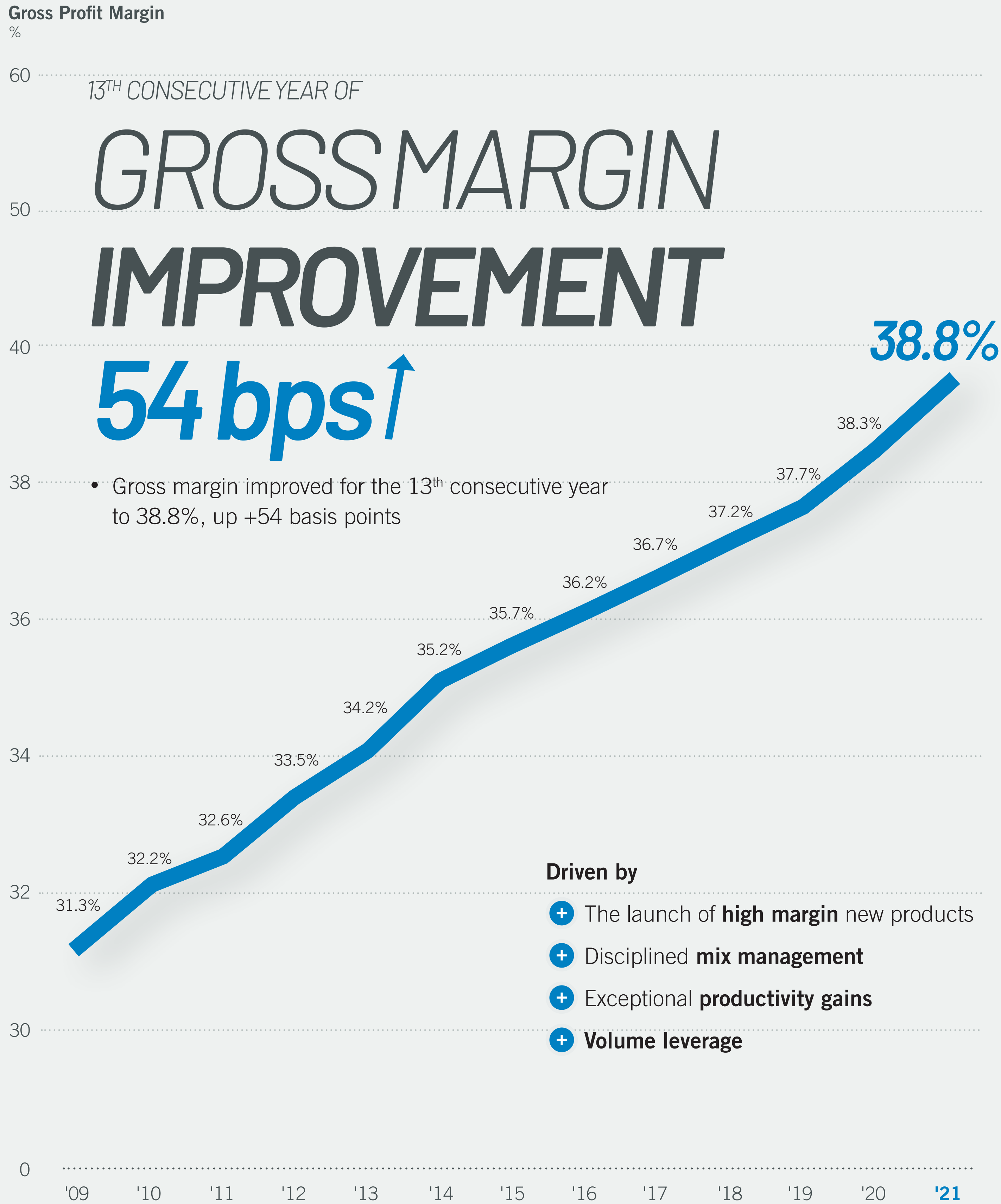


13TH CONSECUTIVE YEAR OF

GROSS MARGIN **IMPROVEMENT**

54 bps ↑

- Gross margin improved for the 13th consecutive year to 38.8%, up +54 basis points



Driven by

- The launch of **high margin** new products
- Disciplined **mix management**
- Exceptional **productivity gains**
- **Volume leverage**

For the year ended December 31, 2021

All geographic regions delivered exceptional sales growth

NORTH AMERICA
33.7% ↑
77.4% of total revenue

EUROPE
41.1% ↑
14.8% of total revenue

ROW
31.8% ↑
7.8% of total revenue

Net Profit
US$m

14TH CONSECUTIVE YEAR OF

RECORD
PROFIT
37.2% ↑
US$1,099 million

For the year ended December 31, 2021

Chairman's Statement

I am pleased to announce that 2021 was an extraordinary year for TTI with outstanding revenue and profit growth.

We delivered sales of US$13.2 billion, an increase of 34.6%. Over the two-year period, we significantly outperformed the market with +72.2% sales growth. Increased strategic investments in new product, manufacturing capacity, geographic expansion, logistics, and our in-field marketing initiatives propelled our industry leading performance.

Every one of our business units in all geographic regions delivered exceptional sales growth in 2021. North America grew 33.7%, Europe grew 41.1% and ROW grew 31.8%. Our Power Equipment business, representing 90.6% of total sales, grew 37.0% to US$12.0 billion. Our Milwaukee business, Ryobi DIY, and Ryobi Outdoor businesses all achieved double-digit growth, significantly outgrowing the market. Our Floorcare and Cleaning business also produced strong sales growth of 14.8% to US$1.2 billion.

Gross margin improved for the 13th consecutive year, from 38.3% in 2020 to 38.8% in 2021. This gross margin improvement is a direct result of the launching of high margin new products, disciplined mix management, exceptional productivity gains, and volume leverage.

Our team has done a masterful job managing through the evolving supply chain landscape. With the help of key long-term suppliers, we have navigated through increased in-transit times and limited transportation availability to keep serving customers at a high level. Additionally, our bold decision to invest in inventory has created a buffer of critical components to keep production lines running smoothly and insulating the business from commodity cost increases.

We are deeply committed to being a global leader in clean tech innovation, environmental sustainability, social responsibility, and ethical corporate governance. Throughout 2021, we continued to

"We are confident that our unrelenting bold vision, customer focus and business momentum will make 2022 another outstanding year and position TTI with exciting opportunities in the months and years ahead."

invest relentlessly in the development of environmentally responsible cordless products that reduce carbon and noise pollution and are safer for end users, while investing in decarbonizing our manufacturing operations. This year we are pleased to announce that we are committing to reducing our 2030 SCOPE 1 and SCOPE 2 absolute emissions by 60% from our 2021 baseline, not only reducing carbon intensity, but doing so while growing our business.

Financial Performance

EBIT increased 37.2% to US$1.2 billion, with the EBIT margin improving by 17 basis points to 9.0%. Net Profit rose 37.2% to US$1.1 billion, with earnings per share increasing 37.1% over 2020 to US60.04 cents. With the investments in inventory to support sales growth and high service levels, the Group maintained a disciplined working capital ratio at 20.9% of sales.

The Board is recommending a final dividend of HK 1 dollar (approximately US12.87 cents) per share. Together, with the interim dividend of HK85.00 cents (approximately US10.94 cents) per share, this will result in a full-year dividend of HK185.00 cents (approximately US23.81 cents) per share, against HK135.00 cents (approximately US17.37 cents) per share in 2020, an increase of 37.0%.

Outlook

TTI is now uniquely positioned to continue our leadership position in professional cordless, DIY cordless, outdoor cordless, and in floorcare. In 2021, we made bold investments to expand manufacturing capacity, new product development, marketing, end user conversion, geographic expansion, and inventory to support our 34.6% sales growth. In 2022, we are excited to continue making substantial investments in the business, to drive another year of above market results and gross margin expansion.

I would like to thank our customers, end users, suppliers, shareholders, and entire TTI organization for another tremendous year. These outstanding results are a testament to the quality of our dedicated, skilled, and passionate world-class teams across the globe. We are confident that our unrelenting bold vision, customer focus and business momentum will make 2022 another outstanding year and position TTI with exciting opportunities in the months and years ahead.

Horst Julius Pudwill
Chairman
March 2, 2022

Chief Executive Officer's Message

2021 was an epic year for TTI, with organic sales growth of $3.4 billion. Not only did we grow the business by 34.6%, but we did so while improving gross margin and net profit at a faster rate than sales. Our unwavering strategic focus on cordless technology drove this extraordinary performance.

We are leading the once-in-a-generation shift from petrol, corded, manual, hydraulic, and pneumatic products to cordless in power tools, light equipment, outdoor products, and cleaning. Our technologically advanced cordless products command a premium in the market, which drives our continued gross margin improvement. 2021 was the 13th consecutive year of gross margin improvement, funding additional strategic SG&A investments in R&D, new product development, in-field marketing specialists, digital marketing, store coverage, and geographic expansion. This virtuous cycle of gross margin improvement and strategic SG&A reinvestment to drive sales and gross margin improvement is a core strategy that has allowed us to consistently deliver on our commitment of outgrowing the market while improving our financial performance.

Powerful Brands

In addition to delivering spectacular results in 2021, I have never been more optimistic about the future growth engines of the company. MILWAUKEE is the number one and fastest-growing global brand in the professional tool market, while RYOBI is the number one DIY tool and cordless outdoor power equipment brand worldwide. We have also expanded our best-in-class offering of MILWAUKEE professional cordless outdoor equipment, which is now the fastest-growing brand of cordless professional-grade outdoor products for landscapers and lawn and garden enthusiasts.

"While we are pleased with our 2021 performance, we firmly believe the next five years will be a tremendous period for company's sales and profit growth."

Cordless Leadership

We are laser-focused on developing advanced, demonstrably better and technologically superior cordless products. Our development process is driven by the end user's needs from start to finish. As an example, when developing our new flagship RYOBI 80V HP Zero-Turn Riding Mower, we started from a blank canvas rather than working to "electrify" an existing petrol-powered product. This allowed us to optimize each critical component of the mower to maximize power and performance while adding new innovative features.

In addition to developing one runaway successful product after another, the network effect of our interchangeable battery systems compounds our growth trajectory. Every additional product we add to the system increases the value of the entire platform to our end customer. For example, the flagship MILWAUKEE M18 platform now has 251 products that run off the same M18 battery and is rapidly growing. This is attractive to new customers who gain access to a wide range of tools that run off the same powerful battery. It also creates a loyal customer base with access to a continuous stream of new products available as bare tools powered by batteries they already own. This is a key tenant of our cordless strategy and is deployed across all our TTI battery platforms.

Supply Chain Investments

In 2021, we continued to make bold investments in additional manufacturing capacity to support our future growth. Construction is currently underway on greenfield manufacturing sites in the US and Vietnam while we continue to invest in our world-class existing facilities across Asia, North America, and Europe. Our expanding global manufacturing footprint allows us to produce high-quality products with the flexibility to quickly react to changing environmental and geopolitical factors. All TTI sites worldwide adhere to the TTI OPEX philosophy of delivering world-class quality, driving increased productivity, and maintaining best-in-class service levels for our customers.

We have also strategically partnered with key suppliers to develop the latest technology. These close partnerships allow us to deliver on our internal mandate of disrupting our core products with next-generation models that have more power, compactness, longer life, or a multitude of other features. Our strategic suppliers did a magnificent job delivering advanced technology and steady component supply throughout 2021.

Exceptional People

We continued with our aggressive hiring plans in 2021, adding another 2,031 high-potential college graduates to our Leadership Development Program (LDP). Since its beginning over 14 years ago, this program has supported our growth by creating a pipeline of future leaders across the engineering, sales, marketing, purchasing, supply chain, manufacturing, and finance disciplines. Software and electronics engineering is an especially high focus, as we have augmented our R&D powerhouse with newly recruited engineers who drive technological advancements and accelerate the pace of our new product launches.

In addition to bolstering our workforce with high-potential college graduates, we've focused on further developing our high-performance culture across all levels and functions of the organization. The depth of our team has never been more impressive, with many of our LDP graduates leading functions across the organization with increasing levels of responsibility. The deep commitment and dedication of our highly talented team to users, customers, and distribution partners across the globe is a competitive advantage that powers our growth.

Geographic Expansion Success

Our breathtaking growth in the European theater exemplifies the power of our world-class management team. We have gone from a very small presence in Europe to a commanding cordless leadership and growth position. The European team's success is a great example of the company's ability to continue to grow outside the core US market. In addition to Europe, we have been able to achieve incredibly strong growth levels in Canada, Mexico, Australia/New Zealand, and Asia. I am enormously impressed by the quality of our world-class team across the globe.

Sustainability

Our mission is to lead the industry in clean tech innovation, environmental sustainability, social responsibility, and ethical corporate governance. Sustainability best practices are embedded in all layers of the organization and across all functions. This year, we committed to reducing our absolute SCOPE 1 and SCOPE 2 Greenhouse Gas (GHG) emissions by 60% in 2030. Our team has rallied around this commitment and has started making excellent progress towards our goal. For example, we recently committed to a green energy initiative in the State of Wisconsin, powering our sites in the area with electricity generated from clean sources.

Another one of our leadership initiatives in sustainability is developing carbon and noise pollution-free battery-powered outdoor products. RYOBI has led the revolution away from noisy, petrol-powered outdoor equipment with a fleet of battery-powered lawn mowers, battery-powered snow blowers, and cordless handheld outdoor equipment. We have also launched a premium line of MILWAUKEE battery-powered professional-grade outdoor equipment, led by the flagship MILWAUKEE M18 FUEL 21" Self-Propelled Dual Battery Mower.

From raw material sourcing, manufacturing operations, supply chain, transportation, and new product development, I am incredibly proud of how our team has developed a core competency in sustainability. We firmly believe that our ability to grow as a company is closely linked to our ESG performance.

The Best is Yet to Come

In 2021, we dramatically outpaced the market and strengthened our global leadership position. Our bold investments in new product development, manufacturing, logistics, geographic expansion, and in-field marketing initiatives drove our growth and extended our position as industry leaders. While we are pleased with our 2021 performance, we firmly believe the next five years will be a tremendous period for the company's sales and profit growth.

I want to thank our Chairman, Horst Pudwill, and Vice-Chairman, Stephan Pudwill for their bold leadership and unwavering support. We share a vision for sustainable global cordless dominance, and I am proud of being a part of a team that consistently outperforms the market. This is just the beginning of our journey, and I am confident that the best is yet to come.

Joseph Galli Jr
Chief Executive Officer
March 2, 2022

Powerful Brands

- MILWAUKEE is the number one and fastest-growing global brand in the professional tool market
- MILWAUKEE professional cordless outdoor equipment series is now the fastest-growing brand of cordless professional grade outdoor products
- RYOBI is the number one DIY tool and cordless outdoor power equipment brand worldwide

Cordless Leadership

- The network effect of our interchangeable battery systems compounds our growth trajectory
- Laser-focused on developing advanced, demonstrably better and technologically superior cordless products
- We focus on disruptively innovating our existing core products

Supply Chain Investments

- Bold investments in additional manufacturing capacity to support future growth
- We continue to invest in world-class facilities across Asia, North America, and Europe
- All TTI sites worldwide adhere to the TTI OPEX philosophy of delivering world-class quality, driving increased productivity, and maintaining best-in-class service levels for our customers

Exceptional People

- Focus on developing a high-performance culture across all levels and functions of the organization
- We added another 2,031 high-potential college graduates into our Leadership Development Program (LDP)
- Our winning culture is a competitive advantage that powers our growth

Geographic Expansion Success

- Our breathtaking growth in the European theater exemplifies the power of our world-class management team
- The European team's success is a great example of the company's ability to continue to grow outside the core US market
- Achieved incredibly strong growth levels in Canada, Mexico, Australia/New Zealand, and Asia

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The Best is Yet to Come

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- We share a vision for sustainable global cordless dominance
- We firmly believe the next five years will be a tremendous period for our sales and profit growth

STRATEGIC *DRIVERS*

TTI is a global strategy-based organization. We have been diligent in researching and refining the key concepts for ongoing sustainability and growth. Early on, leadership identified four strategic areas that would drive our success: **Powerful Brands, Innovative Products, Exceptional People** and **Operational Excellence**.

The synergy in our four strategic drivers creates a culture of disruptive innovation and execution resulting in world-class, powerful brands. This dynamic structure of interconnectivity not only maximizes growth and improvement in every area of our company; but also, delivers the innovative, high-quality driven products needed by consumers and professionals around the world.


Exceptional People
Operational Excellence

Milwaukee®

TRADE VERTICAL INNOVATION:

DIVERSIFIED & DISRUPTIVE

M12™
PORTABLE PRODUCTIVITY
TRADE FOCUSED
SYSTEM WIDE

M18™
PERFORMANCE DRIVEN
TRADE FOCUSED
SYSTEM WIDE

MX FUEL™
EQUIPMENT REDEFINED
TRADE FOCUSED
SYSTEM WIDE

PACKOUT™
MODULAR STORAGE SYSTEM

STAY **SAFE.**
STAY **PRODUCTIVE.** ™

It all starts with the user. We don't make assumptions. Instead, we set out to deliver disruptive innovation by getting out on the jobsite, alongside trade professionals, to understand their challenges – the frustrations, the needs, and previous limitations. We set out to completely rethink a solution with new-to-world technology and unparalleled levels of design and engineering. Whether it's bringing cordless power to traditionally corded or gas products and manual activities, or advances to fundamental tools and equipment, MILWAUKEE's focus is on working directly with users to help improve their productivity and safety.


Electrician
Plumbing
Mechanical
HVACR
Remodeler
Power Utility
General Contractor
AUTOMOTIVE • DIESEL • TIRE
Transportation Maintenance
AVIATION • MARINE • MASS TRANSIT
MRO
Landscape Maintenance
Residential Construction

PORTABLE PRODUCTIVITY
TRADE FOCUSED
SYSTEM WIDE
135+ SOLUTIONS

The MILWAUKEE M12 System continues to introduce innovative solutions that deliver portable productivity and performance. For example, the newly launched M12 23 Gauge Pin Nailer is the most compact cordless nailer on the market, combining precision and power to deliver the performance that professional carpenters and remodelers demand, without the hassle of a compressor hose or gas cartridge.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM batteries deliver more work over the life of the battery, no matter what the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package.

An advanced combination of hardware and software, REDLINK Intelligence enables full-circle communication between our batteries and tools, allowing for unmatched levels of performance, protection and productivity.

NEW PRODUCTS

M12
23 Gauge Pin Nailer

M12 FUEL
Low Speed Tire Buffer

M12
Cable Stapler

M12
Paint & Detailing
Color Match Light

M12 Sink Auger


M12


Milwaukee


Milwaukee

M18

PERFORMANCE DRIVEN
TRADE FOCUSED
SYSTEM WIDE
250+ SOLUTIONS

The MILWAUKEE M18 platform continued to grow with the launch of several best-in-class additions. The M18 FUEL 6, 9 and 12 Gallon Wet/Dry Vacuums bring unmatched performance, durability, and versatility to jobsite cleanup. By delivering 3.5 – 4.25 Peak HP, these vacuums outperform corded, while performing at a lower decibel level, resulting in a quieter and less harsh operation than competitive AC wet/dry vacuums. In addition to expanding into new product categories, we introduced next generation innovation in finish nailers, grinders and SDS-Plus hammers.

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NEW PRODUCTS

M18 FUEL 1-1/8" SDS Plus Rotary Hammer w/ ONE-KEY

M18 FUEL 6, 9 and 12 Gallon Wet/Dry Vacuums

M18 FUEL 8' Concrete Pencil Vibrator

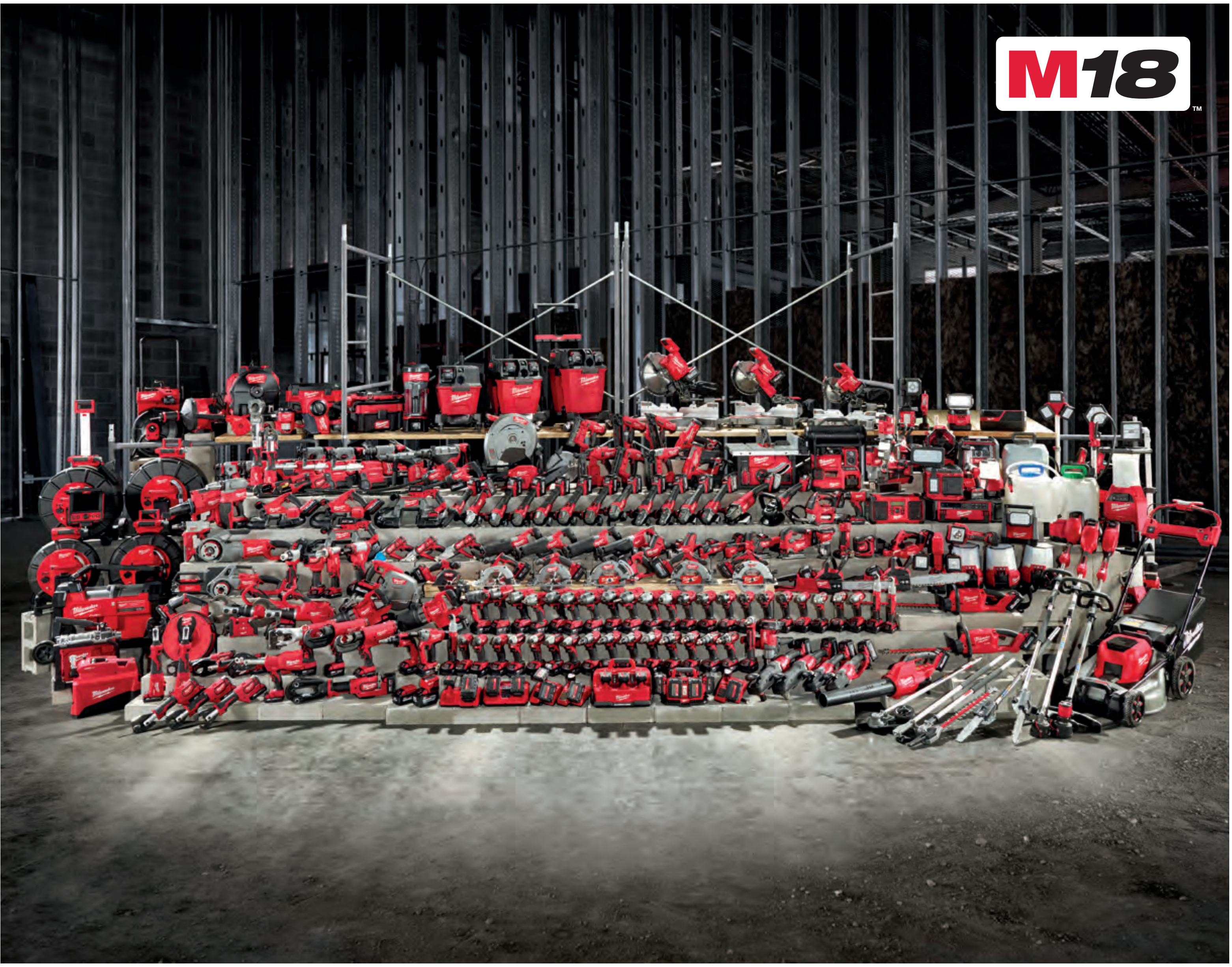
M18 FUEL 2" ProPEX Expander Kit w/ ONE-KEY

M18 FUEL 16 Gauge Angled Finish Nailer

M18 FUEL 5" Flathead Braking Grinder, Paddle Switch No-Lock

M18 FUEL 15 Gauge Finish Nailer

M18 Inflator


M18


Milwaukee
FUEL
M18

EQUIPMENT REDEFINED
TRADE FOCUSED
SYSTEM WIDE

With the launch of the industrial MILWAUKEE MX FUEL Equipment System, we entered the multi-billion-dollar light equipment space. This platform's disruptive cordless technology replaces traditional gas and corded power sources and has been well received by industrial users all over the world.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM batteries deliver more work over the life of the battery, no matter what the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package.

An advanced combination of hardware and software, REDLINK Intelligence enables full-circle communication between our batteries and tools, allowing for unmatched levels of performance, protection and productivity.

NEW PRODUCTS

MX FUEL
Vibratory Screed

MX FUEL
Briefcase Concrete Vibrator


MX
FUEL

OUTDOOR POWER EQUIPMENT

MILWAUKEE continues to expand its offering in the Outdoor Power Equipment category with the launch of the M18 FUEL 21” Self-Propelled Dual Battery Mower. Delivering best-in-class cut quality and more max torque than 200cc gas competitors, this mower meets the performance needs of the Landscape Maintenance professional. The M18 FUEL 21” Self-Propelled Dual Battery Mower brings innovation and industry-leading performance to battery-powered lawn mowers, and is a true testament to MILWAUKEE’s focus on investing in game-changing technology that truly delivers breakthrough solutions for users.

POWER TOOL ACCESSORIES

MILWAUKEE continues to drive success within the Masonry and Concrete accessory category. Our premium offering of concrete drilling and chiseling products for our users sets us apart from the competition. Our MX4 4-Cutter SDS Plus and SDS Max concrete drilling solutions allow users to drill through rebar with 5X the life vs. standard 2-cutter product. MILWAUKEE’s SLEDGE Self Sharpening Chisels stay sharper longer, delivering enhanced productivity to our users.

Oscillating Multi-Tool Blades is a rapidly growing category that has benefits for all types of end users. Pro-users have seen the benefits of our carbide teeth blades for longest life, as well as the widest range of applications and universal fit to all power tools. The new Universal Fit Titanium Enhanced Carbide Teeth Extreme Materials and Extreme Metal Blades are designed for use in the most extreme material cutting applications, and offer faster cutting performance and last up to 50X longer than standard bi-metal blades.

NEW PRODUCTS

M18 FUEL 14” Chainsaw

M18 FUEL 21” Self-Propelled Dual Battery Mower

1/4” x 4” x 6” MX4 SDS Plus Bit

5/8” x 7” x 13” MX4 SDS Max Bit

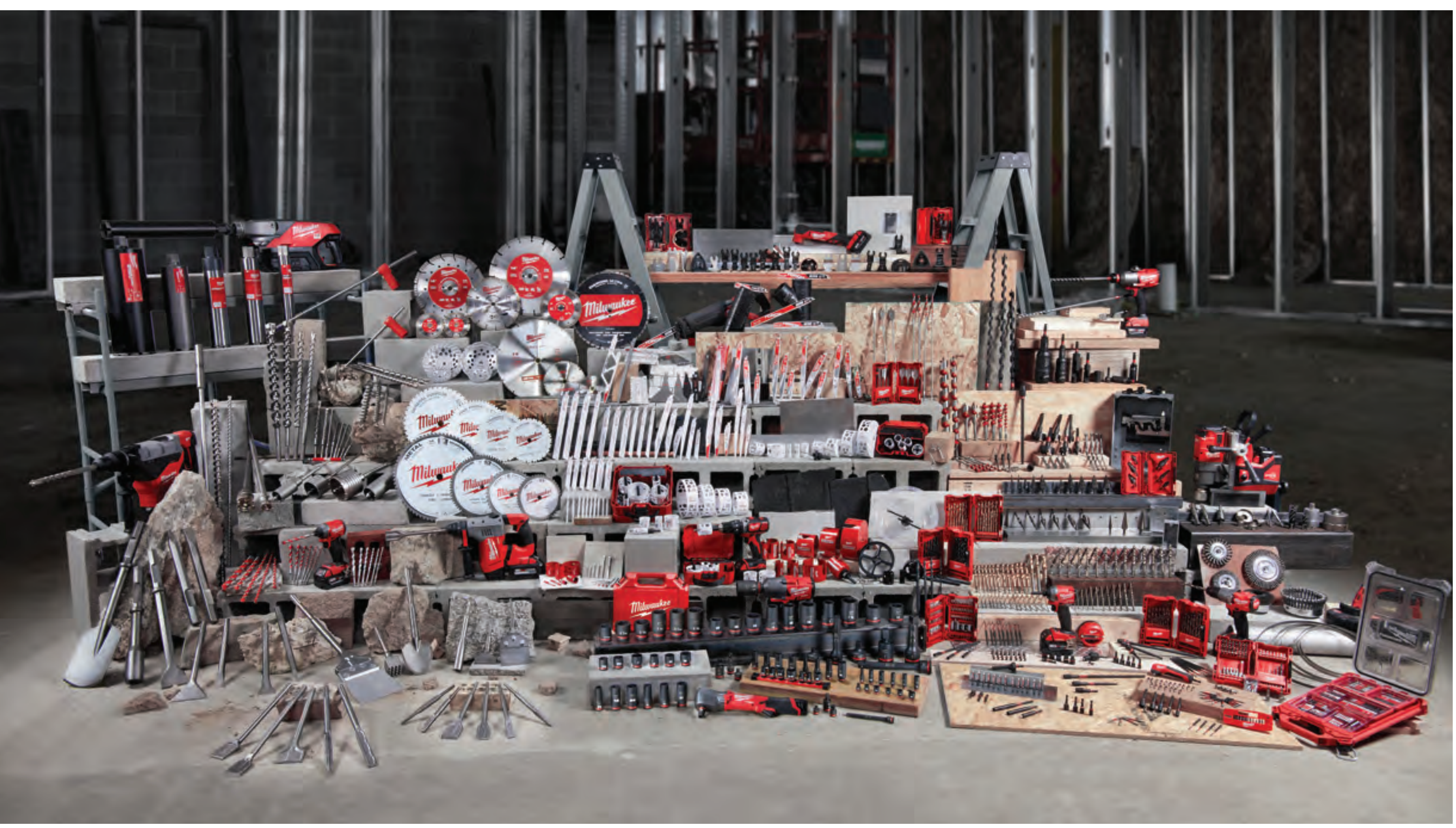
10” SLEDGE SDS Plus Self-Sharpening Bull Point

1-3/8” Extreme Metal Titianium Enhanced Carbide Teeth Multi-Tool Blade

1-3/8” Extreme Materials Titianium Enhanced Carbide Teeth Multi-Tool Blade

1-3/8” Hardwood Pro-Curve Japanese Tooth Multi-Tool Blade


Milwaukee


Milwaukee

STORAGE

The revolutionary MILWAUKEE PACKOUT Storage System continues to expand to meet professional's growing tool storage, transportation and organizational needs. New innovations to the system of over 45 interchangeable products include the PACKOUT Deep Organizer and PACKOUT Rolling Tool Chest.

SAFETY

MILWAUKEE is committed to keeping professionals safe on the job by offering 590+ solutions in the categories of hard hats, eye protection, hearing protection, high visibility vests, respirators, and work gloves. Each PPE solution has been developed with a deep understanding of user's needs, allowing us to introduce needed innovations like high-dexterity gloves, helmets, and many more.

NEW PRODUCTS

PACKOUT
Deep Organizer

PACKOUT
Rolling Tool Chest

White Full Brim Hard Hat w/ 6pt Ratcheting Suspension – Type 1, Class E

Cut Level 9 High-Dexterity Nitrile Dipped Gloves

White Vented Safety Helmet – Type II, Class C


PACKOUT™
MODULAR STORAGE SYSTEM


STAY SAFE.
STAY PRODUCTIVE.™

RYOBI®

SETTING THE BAR HIGH *AS THE #1 DIY TOOL BRAND*

USB LITHIUM

18V ONE+™

40V

80V

LINK™ MODULAR STORAGE SYSTEM

RYOBI continues to lead the way as the #1 DIY Tool Brand in the world. It's about the systems & platforms. The breadth of its line, coupled with the quality and value of its products, all compatible with a battery interface in place since 1996, make the RYOBI 18V ONE+ system the platform of choice for millions of pros, homeowners, and DIY'ers. For tackling more power demanding yardwork, the RYOBI 40V system now supports Outdoor Power Equipment capable of the toughest jobs without the need to plug-in or fill-up. Combining power with innovative design, the RYOBI WHISPER SERIES — its quietest range of products, gives users all the power without the noise. With the new RYOBI LINK Modular Storage System, users can easily organize, access, and transport all of these tools, with superior versatility and customization. Rounding out the RYOBI system family is the newest USB LITHIUM cordless platform, featuring a variety of compact and portable tools, all rechargeable via a USB-C port in the battery.

LIGHT DIY

HEAVY DIY/REMODEL

HOBBY/CRAFT & MAKER

STORAGE & ORGANIZATION

LAWN & GARDEN

TRANSPORTATION MAINTENANCE

LIFESTYLE & RECREATION

CLEANING

RYOBI

18V ONE+

OVER 260 18V ONE+ PRODUCTS

The RYOBI 18V ONE+ System features over 260 innovative product solutions, giving users the ultimate in versatility and selection to get the job done. With cordless lithium-ion technology, RYOBI powers through almost anything. From drilling, cutting, fastening and cleaning, to lighting, plumbing, trimming, mowing and clearing, the ONE+ system gives users The Power To Do More.

Best of all, RYOBI stayed true to its same 18V battery platform giving its users peace of mind as they expand their collections. The newest products and batteries from RYOBI's 18V ONE+ System are compatible with the same RYOBI tools and batteries from 1996. So no matter our user's interest or skill level, whether they're on the jobsite or at home, there's a ONE+ product for everyone.

18V ONE+ HP

RYOBI 18V ONE+ HP tools feature premium brushless motors, advanced electronics, and high-performance lithium-ion batteries to deliver a best-in-class user experience. These high-performance tools utilize advanced technology to deliver more power, runtime, durability, and speed. Designed with superior ergonomics without sacrificing performance.

NEW PRODUCTS

18V ONE+ HP Brushless Rotary Tool

18V ONE+ Performance Hand Vacuum

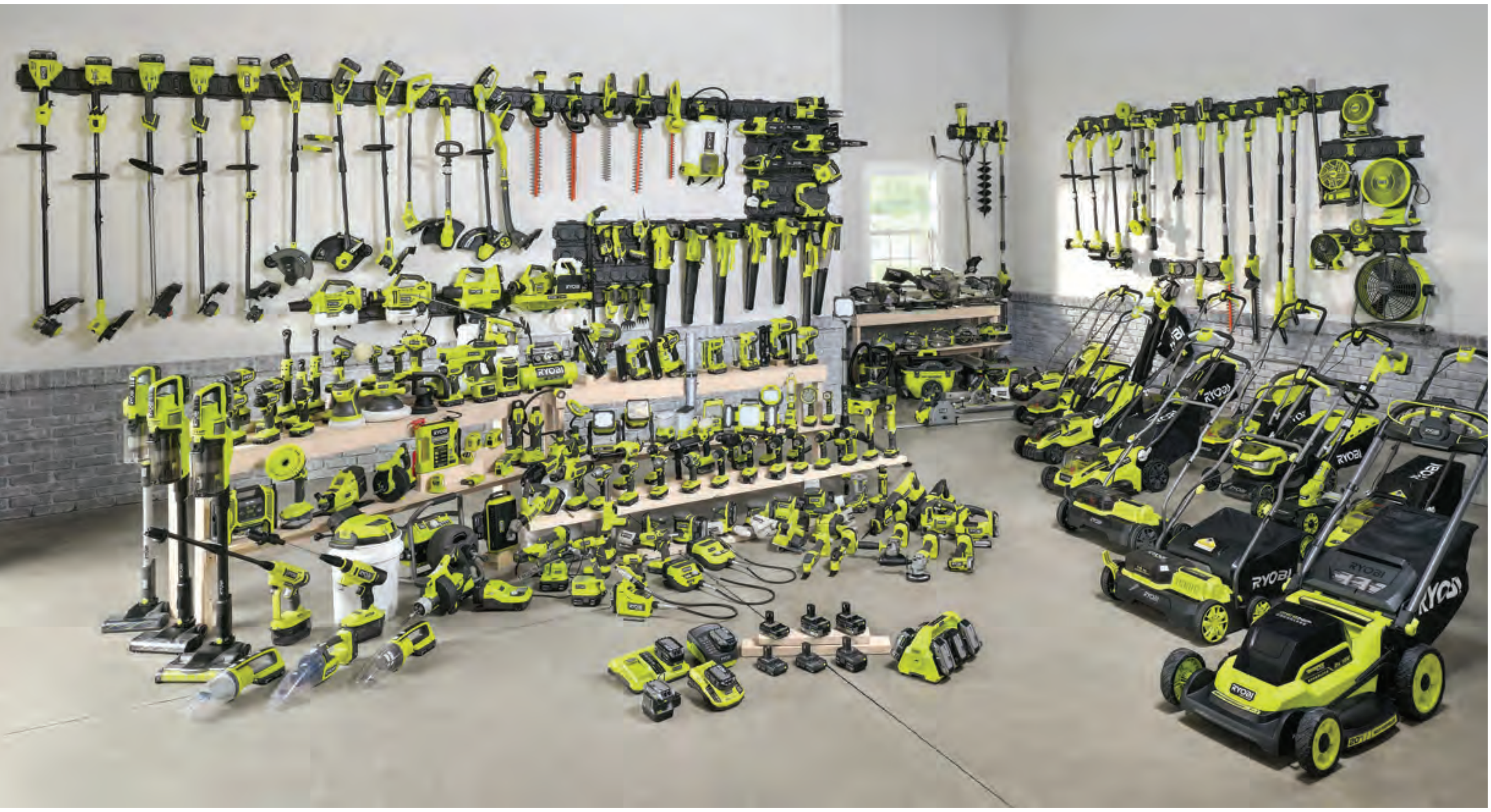
18V ONE+ Hybrid LED Panel Light

18V ONE+ HP Brushless 4-Mode 1/2"High Torque Impact Wrench

18V ONE+ HP Brushless 8-1/4" Table Saw

18V ONE+ HP Brushless 10" Sliding Compound Miter Saw

18V ONE+ HP Brushless WHISPER SERIES 20" Lawn Mower


RYOBI


RYOBI


RYOBI


RYOBI
18
ONE+ HP

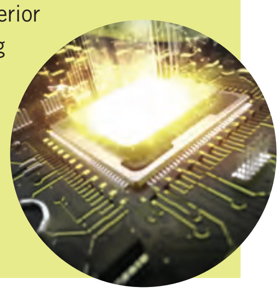

RYOBI


RYOBI

The RYOBI 40V System puts the power in your hands to tackle any job without having to plug-in or fill-up. With 75 innovative tools and counting, each product is engineered to deliver GAS-LIKE POWER for superior performance and fade-free runtime — from first cut to last. What's more, RYOBI's 40V lithium-ion battery fits every charger and powers every RYOBI 40V tool.

RYOBI's 40V lithium-ion batteries are the core of the 40V System. With a wide range of high-capacity packs, RYOBI's Cordless 40V System provides the power, freedom and versatility users need for all their lawn and garden needs. It's what users want from RYOBI.

RYOBI 40V HP tools combine premium brushless motors, advanced electronics, and high-performance lithium-ion batteries to deliver gas power and superior runtime all while maintaining compatibility with the full 40V family of products.



NEW PRODUCTS

40V HP Brushless 18" Rear Tine Tiller

40V HP Brushless WHISPER SERIES 17" Carbon Fiber Shaft String Trimmer

40V HP Brushless 650 CFM WHISPER SERIES Blower

40V HP Brushless 8" Auger

40V HP Brushless WHISPER SERIES Backpack/Handheld Blower


RYOBI


RYOBI


WHISPER
ALL-WHEEL DRIVE


RYOBI
1500PSI
1.2GPM
40V
SOAP

RYOBI

18V ONE+

18V ONE+ HP

40V

40V HP

80V HP

This year, RYOBI added the RYOBI 80V HP Lithium Zero Turn Riding Mowers to its extensive offering of mowers. These innovative riders deliver true gas performance and the equivalent of 35 horsepower by combining the power of premium brushless motors, advanced electronics, and 80V llithium-ion batteries. Innovative 40V Battery Ports allow users to extend runtime and tackle up to five acres, more terrain than ever before. The all new iDrive Intelligent Drive System delivers the precision and speed of traditional two-handed paddle drive ZTRs, with a single intuitive joystick control.

These new 80V HP mowers join the RYOBI lineup of 48V Riding Mowers, 40V & 18V push mowers to provide a range of options that meet every need of our end users.

NEW PRODUCTS

40V HP Brushless
20” Push Lawn Mower

40V HP Brushless
21” CROSS CUT Push
Lawn Mower

80V HP Brushless
30” Lithium Electric
Zero Turn Riding Mower

80V HP Brushless
42” Lithium Electric
Zero Turn Riding Mower

80V HP Brushless
54” Lithium Electric
Zero Turn Riding Mower


RYOBI


RYOBI
WHISPER
ALL-WHEEL DRIVE


RYOBI
3-in-1


RYOBI

RYOBI®

40V HP

WHISPER SERIES

The RYOBI 40V HP WHISPER SERIES is its quietest range of Outdoor Power Equipment, allowing users to maintain their yards with the convenience of cordless, while kicking the can, noise and maintenance that come with traditional gas products.

The RYOBI WHISPER SERIES combines 40V HP Technology with powerful brushless motors and innovative noise-reducing technology. The resulting products provide best-in-class performance and incredible power, while operating up to 85% quieter than comparable products.

In 2021, RYOBI launched a core product in the system, the 40V HP Brushless WHISPER SERIES Blower. This new tool is the industry's most powerful cordless handheld blower, delivering an impressive 730 CFM and 190 MPH. In addition to the power, this blower features innovative noise reduction technology, operating at only 57 decibels, so users can clear leaves at any time of day. RYOBI's WHISPER SERIES product line gives its users all the power without the noise.

NEW PRODUCTS

40V HP Brushless WHISPER SERIES
16" Front Tine Tiller

40V HP Brushless WHISPER SERIES
1500 PSI 1.2 GPM Pressure Washer

40V HP 21" Brushless
WHISPER SERIES
Snow Blower

40V HP Brushless
WHISPER SERIES
Backpack Blower


RYOBI
RYOBI


RYOBI
6Ah
40V LITHIUM
WHISPER
RYOBI


40V LITHIUM
RYOBI
WHISPER
RYOBI


WHISPER
BRUSHLESS
21" | 3-in-1
PUSH

As the #1 DIY Tool Brand in the world, RYOBI is the leader when it comes to cordless technology and innovation. The relentless focus on new product development and commitment to provide innovative solutions led to the introduction of the RYOBI LINK Modular Storage System that will revolutionize organization of the home, jobsite and everywhere in between. This modular storage system includes multiple components that share a common locking interface, enabling users to customize their storage solutions in the home and on the go.

The RYOBI LINK Wall Rails are 33" long with integrated mounting cleats, compatible with RYOBI LINK hooks, shelves, bins, and tool boxes. With a 75-pound-per-foot weight capacity, the Wall Rails can support heavy objects such as ladders, bikes, and outdoor power equipment. In addition, RYOBI LINK Mobile Storage solutions offer crate and tool boxes that can stack on each other or connect to the RYOBI LINK Wall System. They are designed with a hassle-free front release button that allows users to easily detach from their mobile storage stack or wall rails. This allows users to easily transport tools from the home to the jobsite in durable storage solutions designed to withstand the toughest conditions.

NEW PRODUCTS

LINK Hanging Shelf

LINK 7 Piece Wall Storage Kit

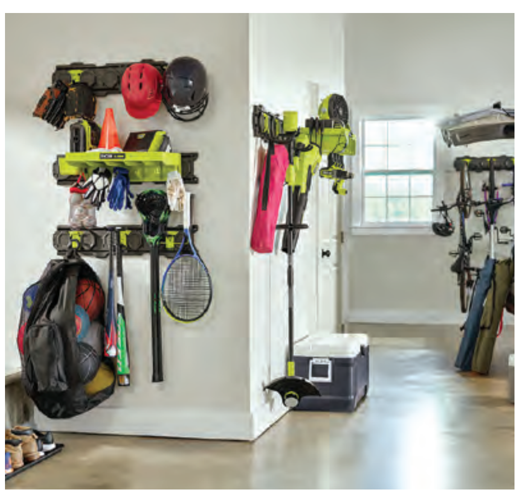
LINK Wall Rail

LINK Tool Crate

LINK Medium Tool Box

LINK Rolling Tool Box


RYOBI
RYOBI
RYOBI
RYOBI



RYOBI is quickly establishing itself as a leader in the Hobby/Craft & Maker category with over 70 new innovative tools and accessories. This new line of product solutions allows users to more easily complete projects with thoughtful engineering and features that expand their creativity. The new offerings deliver enhanced capabilities with new rotary tools, crafting tools, cutting tools, and accessories for all users' needs. Delivering solutions on the 18V ONE+ platform as well as the brand-new USB LITHIUM platform, RYOBI provides a new cordless product for any application at any skill level.

RYOBI's newest system, USB LITHIUM, powers a line of handheld portable tools through USB LITHIUM batteries that are easily rechargeable with any USB-C cable. The system currently supports a Rotary Tool, Power Carver, Power Cutter, and Cordless Screwdriver, with more coming in the new product pipeline. The USB LITHIUM System provides compact, portable, rechargeable solutions for cordless power and productivity. This new battery system is compatible with all USB LITHIUM tools that accomplish a variety of applications.

NEW PRODUCTS

USB LITHIUM
Power Cutter

USB LITHIUM
Rotary Tool

18V ONE+ 40W
Soldering Iron

18V ONE+ HP Brushless
Rotary Tool

18V ONE+ Magnifying
LED Clamp Light


RYOBI
RYOBI
RYOBI
RYOBI 120
RYOBI
RYOBI
RYOBI 150
RYOBI
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RYOBI


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RYOBI

Cordless Cleaning

HOOVER Cordless Cleaning Powered by the ONEPWR Battery

Leveraging the global success of TTI's lithium-ion technology, HOOVER continues to advance home cleaning through the most diverse cordless cleaning portfolio in the category. From vacuums to spot cleaners to wet/dry vacuums, all cordless cleaning tools in the HOOVER portfolio works with the same ONEPWR interchangeable lithium-ion battery. So, for the user, switching from one task to another is as simple as switching the battery from one product to another. And with multiple batteries, users can always have at least one powerful battery charging while one is in use.

ONEPWR Means Many Options

The HOOVER Cordless System is powered by innovative, lithium-ion ONEPWR batteries available in several size, power and runtime options. The versatile ONEPWR batteries allow pairing the right size battery with the right products to fit customers' cleaning habits. Where an 8Ah battery helps extend the runtime of a cordless vacuum, the lightweight 2Ah battery is more appropriate for a hand vacuum. The true benefit to the customer is owning multiple HOOVER cordless products and multiple ONEPWR batteries for extensive cleaning and runtime options.

CORDLESS PRODUCTS

ONEPWR BLADE
Cordless Vacuum

ONEPWR EVOLVE
Cordless Upright Vacuum

ONEPWR High-Capacity
Wet/Dry Utility Vacuum

ONEPWR
High Performance Blower

The HOOVER ONEPWR removable, replaceable battery is compatible across an ever-expanding portfolio of indoor and outdoor cleaning tools.

Carpet Washing & Spot Cleaning

As a global leader in floorcare, HOOVER is continuously broadening the brand's offerings well beyond vacuuming. Building from the success of the brand's first two automatic Carpet Cleaners — SMARTWASH and SMARTWASH PET, HOOVER launched the PowerScrub XL full-size carpet cleaner and the HOOVER CLEANSLATE Carpet and Spot Cleaner in 2021. Both are indicative of HOOVER's focus on the user. By focusing on consumers' various carpet and spot cleaning needs, the innovative HOOVER Carpet Cleaners command a presence in the carpet washing category. The current portfolio offers more than 40 carpet and spot cleaners including compact, full-size and portable models, and continues to expand.

Formulas for Success

In addition to world-class carpet and spot cleaners, HOOVER offers a wide range of cleaning formulas for all floor types and full variety of customer needs. From the powerful OXY carpet formulas for the home's toughest stains to the hypoallergenic Free & Clean formula, HOOVER cleaning formulas have their customers' floors covered.

NEW PRODUCTS

The HOOVER CLEANSLATE was designed to get deep to the source of spots and stains for a just-like-new look on carpet and upholstery.

This powerful and portable tool solves common consumer frustrations by providing a variety of attachments to tackle tough stains on the spot anywhere they happen.

The 7-inch WidePath Tool is perfect for large messes and cleaning spots on stairs. The TightSpot Tool attachment cleans hard-to-reach areas on floors or furniture. And the Pet Tool tackles typical pet messes including hair.

HOOVER PowerScrub XL Carpet Cleaner

HOOVER CLEANSLATE PET Spot Cleaner

Among the successful line of carpet washers, the HOOVER PowerScrub XL, launched in 2021, is the first HOOVER machine on the market with TRUMAX technology. By channeling water more efficiently into the same size tank, the TRUMAX system can recover more dirty water before emptying than any other residential carpet washer. Fewer stops mean a faster finish.

Cordless Cleaning

With the success of TTI's lithium-ion technology, VAX continues to build market share in the UK with a significant offering of cordless cleaning products. With vacuums, spot and hard floor cleaners, all VAX cordless products work with the same ONEPWR interchangeable lithium-ion battery. So, for the user, switching from one task to another is as simple as switching the battery from one product to another. And with multiple batteries, users can always have at least one powerful battery charging while one is in use.

VAX Edge

Designed for versatile and adaptable cleaning around the home, VAX Edge Dual Pet & Car has been designed for be everything consumers know and love about a traditional corded upright vacuum – just without the cord. With two ONEPWR batteries for up to 100 minutes runtime, full-size performance and capacity, and the new VAX VERSACLEAN Technology floorhead to tackle debris on all floors, Edge Dual Pet & Car delivers the whole home big clean without the cord.

VAX Evolve

VAX ONEPWR Evolve Cordless Vacuum Cleaner has been designed for lightweight, quick cleaning – without the cord. With a more traditional upright form and large dirt bin capacity, it offers consistent effective performance, ideal for both carpets and hard floors.

NEW PRODUCTS

VAX ONEPWR Edge
Cordless Vacuum Cleaner

VAX ONEPWR Evolve
Cordless Vacuum Cleaner

VAX ONEPWR Pace
Cordless Vacuum Cleaner

VAX ONEPWR BLADE 4
Cordless Vacuum Cleaner

Carpet Washing & Spot Cleaning

As the UK's number 1 brand in carpet washing, VAX is continuing to broaden authority in the space of full-size carpet cleaners by launching the brand-new VAX RAPID POWER 2 range. Focusing on user satisfaction of performance and ease of use. Whilst the spot washing category continues to grow and gain momentum in the UK, VAX is leveraging the market leading position in carpet washing by launching the VAX SPOTWASH Home Duo spot cleaner to an innovative and expanding portfolio.

Carpet Washing

Following the huge success of the VAX PLATINUM SMARTWASH Carpet Cleaner in 2021, the UK's first carpet washer with Motion Sense technology, VAX is launching the RAPID POWER 2 range — bringing the product portfolio up to 12. By focusing on large capacity and specialist tools — users can deep clean with ease, and with fewer interruptions.

Spot Cleaning & Formulas

The new VAX SPOTWASH Home Duo is the must have cleaning companion; it easily removes spills, stains and pet messes in the home and car. With dedicated cleaning tools such as the Extra-Wide 2-in-1 tool for bigger spills and stains, and antimicrobial protection on the cleaning attachments, it gives a reassuring, deep clean. Adding to VAX's range of specialist, deep cleaning formulas the new VAX Antibacterial Spot Cleaning Formula is a solution that tackles stubborn stains with ease, kills bacteria and helps neutralize pet odors.

NEW PRODUCTS

VAX Compact Power
Carpet Cleaner

VAX SPOTWASH
Home Duo

VAX RAPID POWER 2
Carpet Cleaner

VAX PLATINUM SMARTWASH
Carpet Cleaner


vax
PLATINUM
vax
SPOTWASH

REVIEW OF OPERATIONS

Power Equipment

90.6%
of Total Revenue

Sales

37.0% ↑ US$12.0 b

Operating Profit

37.8% ↑ US$1.2 b

MILWAUKEE M18 FUEL 1-1/8" SDS Plus Rotary Hammer w/ ONE-KEY

Power Equipment

Our Power Equipment segment delivered sales growth of 37.0% to US$12.0 billion. We grew operating profit 37.8% to US$1.2 billion while making investments to extend our leadership position in the Professional and DIY Tool markets. Based on the wide international reach of our brands, we believe MILWAUKEE is the #1 global Professional Tool brand, and RYOBI is the #1 DIY Tool brand worldwide. More importantly, both MILWAUKEE and RYOBI are the clear leaders in the cordless market, with a commanding and growing global position.

MILWAUKEE

In 2021, we grew our flagship Milwaukee business 40.6%. The introduction of innovative new products to expand our industry leading M18 and M12 cordless product platforms led this growth. In addition, the breakthrough MILWAUKEE MX FUEL Light Equipment platform continued to gain traction. We also expanded our existing line up of power tool accessories, PACKOUT storage solutions, Personal Protective Equipment (PPE) and Mechanics Hand Tools. These new product introductions, combined with our focus on end user conversions and strong commercial execution, continue to propel the outstanding growth momentum of this business.

Power Tools

Our Milwaukee business continued to convert users from traditional power sources including corded, pneumatic, hydraulic and petrol tools to our lithium cordless battery technology. Leading the way is the MILWAUKEE M18 system with 251 tools on the platform, the M12 system with 139 tools and the MX FUEL range with 13 products.

After we introduce a key new product, we immediately focus on engineering the next generation with additional features, improved run-time, power, speed, life, and compactness. In 2021, we launched 8 next generation MILWAUKEE M18 products including SDS Plus Rotary Hammers, Small Angle Grinders, and Finish Nailers.

We also expanded the MILWAUKEE M12 sub compact cordless platform with a series of innovative tools. One of the highlights includes the M12 FUEL High Speed Ratchet, which allow users to increase their productivity and is selling at rates well beyond expectations.

MILWAUKEE M12 FUEL 1/4" High Speed Ratchet

MILWAUKEE M18 FUEL BLOWER

The M18 FUEL Blower has the power to clear from 15 ft, gets to full throttle in under 1 second, and is up to 4 lbs lighter than competitors.

MILWAUKEE M18 FUEL 16" CHAINSAW

The M18 FUEL 16" Chainsaw delivers the power to cut hardwoods, cuts faster than gas, and delivers up to 150 cuts per charge.

Outdoor Products

We identified a vast opportunity to transform outdoor power equipment from petrol to battery-powered. To capitalize on this opportunity, we created a business unit that strictly focuses on battery-powered outdoor products. Our obsession is to catalyze a stampede away from petrol to battery, to improve the performance of outdoor products while eliminating carbon emissions and reducing noise. MILWAUKEE is well positioned to lead this revolution for professional grade outdoor equipment by introducing best in class performance through advanced batteries, charging, motor design and most importantly, firmware. In 2022, we will launch our new MILWAUKEE M18 FUEL 21" Self-Propelled battery-powered mower that delivers a breakthrough mowing performance, while also achieving new levels of sustainability and noise reduction. Fortunately, MILWAUKEE is not burdened with a legacy petrol business, so the entire product development system is 100% focused on leadership battery-powered products.

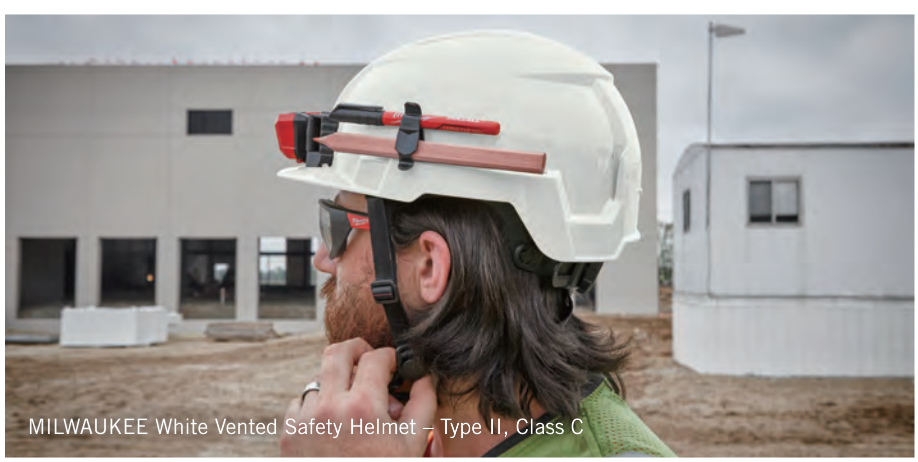
Storage

In addition, we continue to expand our revolutionary MILWAUKEE PACKOUT storage system to meet the growing storage, transportation, and organizational needs of the professional user. With the recent additions of the PACKOUT deep organizer, rolling jobsite box, and XL toolbox, this innovative system now contains 45 interchangeable products.

MILWAUKEE PACKOUT Rolling Tool Chest

Personal Protective Equipment

When we identified a significant opportunity for improved Personal Protective Equipment (PPE) in the market, we established a team to focus on developing breakthrough innovative products. We have now launched over 600 SKUs of PPE, all specifically tailored to bring better protection, comfort, safety, and productivity to our users. The flagship of our new PPE product range is in the ubiquitous hard hat arena. Our MILWAUKEE Safety Helmet range that has created an environment where users are safer, more comfortable and productive.



MILWAUKEE White Vented Safety Helmet – Type II, Class C

RYOBI

We believe RYOBI is the #1 global DIY Tool brand featuring 162 tools, 74 outdoor products, and 18 cleaning products in the ONE+ battery system alone. In 2021, our RYOBI 18V ONE+ High Performance (HP) brushless products elevated the performance of RYOBI, providing a better experience for professionals and DIY users alike. Led by the runaway success of the RYOBI ONE+ HP Compact Brushless Drill Driver, the HP Platform now contains 37 products, and is rapidly growing. We cannot be more excited about the future RYOBI ONE+ HP new product pipeline, featuring a RYOBI ONE+ HP Table Saw, RYOBI ONE+ HP Track Saw, and RYOBI ONE+ HP AIRSTRIKE 18ga Brad Nailer to name just a few.

The Ryobi outdoor business delivered another year of outstanding results, led by our global leadership of battery-powered lawn mowers, battery-powered snow blowers, and cordless handheld outdoor equipment. Our range of 41 cordless RYOBI mowers and 6 snow blowers are leading the revolution from the legacy petrol market to our environmentally friendly lithium cordless technology. In addition to being carbon-emission free in use, these products offer superior performance, increasing levels of power without any of the harmful carbon emissions and noise.

One of our leadership initiatives at TTI is attacking noise pollution. Awareness of this harmful issue is growing as local governments are increasingly enacting legislation restricting the use of loud petrol powered outdoor equipment. We are the global leader in acoustic engineering and the subsequent reduction of noise in outdoor products. For example, our RYOBI WHISPER series of quiet blowers, mowers, chainsaws, and other outdoor equipment represents a breakthrough in sound reduction on outdoor battery products that delivers incredible power without the noise. We are incredibly excited about the revolutionary research MILWAUKEE is doing in acoustic engineering for the new product pipeline.

RYOBI 18V ONE+ HP BRUSHLESS AIRSTRIKE 18GA BRAD NAILER

Featuring AIRSTRIKE technology, this nailer eliminates the need for noisy compressors, bulky hoses or expensive gas cartridges. This means faster setup and easy maneuverability on the job site.

RYOBI 40V HP BRUSHLESS 24" TWO-STAGE SNOW BLOWER

Equipped with four 40V 6.0Ah batteries and dual brushless motors, this snow blower allows you to plow through snow easier than ever before.

RYOBI 18V ONE+ & 40V WHISPER SERIES Family

REVIEW OF OPERATIONS

Floorcare & Cleaning

9.4%
of Total Revenue

Sales

14.8% ↑ US$1.2 b

Operating Profit

18.7% ↑ US$29.2 m

HOOVER CLEANSLATE PET Carpet & Upholstery Spot Cleaner

Floorcare & Cleaning

Our Floorcare and Cleaning business accounted for 9.4% of TTI total sales, increasing 14.8% to US$1.2 billion, while generating US$29.2 million of operating profit, up 18.7% from 2020.These results reflect our disciplined efforts to produce best in class cordless and carpet washing cleaning products.

We delivered double-digit growth in the carpet washing category led by the success of our new HOOVER CLEANSLATE Spot Cleaner, which combines powerful suction, versatile tools, and the performance of the Oxy formula to permanently remove stains and messes. We are looking forward to expanding this innovative technology into more products and cleaning applications in the future.

The Global Floorcare and Cleaning business is well positioned to deliver consistently improving sales and financial performance in the months and years ahead.

HOOVER ONEPWR BLADE+ Cordless Vacuum

VAX RAPID POWER 2 Reach Carpet Cleaner

Financial Review

Financial Results

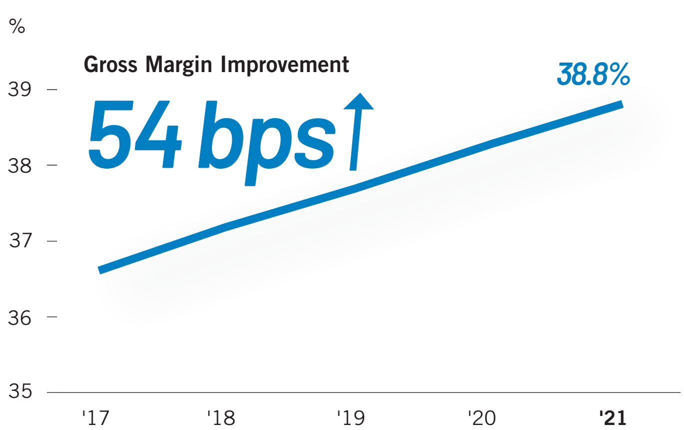
Result Analysis

The Group's revenue for the year amounted to US$13.2 billion, an increase of 34.6% as compared to US$9.8 billion in 2020. Profit attributable to Owners of the Company amounted to US$1,099 million as compared to US$801 million in 2020, an increase of 37.2%. Basic earnings per share for the year improved to US60.04 cents as compared to US43.80 cents in 2020.

EBIT amounted to US$1,192 million, an increase of 37.2% as compared to US$868 million in 2020.

Gross Margin

Gross margin improved to 38.8% as compared to 38.3% last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity together with very effective action plans to navigate global supply constraints, commodity headwinds and logistic costs increase.



Operating Expenses

Total operating expenses for the year amounted to US$3,943 million as compared to US$2,896 million in 2020, representing 29.9% of turnover (2020: 29.5%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum, margin improvements and high service levels.

Investments in product design and development amounted to US$426 million, representing 3.2% of turnover (2020: 3.2%) reflecting our continuous strive for innovation. We will continue to invest in 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 amounted to US$10 million as compared to US$7 million in 2020, an increase of 34.2%. Interest coverage, expressed as a multiple of EBITDA to total interest was 38.6 times (2020: 28.5 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.0% (2020: 7.0%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

Liquidity And Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$4.7 billion as compared to US$3.9 billion in 2020. Book value per share was at US$2.57 as compared to US$2.13 last year, an increase of 20.7%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2021, the Group's cash and cash equivalents amounted to US$1,874 million (2020: US$1,534 million), of which 55.3%, 12.1%, 10.7%, and 21.9% were denominated in US$, 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, was at 28.2% as compared to net cash in 2020.

Bank Borrowings

Long term borrowings accounted for 32.1% of total debts (2020: 71.4%).

The Group's major borrowings continued to be in US Dollars. Borrowings are predominantly LIBOR 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.

Amongst the bank borrowings, fixed rate debts account for 23.0% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US$4,850 million as compared to US$3,224 million in 2020. Days inventory increased by 14 days from 120 days to 134 days. The higher inventory days as compared to past years was mainly due to the strategic decision to carry a higher level of inventory to support our service level in considering our high growth momentum, to buffer inflation risk and critical component shortage. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 53 days as compared to 48 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 50 days as compared to 47 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 110 days as compared to 117 days in 2020 as the Group managed to leverage the volume and order visibility for better trade terms from suppliers.

Working capital as a percentage of sales was at 20.9% as compared to 14.0% in 2020.

Capital Expenditure

Total capital expenditures for the year amounted to US$747 million (2020: US$459 million).

Capital Commitments and Guarantees

As at December 31, 2021, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$235 million (2020: US$104 million), and there were no material guarantees 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, 2021

(i) the Group's largest customer and five largest customers accounted for approximately 47.5% and 59.1% respectively of the Group's total revenue ; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 5.7% and 18.8% 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 51,426 employees as at December 31, 2021 (2020: 48,028) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$2,207 million (2020: US$1,584 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 organization. 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 floorcare & cleaning 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 both inside and outside North America and we have spent relentless efforts to expand and 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.

Purchase, Sale or Redemption of Securities

Other than 4,750,000 shares of the Company purchased on-market by the trustee for satisfying the awarded shares granted under the Company's share award schemes (details of which will be set out in the Corporate Governance Report to be included in this Annual Report), 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, 2021. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK 1 dollar (approximately US12.87 cents) per share with a total of approximately US$236,098,000 for the year ended December 31, 2021 (2020: HK82.00 cents (approximately US10.55 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 20, 2022. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 17, 2022. This payment, together with the interim dividend of HK85.00 cents (approximately US10.94 cents) per share (2020: HK53.00 cents (approximately US6.82 cents)) paid on September 17, 2021, makes a total payment of HK185.00 cents (approximately US23.81 cents) per share for 2021 (2020: HK135.00 cents (approximately US17.37 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 2022 Annual General Meeting, the register of members of the Company will be closed from May 11, 2022 to May 13, 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2022 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 10, 2022.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 20, 2022 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 19, 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
SUSTAINABILITY HIGHLIGHTS

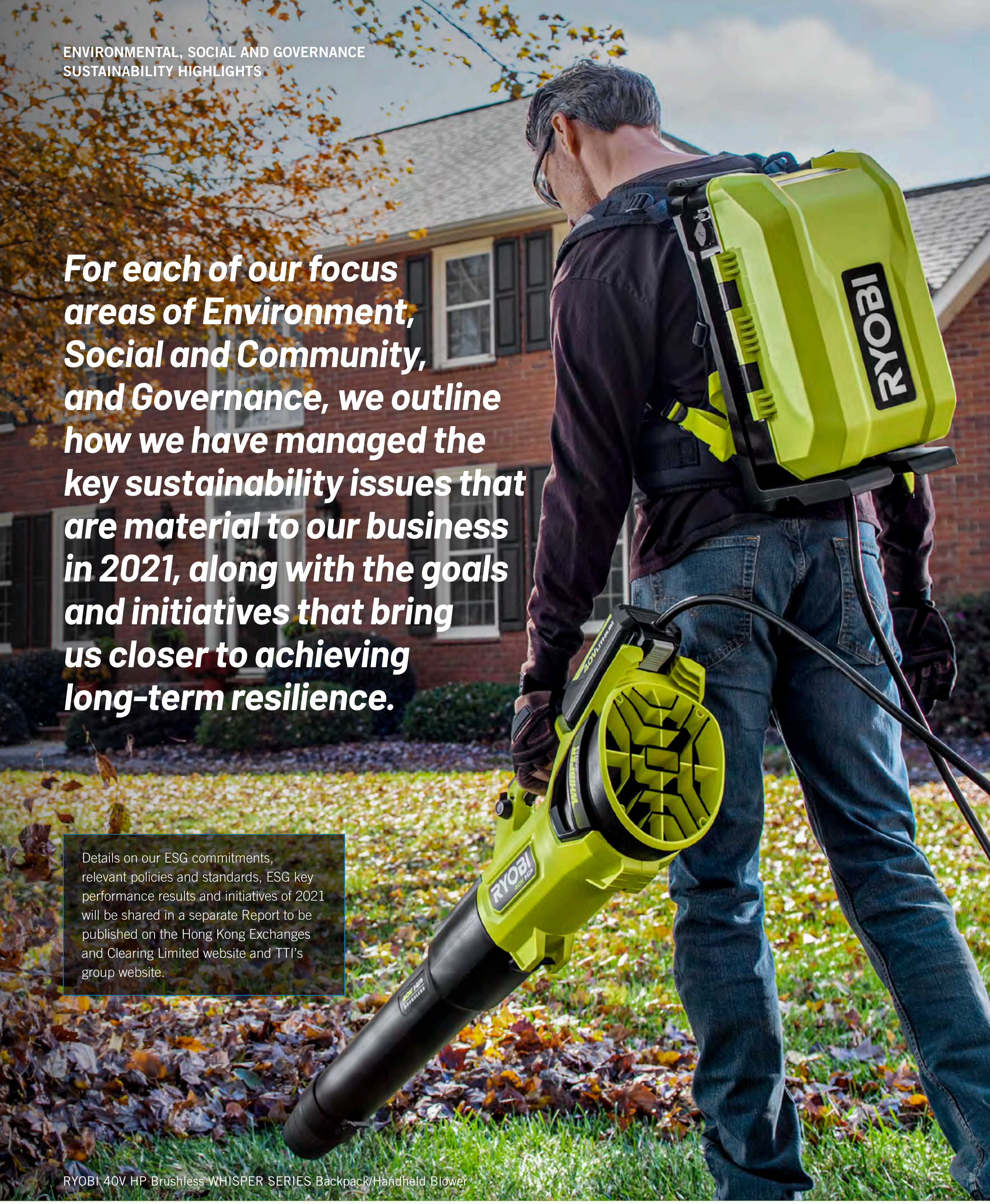
TTI's ESG Approach and Strategic Framework

At TTI, sustainability is a core value in all aspects of our business. Environmental, Social and Governance (ESG) principles are essential to our strategy, and embedded in our four strategic drivers, through which we strive to deliver shared value to all our stakeholders. TTI understands the importance of continuous engagement with our stakeholders to monitor and address their expectations as well as evolving legal and industry requirements. Our mission is to shape a better future, at the heart of which is our relentless focus on cordless technology and products to improve living and working environments.

Our **Powerful Brands** represent a long legacy of developing innovative, reliable and safe products, that address the evolving demands of consumers. By channeling resources into creating **Innovative Products**, we are leading the transition from corded, gas, hydraulic and pneumatic-powered products to cordless battery-powered alternatives, removing the unfavorable impact of outdated technologies. TTI's ongoing and future success is driven by our **Exceptional People**. Hiring the right people and fostering and retaining them through our Leadership Development Program is at the heart of our strategy. TTI is committed to a multicultural, diverse and inclusive workplace where our employees at every level can flourish while building a better future for our business, our customers and the communities where we operate. Through our **Operational Excellence** we uphold high standards of integrity across the value chain. We ensure responsible and disciplined execution — whether it be in decarbonizing our operations, preserving natural capital, sourcing ethically and optimizing supply chain logistics, or managing the repairability and the end-of-life cycle of our products.

In 2021, we continued to make progress on partnerships and initiatives that matter. Beyond aligning to the United Nations Sustainable Development Goals (SDGs) and continuing our membership with the Global Reporting Initiative (GRI), we began reporting against the Sustainability Accounting Standards Board (SASB) Standards and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), while also prioritizing our decarbonization agenda. As a founding member of the Better Mining Initiative (BMI) and active member of the Responsible Business Alliance (RBA), we have forged ahead to collaborate with industry partners to effect change on crucial challenges in our supply chain.

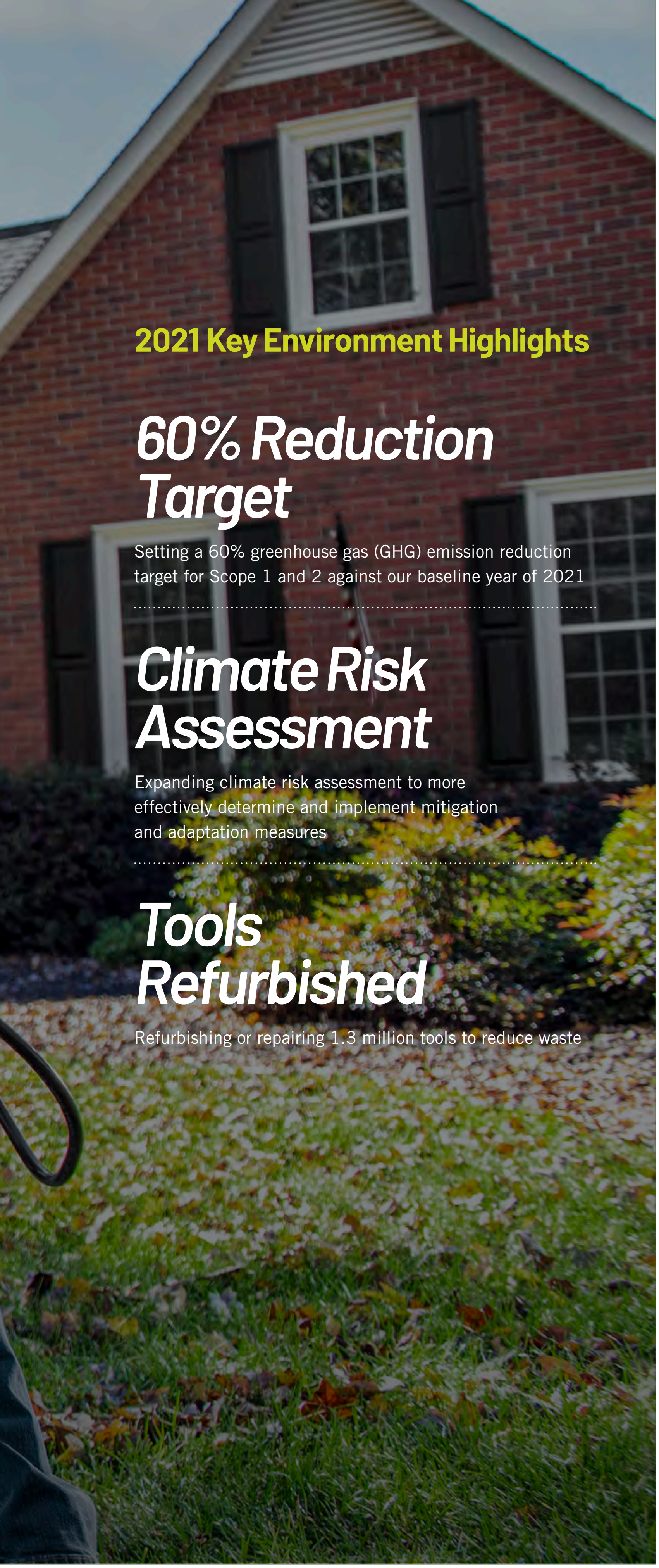
ESG STRATEGIC FRAMEWORK



For each of our focus areas of Environment, Social and Community, and Governance, we outline how we have managed the key sustainability issues that are material to our business in 2021, along with the goals and initiatives that bring us closer to achieving long-term resilience.

Details on our ESG commitments, relevant policies and standards, ESG key performance results and initiatives of 2021 will be shared in a separate Report to be published on the Hong Kong Exchanges and Clearing Limited website and TTI's group website.

RYOBI 40V HP Brushless WHISPER SERIES Backpack/Handheld Blower



2021 Key Environment Highlights

60% Reduction Target

Setting a 60% greenhouse gas (GHG) emission reduction target for Scope 1 and 2 against our baseline year of 2021

Climate Risk Assessment

Expanding climate risk assessment to more effectively determine and implement mitigation and adaptation measures

Tools Refurbished

Refurbishing or repairing 1.3 million tools to reduce waste

Environment

Protecting our planet through Innovative Products and Operational Excellence

At TTI we strive to manage our environmental impact by prioritizing the responsible development of our Innovative Products. We are dedicated to fully integrating diligent environmental management into our business; as such all our manufacturing sites have comprehensive Environmental Management Systems (EMS) in place. Our commitment to increasing transparency and accountability throughout our value chain is evident in our approach to climate action, responsible sourcing, managing resources, materials and waste, and developing sustainable products.

Our priority in 2021 has largely been to accelerate our course towards decarbonization and to that end we have also embarked on a comprehensive exercise to analyze our climate risks. We have pledged to reduce our GHG emissions (Scope 1 and 2) by 60% by 2030 against our baseline year of 2021, and have formulated a clear roadmap to achieving our target. We have also continued to strategically invest in clean technologies and developing products that have more sustainable attributes. Furthermore, we are implementing circularity practices across aspects of our operations and value chain. To ensure that all our BUs are unified in continually improving performance and sustainability practices, we have established a number of key procedures and accountability mechanisms.

Environment Material Topics

- Climate Change
- Resources, Materials and Waste
- Sustainable Products

2021 Key Social and Community Highlights

US$1.9 million

Contributing US$1.9 million of donations in cash and in kind to community projects

Diversity and Inclusion

Championing diversity and inclusion programs – 27% of management level employees were women

Global Partnership

Enhancing our Habitat for Humanity global partnership

Social and Community

Empowering Exceptional People to build a better business and support the community

TTI has long valued the role of Exceptional People in our business. We are building a strong, diverse and inclusive culture with a shared set of beliefs supported by strategy, structure and communication.

At all levels, we strive to attract and retain talented people, and we are dedicated to adapting our initiatives to the needs of our business and our employees. As such, fostering connections between colleagues and leaders has been vital in 2021, particularly while many employees continued to work from home. Providing comprehensive professional development opportunities, in the form of our Leadership Development Program and other such initiatives has also remained important as we nurture our people to further innovation and productivity. In addition, protection of our people is a priority as we strive to maintain workplace conditions that are safe and healthy. Safety is also a key consideration when it comes to our products. We continue to enhance product safety, quality and reliability while focusing on reducing the inherent impact of outdated technologies such as noise and air pollution, to provide customers with the best and safest experience.

TTI continues to support programs that improve livelihoods within our communities. In 2021, our focus was on activities that address good health and wellbeing, human rights and poverty alleviation, infrastructure development and the reduction of inequality. Our community initiatives involve collaboration with non-governmental organizations (NGOs), providing financial support and the donation of tools as well as employee volunteering.

Social and Community Material Topics

- Empowering People
- Health, Safety and Wellbeing
- Community Investment and Engagement

2021 Key Governance Highlights

Added Two Female Directors

Bolstering the strength of our Governance Structure, TTI appointed Ms. Virginia Davis Wilmerding and Ms. Caroline Christina Kracht to our Board, bringing extensive corporate experience, international management, and ESG specializations

Sustainability Functions

Establishing sustainability functions at the corporate, regional and business unit levels

Better Mining Initiative

Becoming a founding member of the Better Mining Initiative

Governance

Delivering Operational Excellence through Powerful Brands that champion integrity

TTI's strong corporate governance principles are embedded in our culture, providing the foundation that helps us to respond effectively to ever-changing environments while strengthening stakeholder confidence in our business. Our governance strategy is predicated on codes of conduct and policies that reinforce accountability with systems to manage risks within our operations and across our supply chain. We have a robust risk management system in place which allows us to identify and address issues in an appropriate and timely manner as well as mitigate risk to our business. We have identified legal and regulatory requirements related to ESG practices that have the potential to have a significant impact to our operations and performance. We had no reports of material ESG-related non-compliance in 2021.

The Company's governance structure is designed to enable effective planning, implementation and monitoring of our performance. Good governance is championed by our Board of Directors, which oversees our commitment to creating stakeholder value as well as the progress of our sustainability strategy. The Board is supported in this area by the ESG Executive Committee, the ESG Working Committee and BU leaders. They report to the Board on a regular basis and are responsible for driving execution, collecting and reporting data, tracking performance, setting targets to meet sustainability objectives and communicating our approach and progress.

Governance Material Topics

- Ethics and Integrity
- Responsible Sourcing

Board of Directors

Group Executive Directors

Horst Julius Pudwill
MSc
Chairman

Mr Horst Julius Pudwill, aged 77, 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, Vice Chairman and Group Executive Director.

Stephan Horst Pudwill
Vice Chairman

Mr Stephan Horst Pudwill, aged 45, joined the Group in 2004. Mr Pudwill was appointed as Executive Director in 2006 and subsequently was appointed as the Vice Chairman of the Company on October 1, 2016. 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.

Joseph Galli Jr
BSBA, MBA
Chief Executive Officer

Mr Joseph Galli Jr, aged 63, 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.

Group Executive Directors (Continued)

Patrick Kin Wah Chan
FCCA, FCPA
Operations Director

Mr Patrick Kin Wah Chan, aged 62, 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, 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
FCCA, FCPA, CPA (Practising)
Group Chief Financial Officer

Mr Frank Chi Chung Chan, aged 68, 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 fellow member of The Institute of Chartered Accountants in England & Wales 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.

Non-executive Directors

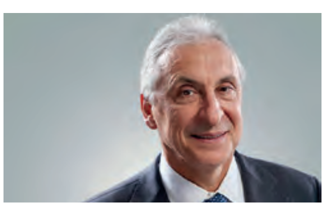
Roy Chi Ping Chung
GBS, BBS, JP

Prof Roy Chi Ping Chung GBS BBS JP, aged 69, 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 a Doctor of Business Administration honoris causa by the University of Macau and an Honorary Doctor of Science by the University of Warwick, United Kingdom in 2019, an Honorary Doctor of Business Administration by the Lingnan University in 2015, an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was awarded the Gold Bauhinia Star (GBS) and the Bronze Bauhinia Star (BBS) by the Hong Kong SAR Government on June 30, 2017 and July 1, 2011 respectively. 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 was the Chairman of the Federation of Hong Kong Industries from July 2011 to July 2013 and has been serving as the Honorary President of the Federation since July 5, 2013. He was appointed as Chairman of Vocational Training Council from January 2018 until December 2019. He is also the Founder and Chairman of Bright Future Charitable Foundation.

Prof Chung is also an Independent Non-executive Director of TK Group (Holdings) Limited, Vitasoy International Holdings Limited and Fujikon Industrial Holdings Limited (resigned with effect from June 23, 2021).



Camille Jojo

Mr Camille Jojo, aged 65, was appointed as a Non-executive Director with effect from October 30, 2015. Mr Jojo has practiced as a lawyer in Hong Kong for a continuous period in excess of 30 years as a specialist in (i) civil litigation in the higher courts of Hong Kong, (ii) arbitration and (iii) regulatory. He graduated with a LL.B. Hons. degree from the University of Cardiff in 1977 and obtained his Professional Qualifying Examination Certificate from Guildford College of Law in 1978. He was qualified and was admitted as a solicitor of the Supreme Court of England and Wales in 1980, as a solicitor of the Supreme Court of Hong Kong in 1982 and as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1984. Mr Jojo was admitted as a fellow of the Chartered Institute of Arbitrators in November 1997. He has been a member of the Law Society Insolvency Law Committee since 1996 and was granted Higher Rights of Audience as a solicitor advocate in respect of civil proceedings in the Hong Kong Courts in 2015. Mr Jojo was awarded the Dispute Resolution Lawyer of the Year 2018 at the 17th Annual Hong Kong Law Awards. He is a Partner of Norton Rose Fulbright Hong Kong and head of its dispute resolution practice in Hong Kong.

Independent Non-executive Directors

Peter David Sullivan
BS

Mr Peter David Sullivan, aged 73, 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 is the Chairman of Circle BMI Health LTD. He retired as a Non-executive Director of AXA ASIA, AXA China Region Insurance Company Limited, AXA Wealth Management Ltd and AXA General Insurance Hong Kong on May 1, 2021. He retired as a Non-executive Director to the boards of Standard Bank Group and The Standard Bank of South Africa Limited in May 2020. 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 was 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).

Johannes-Gerhard Hesse

Mr Johannes-Gerhard Hesse (commonly known as Hans-Gerd Hesse), aged 62, was appointed as an Independent Non-executive Director of the Company with effect from October 1, 2016. Mr Hesse holds a graduate degree in Business Administration from the University of Cologne and has acquired extensive business management, strategy, leadership and corporate governance experience in Europe and Asia.

Mr Hesse's professional career turned global in 1988 when joining RJ Reynolds International, a division of RJR Nabisco Inc., where he henceforth held market research and marketing positions in Germany, its regional headquarters in Switzerland and the Czech Republic. In 1996 he was appointed General Manager Hungary and in 1998 Regional Vice President Marketing for the Commonwealth of Independent States & Baltics (i.e. former Soviet Union). In 1999, JT International, a division of Japan Tobacco Inc. ("JTI"), appointed Mr Hesse as General Manager Singapore, Philippines & Australasia. He became Vice President & General Manager China in 2002 and served simultaneously as Vice Chairman on the board of directors of China American Cigarette Co. JV in Xiamen. In 2003 followed his appointment to Vice President Corporate Strategy at JTI's global headquarters. In 2007, Mr Hesse joined JTI's Executive Committee as Regional President Asia Pacific based in Hong Kong, holding concurrently governance and board director responsibilities in affiliates of the JTI Group of Companies in Asia. He retired from these positions before the end of 2010. From 2011 onwards, Mr Hesse started to develop his proprietary investment holding and business advisory company.

Independent Non-executive Directors (Continued)

Robert Hinman Getz

Mr Robert Hinman Getz, aged 59, was appointed as an Independent Non-executive Director of the Company with effect from January 1, 2020. Mr Getz has over 30 years of experience as a private equity investor and advisor. He has extensive experience in private and public equity and debt transactions and international mergers and acquisitions. Mr Getz holds a Master of Business Administration Degree in Finance from New York University, and a Bachelor of Arts Degree in International Relations, cum laude, from Boston University.

Mr Getz currently serves as the Founder and Managing Partner of Pecksland Capital, a private investment and advisory firm since 2016. Mr Getz previously served as Co-Founder and Managing Director of Cornerstone Equity Investors, a New York based private equity concern, from 1996 to 2016. Before the formation of Cornerstone in 1996, Mr Getz served as a Managing Director and Partner of Prudential Equity Investors and its predecessor firm Prudential Venture Capital.

Mr Getz has served as a Director of numerous United States and international public and private companies in the technology, manufacturing, finance, and metals and mining sectors. Currently, Mr Getz serves as the Non-executive Chairman of the Board of Directors of Haynes International, Inc. (HAYN:NSDQ), a public United States-based integrated developer and producer of specialty alloys primarily for use in the aerospace industry and industrial applications. He also serves as a Non-executive Director of Ero Copper Corp. (ERO:TSE), a public Brazilian copper mining and exploration company. Mr Getz previously served until 2016 as a Non-Executive Director of Newmarket Gold Inc., a public Australian gold mining and exploration company prior to its acquisition by Kirkland Lake Gold in 2017. He also served until December 2019 as a Non-Executive Director of Jaguar Mining Inc., a public Brazilian gold mining company. Mr Getz is a member of the National Association of Corporate Directors.

Virginia Davis Wilmerding

Ms Virginia Davis Wilmerding, aged 52, was appointed as an Independent Non-executive Director of the Company with effect from April 9, 2021. Ms Wilmerding holds an A.B. degree in East Asian Studies from Princeton University and is an experienced reputational risk advisor and environmental, social and governance (ESG) expert.

Ms Wilmerding is currently a Partner with Finsbury Glover Hering (“Finsbury”), a global critical issues and strategic financial communications consultancy, working across Greater China and Asia. She counsels executives and boards of leading listed Asian, European and U.S. companies on critical issues and complex financial situations including capital markets transactions, governance and activism, geopolitical challenges, reputation management and investor engagement. Prior to joining Finsbury, Ms Wilmerding was a Partner at Brunswick Group, where she helped drive dramatic growth in the Asia business from 2010 to 2020.

During Ms Wilmerding’s consultancy career over more than 12 years at both firms, she has led the technology, media and telecom (TMT) sector business across the Asia-Pacific region and has served as one of the global leads of the ESG and governance practice. Other corporate experience includes business development and joint venture operational roles for Hutchison Whampoa and Lucent Technologies in Hongkong and Shanghai from 1991 to 1996 and heading corporate affairs for U.S. private equity-backed Internet services companies in Boston. She speaks fluent conversational Mandarin and can read and write Chinese.

Independent Non-executive Directors (Continued)

Ms Wilmerding is a founding steering committee member of the 30% Club Hong Kong and was a Board Trustee of Princeton in Asia (PiA) from 1997-2021, where she served on the Board's executive, nominating and development committees and still chairs PiA's Asia Advisory Council. In 2021, Ms Wilmerding earned the Financial Times Level 7 Non-Executive Director Diploma, a formally accredited, post-graduate qualification for non-executive directors. Ms Wilmerding regularly writes on current affairs and ESG/governance issues, and she published a business advice book for women in 2006 (John Wiley & Sons).

Caroline Christina Kracht

Ms Caroline Christina Kracht, aged 49, was appointed as an Independent Non-executive Director of the Company with effect from March 7, 2022. Ms Kracht is an expert adviser to boards and top management teams on business strategy and corporate finance, merger and acquisition, as well as capital markets. She holds a Master Degree in Management (with distinction), the German university degree of Diplom-Kauffrau and a French Diplôme de Grande Ecole from ESCP Business School. Ms Kracht also attended the Advanced Management Program at the Harvard Business School.

Ms Kracht is currently a nominee director candidate of International Finance Corporation ("IFC"), a member of the World Bank Group, to serve on the boards of client companies in which IFC invests to add value and create shareholder value consistent with IFC's mandate. Ms Kracht is a co-founder and partner of MoreThan Capital, a Luxembourg based global investment and advisory firm founded, backed, and powered by a global community of business leaders, focused on investing in and helping companies on the verge of scaling-up enter new markets and transform from start-ups into mature businesses. She is also a sector expert in financial services, energy (oil and gas, power, renewables), industrials, chemicals, and other natural resources with global experience working in Asia (PRC, India, Indonesia, Japan, Malaysia, South Korea, Thailand), Europe (Germany, France, UK, Switzerland) and North America (Canada, U.S.).

Ms Kracht was the head of investment banking (Asia-Pacific) and a member of Scotiabank's Asia-Pacific executive team for Scotiabank from 2016 to 2020. She joined Scotiabank in Hong Kong as managing director responsible for energy investment banking across Asia-Pacific in 2011. Prior to this, Ms Kracht spent 13 years with Morgan Stanley with increasingly senior positions in investment banking and firm management in London, San Francisco, Frankfurt and Hong Kong. During Ms Kracht's 22-year career at Scotiabank and Morgan Stanley, the executive management expertise she has gained is directly relevant to strategy, audit, risk and compliance, nomination and remuneration, and ethics committees. She speaks fluent English, German and French.

Ms Kracht is a founder and board director of GJWHF Ltd., a Hong Kong non-profit organization on the economic empowerment of women. She was a member of the advisory board of the Mentoring Programme for Women Leaders of The Women's Foundation (TWF), a Hong Kong non-profit organization dedicated to challenging stereotypes, empowering women in poverty and growing the number of women in leadership positions.

Corporate Governance Report

The Company is committed to high standard corporate governance to enhance shareholders' interests and promote sustainable development. A quality board of directors (the "Board") with balanced skills, experience and diversity of perspectives is vital to the Company for effective risk management, internal controls and leadership, as well as transparency and accountability to all shareholders. The Board reviewed codes of conducts, policies and practices, corporate governance framework and disclosure of this Corporate Governance Report, from time to time, to improve the Company's corporate governance practices in respect of the latest developments on all applicable laws, rules and regulations.

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that 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, 2021, save that 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 107(A) of the Articles of Association of the Company, one-third of the Board must retire by rotation at each annual general meeting of the Company, and if eligible, offer themselves for re-election.

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

Corporate Governance Policy

Corporate governance plays an important role in maintaining sustainability. The Board continuously monitors, reviews and develops the policies and practices of corporate governance to ensure the compliance of the laws, rules and regulatory requirements governing the Group as well as the Company's Articles of Association. The Board performs the corporate governance function through, but not limited to, the following:

- review and monitor compliance of the Corporate Governance Code.
- 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.
- review and monitor the Directors' and the senior management's training and continuous professional development.

Board of Directors

Roles and Responsibilities

The Board is collectively responsible for leading, supervising and creating directions and strategies for the affairs of the Group with effective corporate governance framework to strike for long term success of the Company. The principal responsibilities of the Board include, but are not limited to, the following:

- review and monitor risks and changes in local and international business communities in order to enhance shareholders' value.
- review and develop overall mid-term and long-term strategies, objectives and directions of the Company.
- develop and monitor the policies and practices on corporate governance of the Company.
- oversee the Company's financial performance and operations through 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, as well as other significant operational matters.

Delegation to Board Committees and senior management of the Group with specific functions is monitored continuously by the Board with clear instructions and reservation for the Board's decision and consideration of specifically identified matters. The Board reviews regularly the formal written procedures adopted by the Company for the governance of delegation and reservation of responsibilities of the Board.

Board Composition

As at the date of this report, the Board consists of five Group Executive Directors, two Non-executive Directors and four 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 Stephan Horst Pudwill (Vice Chairman)
Mr Joseph Galli Jr (Chief Executive Officer)
Mr Kin Wah Chan (Operations Director)
Mr Chi Chung Chan (Group Chief Financial Officer)

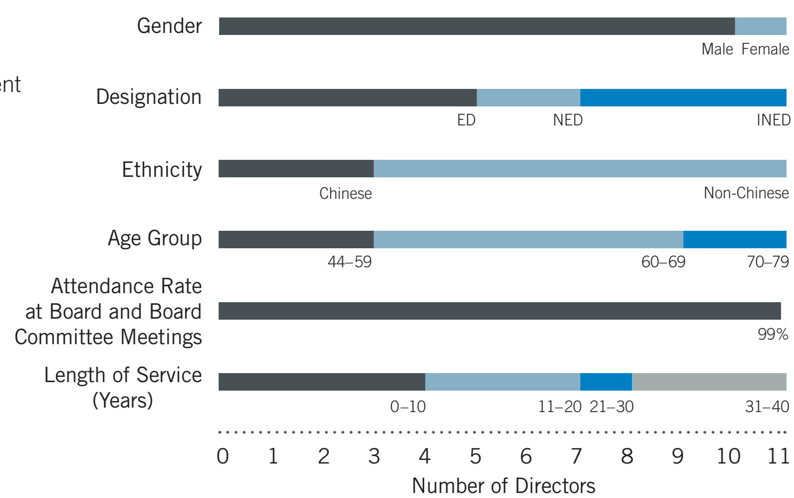
Non-executive Directors

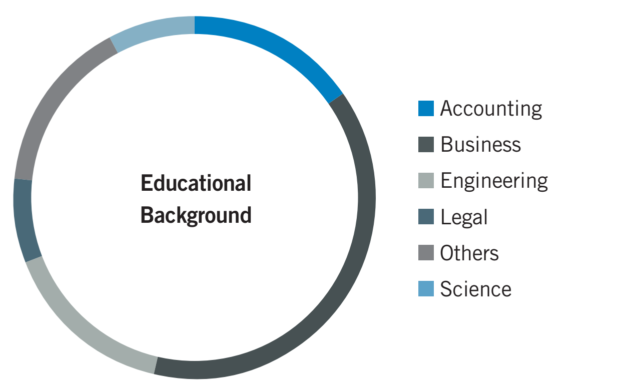
Prof Roy Chi Ping Chung GBS BBS JP
Mr Camille Jojo

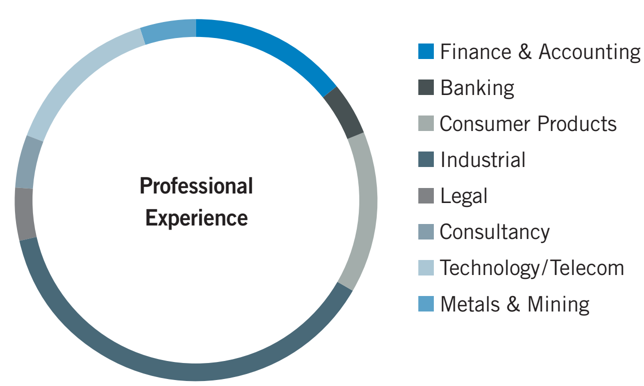
Independent Non-executive Directors

Mr Peter David Sullivan
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz
Ms Virginia Davis Wilmerding

Biographical details and relevant relationships of the members of the Board are set out on pages 64 to 69 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).







Both the management of the Board and the day-to-day management are essential to the Company's success and sustainability. In order to promote balance of power, authority and accountability, the roles of Chairman and Chief Executive Officer of the Company have been segregated and clearly distinguished.

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

- provide leadership for the Board to perform its responsibilities and act in the best interests of the Company, and ensure the Board works effectively.
- encourage all Directors to make full and active contributions to the Board's affairs to enhance the performance of the Board's responsibilities.
- enhance effective communication with shareholders and encourage the views of shareholders are communicated to the Board as a whole.
- ensure all Directors are properly briefed on issues arising at Board meetings and always receive clear, accurate and reliable information in a timely manner.
- oversee and ensure sound practices and procedures.

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

- perform the Company's strategic initiatives and management strategies.
- enhance the global sales potential of the Company's strong brand portfolio and facilitate the integration of acquisitions, if any.
- take the lead to oversee the global management team in the Group's daily operations.

To ensure the Board perform effectively and enhance diversity of the Board, appointment of directors is recommended by the Nomination Committee for approval of the Board. By considering the expertise, skills and experience of director candidates, the Nomination Committee makes recommendations to the Board in order to achieve the effective balance and diversity of the Board. Directors are aware that they must be able to contribute sufficient time and attention to the affairs of the Company before accepting their appointment. A formal and detailed orientation is provided for each newly appointed Director to ensure proper understanding of duties and responsibilities of Directors under the Listing Rules, the Company's Articles of Association, and related ordinances and relevant regulatory requirements of Hong Kong. Presentations by external professionals and senior executives of the Company are also provided to ensure a proper understanding of the Company's business and operations. In accordance with the Company's Articles of Association and the Listing Rules, Directors are subject to retirement by rotation at least once every three years. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the next annual general meeting after their appointment.

Culture of openness and independent views are key elements to an effective board. Independent Non-executive Directors and Non-executive Directors form a majority of the Board, and the Independent Non-executive Directors represent over one-third of the Board as at the date of this report. The Company has complied with Rule 3.10 of the Listing Rules in relation to the requirement of independent non-executive directors. All Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company received annual confirmation of independence from each of the Independent Non-executive Directors and they are still considered to be independent.

The Board has arranged appropriate Directors' and Officers' liability insurance 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' Continuous Professional Development

To ensure all Directors are aware of the current trends in the commercial and regulatory environment in which the Company conducts its business, the Company provides regular updates, training and written materials to them on relevant laws, rules and regulations. In order to ensure that the Directors' contribution to the Board remains informed and relevant, the Directors are encouraged to participate in various professional development programs such as seminars, webcasts and relevant reading materials, especially in relation to compliance requirements to develop and refresh their knowledge and skills and the latest updates on relevant rules, regulations.

All Directors participate in continuous professional development as set out in code provision C.1.4 of the Corporate Governance Code. According to the records of training provided by each Director to the Company, the training received by the Directors in 2021 is summarized 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 Stephan Horst Pudwill	√	√	
Mr Joseph Galli Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr Chi Chung Chan	√	√	√
Non-executive Directors			
Prof Roy Chi Ping Chung GBS BBS JP	√	√	√
Mr Camille Jojo	√	√	√
Independent Non-executive Directors			
Mr Peter David Sullivan	√	√	
Mr Johannes-Gerhard Hesse	√	√	√
Mr Robert Hinman Getz	√	√	
Ms Virginia Davis Wilmerding	√	√	√

Compliance with the Codes for Securities Transactions

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") has been adopted by the Board. In response to the specific enquiries made, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2021.

The Company has also adopted 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"). During the year, no incident of non-compliance was noted by the Company.

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

The Board focuses on the Company's strategies and values for on-going sustainability, success and growth of the Group.
The Company held regular Board meetings, where at least four Board meetings are scheduled in a year with more frequent meetings as and when required. In 2021, five Board meetings were held and the attendance records of each Director are set out in the section headed "Board, Board Committee and General Meetings in 2021" at the end of this report.

Board meeting, Board Committee meeting and Annual General Meeting dates for 2022 were agreed upon at the Board meeting held in August 2021 in order to ensure maximum attendance of Directors and to facilitate the effectiveness of the Board. The meeting agenda is drawn up by the Chairman in consultation with members of the Board to propose any other matters for inclusion of the agenda. Minutes of the Board and Board Committee meetings with sufficient details of matters and concerns discussed are prepared and maintained by the Company Secretary of the Company (the "Company Secretary"), which are sent to the Directors for comments and records. The Company Secretary keeps Board records in safe custody of which are available for inspection by the Directors.

Clear, accurate and reliable information are provided to all Directors in a timely manner to facilitate informed decisions of the Board. Furthermore, all Directors have access to all related materials with sufficient details in relation to the Board's issues. To enhance 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. The Company Secretary provide full support to the Directors in order to ensure Board procedures and all applicable laws, rules and regulations are followed. Directors are also provided with access to senior management of the Group upon request, as well as to independent professional advice on performing their duties at the Company's expenses.

Board Committees

The Board has established three Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to delegate various responsibilities of the Board. 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).

The board continuously reviews the diversity and effectiveness of the Board. To ensure independent views and inputs are available to the Board, Independent Non-executive Directors form majority of all Board Committees. With active participation and regular attendance of Independent Non-executive Directors, independent insights and opinions are encouraged to be contributed and expressed at the Board Committee meetings. The Board oversees and monitors the delegated authorities and responsibilities through regular reporting by the Board Committees in relation to their activities involved and recommendations and decisions made. The attendance records of each Board Committee are set out in the section headed "Board, Board Committee and General Meetings in 2021" at the end of this report.

Audit Committee

The Audit Committee is chaired by Mr Peter David Sullivan with other members being Mr Johannes-Gerhard Hesse, Mr Camille Jojo and Mr Robert Hinman Getz. All members except Mr Camille Jojo are Independent Non-executive Directors. The Company has complied with Rule 3.21 of the Listing Rules in relation to the requirement of the Audit Committee.

The Audit Committee plays an important role in risk management and internal control aspects. The Audit Committee aims to review and monitor the effectiveness of the risk management and internal control systems to ensure the compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations. The Audit Committee oversees the completeness and integrity of the financial statements of the Company and takes ad hoc responsibilities which may be delegated by the Board from time to time. The Audit Committee is also directly responsible on behalf of the Board for the oversight of the performance of the Company's external auditors, the assessment of the independence and qualifications of the external auditors, the selection, oversight and remuneration of the Company's external auditors and the maintenance of an appropriate relationship with the external auditors.

The Audit Committee held four meetings in 2021 and performed duties summarized below:

- review and assist to maintain the effectiveness of risk management and internal controls systems of the Group.
- review and monitor the scope, extent and effectiveness of internal audit function of the Group.
- oversee the relationship between the Company and the external auditors, assess the performance of the external auditors and recommend the re-appointment of the external auditors.
- review the audit and non-audit services provided by the external auditors.
- review and make recommendations to the Board for the approval of the interim and annual financial statements of the Group.
- review and monitor the Group's accounting principles and practices, financial reporting matters and significant financial matters.

Nomination Committee

The Nomination Committee is chaired by Mr Horst Julius Pudwill (Chairman of the Board) with the other members being Mr Johannes-Gerhard Hesse and Mr Robert Hinman Getz (who has been appointed as a member of the Nomination Committee with effect from July 19, 2021). All members except Mr Horst Julius Pudwill are Independent Non-executive Directors.

The Board should have a balance of skills, experience and diversity of perspectives appropriate for the requirements of the business of the Group in order to effectively discharge its function. 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. When considering suitable candidates of Directors, the Nomination Committee considers factors including, but not limited to, professional knowledge, industry experience, ethics, integrity, personal skills and as well as the ability to contribute sufficient time and attention to the Board in their recommendations.

The Nomination Committee held three meetings in 2021. The work performed by the Nomination Committee in 2021, with sufficient resources provided by the Company and/or independent professional advice when necessary, included:

- review of the size, composition and structure of the Board on a regular basis.
- review the Nomination Policy and the Board Diversity Policy.
- 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 2021 Annual General Meeting.

The Board has a balance of skills, experience and diversity of perspectives to enhance the Company's business and values. The Board has adopted the Board Diversity Policy 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, professional experience, educational background, cultural 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 71 of this report.

Remuneration Committee

The Remuneration Committee is composed of a majority of Independent Non-executive Directors and is chaired by Mr Robert Hinman Getz (who has been appointed as chairman of the Remuneration Committee effective from August 11, 2021) with the other members of the Committee being Mr Peter David Sullivan and Mr Camille Jojo.

The responsibilities of the Remuneration Committee include, but not limited to, developing and administering 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 determining their remuneration packages, on the basis of their merit, competence and qualifications, and having regard to individual performance, the Company's operating results and return to shareholders, 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, incentive payments and grants, 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 Directors 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 advice if necessary.

The Remuneration Committee held three meetings in 2021 and performed, among other work, the following:

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

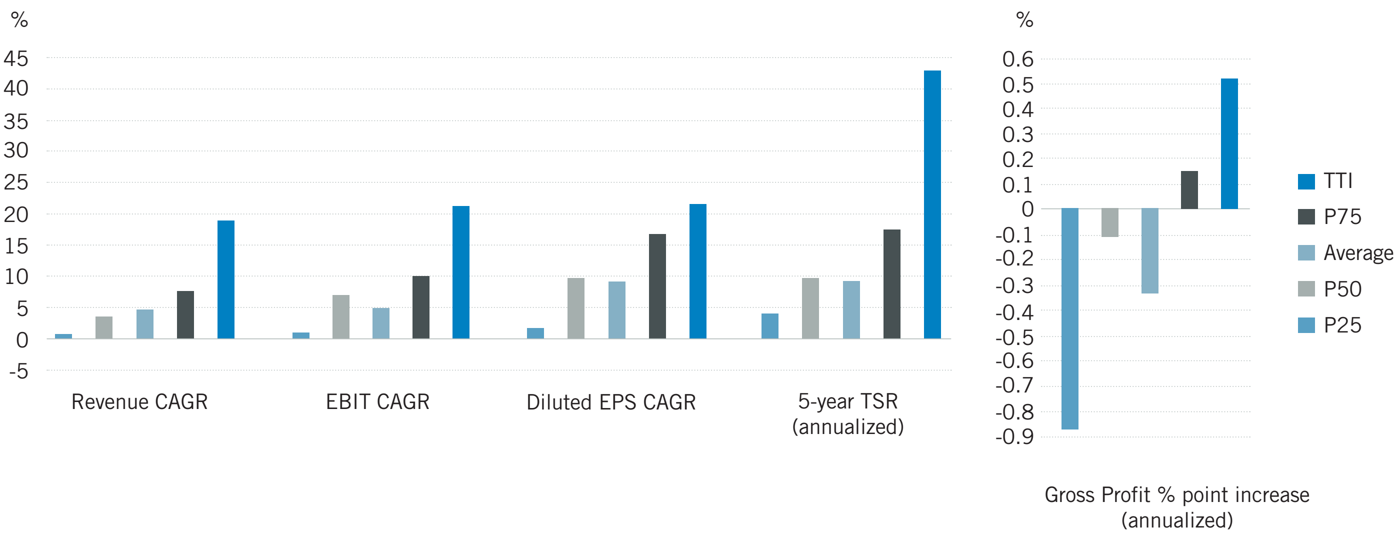
The Group engages a global executive compensation consulting firm as an independent third party to assess the competitiveness of compensation of the Chairman, the CEO and other Executive Directors. The compensation packages of the Group's Executive Directors were assessed relative to similar positions at 20 peer companies operating in the same or adjacent industries. The consultant's assessment took into account the Group's absolute share price, financial and operational performance, as well as that performance relative to the peer companies.

GROUP CEO INCENTIVE COMPENSATION

The Remuneration Committee reviewed and recommended to the Board for approval the 2021 incentive payouts for the Chairman, the CEO and other Executive Directors commensurate with the exceptional financial and operational performance delivered by the Group in a difficult operating environment, including supply chain disruptions and the ongoing health and social effects of the global Covid pandemic.

Executive compensation, and especially the Group CEO's compensation, is dependent on company performance as measured by a number of operational and financial metrics. In particular, the Remuneration Committee believes it is extremely important to align executive compensation with the interests of shareholders. As shown in Chart 1 below, over the past five years the Group has exceeded the 75th percentile performance of the 20 peer companies in a number of key financial and operational performance metrics including revenue growth, EBIT growth, diluted EPS growth, and gross profit margin improvement. Importantly, the Company's stock price and TSR performance over the past five years has been exceptional in both relative and absolute terms, with the Company's 5-year TSR exceeding that of any of the 20 peer companies.

Chart 1: TTI's Five Year Performance as Compared to 20 Peer Companies



ANNUAL INCENTIVE PLAN AWARDS

As part of the Group's annual incentive plan, the Remuneration Committee in 2021 approved share awards to Mr Galli in connection with the Group's 2021 fiscal year performance ("2021 STI Share Grants"). These share awards were made in addition to cash payouts made under the company's annual incentive plan. Specifically, the Remuneration Committee granted Mr Galli 1,000,000 shares in March 2021 following certification of the achievement of Group performance in the 2nd half of 2020. As this grant is made as part of the annual incentive plan, these shares vested upon grant.

Over the past three years the Remuneration Committee has shifted a significant portion of Mr Galli's compensation to be share based and believes that rewarding him for exceptional annual results in the form of equity further aligns him with shareholders and creates further incentives for improved future performance.

LONG-TERM INCENTIVE PLAN

In 2018 the Board approved multi-year performance-based share awards to Mr Galli ("2018 CEO Share Awards") with the granting of the awards conditional upon the Company's achievement of share price, financial, and operational performance criteria ("Performance Criteria") over successive three-year performance periods ending each year from 2019 to 2023. Performance is assessed on both an absolute and relative basis. Mr Galli delivered exceptional share price, financial and operational performance over the three-year period ending in 2021 and he was therefore awarded one million shares, as per the terms of the incentive plan agreement ("2021 Award"). These shares are scheduled to vest to Mr Galli on January 1, 2025 if he remains in his current role.

Over the last three years, the Group delivered 23.1% compound annual revenue growth and 25.0% compound annual EBIT growth. The Group's revenue growth over this period equaled the 97th percentile of performance of the Primary Peer Group while EBIT growth was the highest among all peers. Additionally, the Company's profit margin exceeds two-thirds of the peers and profit margin improvement over the past three years exceeds 80% of the peer group.

The remainder of the 2018 CEO Share Awards (up to two million shares) will be awarded subject to the Company's future performance meeting the goals set out in the 2018 CEO Share Awards plan from 2022 to 2023. The 2021 Award was made under the 2018 Share Award Scheme, described below.

Besides the 2018 CEO Share Awards, the Board approved another multi-year performance-based share awards to Mr Galli ("2020 CEO Share Awards") with the granting of the awards conditional upon the Company's achievement of financial and operational performance criteria ("Financial and Performance Criteria") for the year of 2021 and the years between 2022 to 2026. Under the 2020 CEO Share Awards, 1,000,000 shares will be granted every year if the Financial and Performance Criteria have been achieved for that year.

MR GALLI'S PERFORMANCE HISTORY

The compensation package awarded to Mr Galli, including his annual cash incentive, the 2021 Award and the 2021 STI Share Grants, were awarded on the basis of the Group's outstanding performance in 2021 despite difficult global economic conditions, global supply chain disruptions and continuing uncertainty regarding the global health environment.

Mr Galli's compensation is designed to reward him for the Company's stellar growth and performance over the period of his tenure as CEO of the Group, to incentivize him to position the company for future profitable growth, to align him over the long-term with shareholder value creation, and to ensure his continued service to the Company in his current role.

Chart 2: TTI Stock Price Performance Relative to Hang Seng Index and S&P500 Index, from February 2008 until December 31, 2021

Since his appointment in February 2008 to the CEO role, TTI's stock price has increased from HK$8.40 on February 1, 2008 to close at HK$155.20 at December 31, 2021, an increase of about 1,750%, greatly exceeding both the Hang Seng Index and the S&P500 Index over the same time period (see Chart 2). Since February 2008, the Group's equity market capitalization has grown from approximately HK$12.6 billion to approximately HK$280 billion at the end of December 2021, adding over HK$75 billion in additional shareholder value in 2021 alone.

EQUITY PLAN DESCRIPTIONS

The Company has adopted two share award schemes, namely the 2008 Share Award Scheme and the 2018 Share Award Scheme. The 2008 Share Award Scheme was adopted on January 9, 2008 (the "2008 Adoption Date") and expired from January 9, 2018, though its provisions shall remain in full force and effect in all other respects. Following the expiry of the 2008 Share Award Scheme, the 2018 Share Award Scheme was adopted with effect from January 17, 2018 (the "2018 Adoption Date").

The scheme rules of both the 2008 Share Award Scheme and the 2018 Share Award Scheme are substantially identical and below are the summary of the principal terms of both schemes:

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 the schemes. Unless terminated earlier by the Board in accordance with the respective scheme rules, the effective term of each scheme is 10 years commencing on the adoption date of the relevant scheme provided that no contribution to the trust will be made by the Company on or after the 10th anniversary date of the adoption date of the relevant scheme. Details of both schemes were announced by the Company on the respective adoption date of the schemes.

The Board may, from time to time, at their absolute discretion select any Eligible Person for participation in any scheme as a selected grantee (the "Selected Grantee") and determine the number of shares to be awarded or make reference to a nominal amount. The relevant number of shares awarded will be purchased by the trustee of the schemes from the market or new shares will be subscribed for by the trustee 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 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 each scheme is 10% of the issued share capital of the Company as at the adoption date thereof, and the maximum number of shares which can be awarded under each scheme 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 thereof. The total issued share capital of the Company as at the 2008 Adoption Date and the 2018 Adoption Date were 1,501,252,152 shares and 1,835,021,941 shares, respectively.

Since the 2008 Adoption Date and up to December 31, 2021, a total of 3,946,000 shares had been awarded under the 2008 Share Award Scheme, representing 0.26% of the issued share capital of the Company as at the 2008 Adoption Date. No recognition of share-based payment expenses under the 2008 Share Award Scheme during the year was incurred. During the year ended December 31, 2021, no share was transferred to the Selected Grantees upon vesting under the 2008 Share Award Scheme and no total payout, including related expenses was incurred.

Since the 2018 Adoption Date and up to December 31, 2021, a total of 9,647,500 shares had been awarded under the 2018 Share Award Scheme, representing 0.53% of the issued share capital of the Company as at the 2018 Adoption Date. Recognition of share-based payment expenses under the 2018 Share Award Scheme during the year was US$19,638,000. During the year ended December 31, 2021, a total of 3,530,500 shares had been awarded under the 2018 Share Award Scheme to eleven Directors of the Company, representing 0.19% of the issued share capital of the Company as at the 2018 Adoption Date. The total payout, including related expenses, amounted to US$44,112,000. In addition, during the year ended December 31, 2021, 2,391,500 shares were transferred to twelve Directors and certain Selected Grantees upon vesting under the 2018 Share Award Scheme. As at December 31, 2021, details of the awarded shares granted to the Directors of the Company under the 2008 Share Award Scheme and the 2018 Share Award Scheme were as follows:

				Number of shares						
Name of Directors	Date of Award	Share award scheme category	Number of awarded shares	As at January 1, 2021	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2021	Vesting Period	Closing price at the Date of Award
Mr Horst Julius Pudwill	18.9.2014	2008	350,000	–	–	–	–	–	18.9.2015 – 18.9.2017	HK$22.50
	26.9.2014	2008	174,000	–	–	–	–	–	26.9.2015 – 26.9.2017	HK$22.10
	15.10.2015	2008	500,000	–	–	–	–	–	15.10.2016 – 15.10.2017	HK$27.10
	23.3.2017	2008	300,000	–	–	–	–	–	23.3.2018 – 23.3.2019	HK$32.15
	21.3.2018	2018	500,000	250,000	–	(125,000)	–	125,000	15.3.2019 – 15.3.2022	HK$47.00
	20.5.2019	2018	300,000	200,000	–	(100,000)	–	100,000	20.5.2020 – 20.5.2022	HK$50.20
	21.12.2020	2018	1,000,000	500,000	–	(500,000)	–	–	21.12.2020 – 21.12.2021	HK$107.00
	30.12.2021	2018	300,000	–	300,000	–	–	300,000	30.12.2022 – 30.12.2023	HK$154.90
Mr Stephan Horst Pudwill	15.10.2015	2008	100,000	–	–	–	–	–	15.10.2016	HK$27.10
	21.3.2018	2018	50,000	25,000	–	(12,500)	–	12,500	15.3.2019 – 15.3.2022	HK$47.00
	21.12.2020	2018	100,000	50,000	–	(50,000)	–	–	21.12.2020 – 21.12.2021	HK$107.00
	30.12.2021	2018	50,000	–	50,000	–	–	50,000	30.12.2022 – 30.12.2023	HK$154.90
Mr Joseph Galli Jr[(4) (5)]	17.12.2014	2008	300,000	–	–	–	–	–	17.12.2015 – 17.12.2017	HK$25.85
	15.10.2015	2008	1,000,000	–	–	–	–	–	15.10.2016 – 15.10.2017	HK$27.10
	19.8.2016	2008	1,000,000	–	–	–	–	–	31.8.2016	HK$30.50
	21.3.2018	2018	514,000	257,000	–	(128,500)	–	128,500	15.3.2019 – 15.3.2022	HK$47.00
	3.1.2020	2018	1,000,000	1,000,000	–	–	–	1,000,000	On or about 1.1.2025	HK$64.70
	21.12.2020	2018	1,000,000	–	–	–	–	–	21.12.2020	HK$107.00
	4.3.2021	2018	1,000,000	–	1,000,000	(1,000,000)	–	–	4.3.2021	HK$121.40
	4.3.2021	2018	1,000,000	–	1,000,000	–	–	1,000,000	On or about 1.1.2025	HK$121.40
	31.12.2021	2018	1,000,000	–	1,000,000	–	–	1,000,000	On or about 1.1.2025	HK$155.20

Name of Directors	Date of Award	Share award scheme category	Number of awarded shares	Number of shares: As at January 1, 2021	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2021	Vesting Period	Closing price at the Date of Award
Mr Kin Wah Chan	15.10.2015	2008	100,000	–	–	–	–	–	15.10.2016	HK$27.10
	21.3.2018	2018	50,000	25,000	–	(12,500)	–	12,500	15.3.2019 – 15.3.2022	HK$47.00
	21.12.2020	2018	100,000	50,000	–	(50,000)	–	–	21.12.2020 – 21.12.2021	HK$107.00
	30.12.2021	2018	50,000	–	50,000	–	–	50,000	30.12.2022 – 30.12.2023	HK$154.90
Mr Chi Chung Chan	15.10.2015	2008	100,000	–	–	–	–	–	15.10.2016	HK$27.10
	21.3.2018	2018	50,000	25,000	–	(12,500)	–	12,500	15.3.2019 – 15.3.2022	HK$47.00
	21.12.2020	2018	100,000	50,000	–	(50,000)	–	–	21.12.2020 – 21.12.2021	HK$107.00
	30.12.2021	2018	50,000	–	50,000	–	–	50,000	30.12.2022 – 30.12.2023	HK$154.90
Prof Roy Chi Ping Chung GBS BBS JP	21.12.2020	2018	10,000	10,000	–	(5,000)	–	5,000	21.12.2021 – 21.12.2022	HK$107.00
	30.12.2021	2018	12,500	–	12,500	–	–	12,500	30.12.2022	HK$154.90
Mr Camille Jojo	4.1.2017	2008	11,500	–	–	–	–	–	4.1.2017	HK$28.00
	8.1.2018	2008	10,500	–	–	–	–	–	8.1.2018	HK$51.50
	2.1.2019	2018	10,000	–	–	–	–	–	2.1.2019	HK$41.10
	20.5.2019	2018	150,000	100,000	–	(50,000)	–	50,000	20.5.2020 – 20.5.2022	HK$50.20
	3.1.2020	2018	12,500	–	–	–	–	–	3.1.2020	HK$64.70
	21.12.2020	2018	10,000	10,000	–	(5,000)	–	5,000	21.12.2021 – 21.12.2022	HK$107.00
	31.12.2020	2018	10,500	–	–	–	–	–	31.12.2020	HK$110.60
	30.12.2021	2018	18,000	–	18,000	(5,500)	–	12,500	30.12.2021 – 30.12.2022	HK$154.90
Mr Peter David Sullivan	21.12.2020	2018	10,000	10,000	–	(5,000)	–	5,000	21.12.2021 – 21.12.2022	HK$107.00
	30.12.2021	2018	12,500	–	12,500	–	–	12,500	30.12.2022	HK$154.90
Mr Johannes-Gerhard Hesse	21.12.2020	2018	10,000	10,000	–	(5,000)	–	5,000	21.12.2021 – 21.12.2022	HK$107.00
	30.12.2021	2018	12,500	–	12,500	–	–	12,500	30.12.2022	HK$154.90
Mr Robert Hinman Getz	21.12.2020	2018	10,000	10,000	–	(5,000)	–	5,000	21.12.2021 – 21.12.2022	HK$107.00
	30.12.2021	2018	12,500	–	12,500	–	–	12,500	30.12.2022	HK$154.90
Ms Virginia Davis Wilmerding	30.12.2021	2018	12,500	–	12,500	–	–	12,500	30.12.2022	HK$154.90
Mr Christopher Patrick Langley OBE (retired after the conclusion of the annual general meeting of the Company held on May 14, 2021)	21.12.2020	2018	10,000	10,000	–	(10,000)[6]	–	–	21.12.2021 – 21.12.2022	HK$107.00
Mr Vincent Ting Kau Cheung (passed away on July 31, 2021)	21.12.2020	2018	10,000	10,000	–	(10,000)[7]	–	–	21.12.2021 – 21.12.2022	HK$107.00
Total			**12,493,500**	**2,602,000**	**3,530,500**	**(2,141,500)**	**–**	**3,991,000**		

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$75.82. The average fair value of the awarded shares is based on the average purchase cost.

(3) During the reporting year, a total of 4,750,000 shares were purchased at an aggregate consideration of US$81,251,000 for satisfying the awards granted pursuant to the 2018 Share Award Scheme.

(4) As to the agreement for the separate 5,000,000 awarded shares to be granted to Mr Joseph Galli Jr between 2020 to 2024 in five equal tranches (i.e. 1,000,000 awarded shares per year) provided the Company meets certain performance criteria each year, the first, second and third tranches of 1,000,000 shares were awarded to Mr Galli on January 3, 2020, March 4, 2021 and December 31, 2021 respectively. Details of the remaining 2,000,000 awarded shares to be granted as disclosed above are not included.

(5) As to the agreement for the 1,000,000 shares and 5,000,000 shares might be granted subject to, inter alia, the achievement of performance criteria for the year of 2021 and the years between 2022 to 2026 respectively as disclosed above are not included.

(6) The Board has, at its discretion, approved the vesting of a total of 10,000 shares to Mr Christopher Patrick Langley OBE upon his retirement.

(7) The Board has approved the total of 10,000 shares deemed to be vested to Mr Vincent Ting Kau Cheung on July 30, 2021 upon his demise in accordance with the rules of the 2018 Share Award Scheme.

Company Secretary

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

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.

Risk Management and Internal Controls

Effective risk management and internal control systems are vital in order to achieve long term goals of the Group through identifying and evaluating the Group's risks and formulating appropriate mitigating controls. The Board continuously monitors and reviews key internal control policies which include delegated authorities, non-audit services, treasury management policy, policy on market disclosure and investor and media relations, as well as key risk management functions which include legal, insurance, human resources, capital management and treasury. The Board conducts an annual review of the effectiveness of the risk management and internal control systems of the Company, which is designed to manage and minimize risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided.

The internal audit function is essential for providing an independent and objective assurance to the Audit Committee and the Board in controlling the internal business environment. The internal audit function maintains independent review continuously on key business aspects in accordance with the annual audit plan, and report the key findings to the Board through the Audit Committee. In addition, the Internal Auditor of the Company reports periodically to the Audit Committee and communicates with the Chairman of the Audit Committee regularly so as to evaluate and manage significant risks that may be identified throughout. The internal audit function also regularly reviews the adequacy of resources, the completeness and accuracy of risk assessments, risk reporting and adequacy of risk mitigation efforts.

The Board, together with the Audit Committee, focus on strengthening the Group's risk management culture, ensuring the whole risk management framework is adequate and effective and overseeing the internal audit function. The Group continuously reviews its risk framework in light of substantial changes and pursues improvements of enterprise risk management. A whistle blowing policy (the "Whistle Blowing Policy") has been adopted in order to detect and identify improprieties and bring the issues to the attention of the management, the Audit Committee as well as the Board. Furthermore, the Group regularly conducts in-house anti-bribery training to bolster the Group's anti-corruption culture.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's risk management and internal control systems that have been put in place. The reviews covering financial, operational, and compliance controls and risk management performed in 2021 included:

- the organization structure and delegated authorities.
- the adequacy and performance of accounting and financial reporting functions.
- the regular internal audit updates and the strategic and annual operating plan.

- 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 scope and quality of management's ongoing monitoring of risks and internal control system and the effectiveness of the Company's procedures relating to statutory and regulatory compliance.

The Company identifies, assesses and prioritizes the risks that are most relevant to the Company's success according to their likelihood and impacts. Risk assessment is conducted with the objective to improve the design and effectiveness of the Company's internal control. Mitigation plans or controls enhancement are developed and implemented by business units based on the risk assessment. The Company also reviews its risk framework on an ongoing basis considering substantial changes and pursues improvements of enterprise risk management.

The procedures and internal controls for handling and disseminating of inside information are governed by the Model Code, the Code for Securities Transactions by Relevant Employees, the Whistle Blowing Policy, the Policy on Market Disclosure, Investor and Media Relations with a view to ensure compliance with the Company's Articles of Association and the statutory and regulatory requirements that the Group is subject to.

In light of the above reviews and policies, the Board confirms that the Group's risk management and internal controls systems are effective and adequate.

External Auditors

Deloitte Touche Tohmatsu, the external auditors of the Group, provided the following audit and non-audit services to the Group in 2021:

Nature of Services	Amount (US$ million)
External Audit Services	2.52
Taxation Services	0.94
Other Services	0.01

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 2021 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 Board has adopted the Shareholders' Communication Policy on March 22, 2012, which primarily covers the current practices for communicating with shareholders and is published on the Company's website (www.ttigroup.com). 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 are published on the Company's website (www.ttigroup.com), provide timely, efficient and accurate information to 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. Important shareholders' dates in the coming financial year are set out in the section headed "Corporate Information" of this annual report.

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 64 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 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, 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 Requisitionists, 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 three 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 Director, please refer to the written procedure named "Nomination of Directors by Shareholder" which is 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 headed "Corporate Information" of this annual report).

PROCEDURE FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to Section 615 of the Companies Ordinance, 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 six 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 for further details.

Constitutional Document

No change has been made to the Company's constitutional document during 2021. 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 2021

A summary of attendance of Board, Board Committee and general meetings in 2021 are detailed in the following table:

	Meetings attended/Held in 2021				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Number of meeting(s) held during the year	5	4	3	3	1
Group Executive Directors					
Mr Horst Julius Pudwill	5/5		3/3		1/1
Mr Stephan Horst Pudwill	5/5				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
Non-executive Directors					
Prof Roy Chi Ping Chung GBS BBS JP	5/5				1/1
Mr Camille Jojo	5/5	4/4		3/3	1/1
Independent Non-executive Directors					
Mr Christopher Patrick Langley OBE[(1)]	3/3		1/2	1/1	1/1
Mr Peter David Sullivan	5/5	4/4		3/3	1/1
Mr Vincent Ting Kau Cheung[(2)]	3/3	2/2	2/2	1/1	1/1
Mr Johannes-Gerhard Hesse	5/5	4/4	3/3		1/1
Mr Robert Hinman Getz[(3)]	5/5	4/4	1/1	2/2	1/1
Ms Virginia Davis Wilmerding[(4)]	3/3				1/1
Date(s) of meeting(s)	14.1.2021	1.3.2021	1.3.2021	1.3.2021	14.5.2021
	3.3.2021	13.5.2021	7.4.2021	10.8.2021	
	13.5.2021	10.8.2021	10.8.2021	29.12.2021	
	11.8.2021	23.11.2021			
	23.11.2021				

Notes:

(1) Mr Christopher Patrick Langley OBE retired as Independent Non-executive Director after the conclusion of the 2021 Annual General Meeting.

(2) Mr Vincent Ting Kau Cheung passed away on July 31, 2021.

(3) Mr Robert Hinman Getz was appointed as a member of the Remuneration Committee and Nomination Committee with effect from July 19, 2021.

(4) Ms Virginia Davis Wilmerding was appointed as Independent Non-executive Director with effect from April 9, 2021.

Report of the Directors

The directors have the pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2021.

Principal Activities and Business Review

The Company acts as an investment holding company.

The principal activities of the principal subsidiaries and associates are set out in Notes 49 and 50 to the consolidated financial statements, respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Company Ordinance"), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred, and an indication of likely future development in the Group's business, can be found in the "Chairman's Statement", "Chief Executive Officer's Message", "Review of Operations", "Management's Discussion and Analysis", "Corporate Governance Report" and "Financial Summary" sections of this Annual Report and the "Environmental, Social and Governance Report" ("ESG Report") which will be published separately. The above sections and the ESG Report form part of this report.

Results and Appropriations

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 97.

An interim dividend of HK85.00 cents (approximately US10.94 cents) per share amounting to approximately US$200,627,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK1 dollar (approximately US12.87 cents) per share to the shareholders on the register of members on May 20, 2022, amounting to approximately US$236,098,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately US$4,193,000 on freehold land and land and buildings, acquired moulds and tooling for approximately US$1,945,000, office equipment, furniture and fixtures for approximately US$29,226,000 and plant and machinery for approximately US$67,609,000. 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 consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 38 to the consolidated financial statements.

Other than 4,750,000 shares of the Company purchased on-market by the trustee for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in the Corporate Governance Report), neither the Company nor any of its subsidiaries has, during the year, purchased, sold or redeemed any listed securities 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 Stephan Horst Pudwill, *Vice Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
Mr Kin Wah Chan
Mr Chi Chung Chan

Non-executive Directors:

Prof Roy Chi Ping Chung GBS BBS JP
Mr Camille Jojo

Independent Non-executive Directors:

Mr Peter David Sullivan
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz
Ms Virginia Davis Wilmerding (appointed on April 9, 2021)
Mr Christopher Patrick Langley OBE (retired after the conclusion of the annual general meeting of the Company on May 14, 2021)
Mr Vincent Ting Kau Cheung (passed away on July 31, 2021)

In accordance with Article 107(A) of the Company's Articles of Association, Messrs. Kin Wah Chan, Camille Jojo, Peter David Sullivan and Johannes-Gerhard Hesse will retire at the forthcoming Annual General Meeting, being eligible, will offer themselves for re-election.

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 107(A) of the Company's Articles of Association.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended December 31, 2021 and during the period from January 1, 2022 to the date of this Report are available on the Company's website (www.ttigroup.com).

Directors' and Chief Executive's Interests

As at December 31, 2021, 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 (the "Stock Exchange") 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	151,275,500[2]	79,000	368,274,294	20.08%
	Interests of spouse	760,000	–		
	Interests of controlled corporation	216,159,794[3]	–		
Mr Stephan Horst Pudwill	Beneficial owner	5,159,500[4]	5,750,000	44,917,000	2.45%
	Beneficiary of a trust	34,007,500[5]	–		
Mr Joseph Galli Jr	Beneficial owner	16,806,000[6]	–	16,806,000	0.92%
Mr Kin Wah Chan	Beneficial owner	691,000[7]	4,450,000	5,141,000	0.28%
Mr Chi Chung Chan	Beneficial owner	1,050,000[8]	4,750,000	5,800,000	0.32%
Prof Roy Chi Ping Chung GBS BBS JP	Beneficial owner	49,028,448[9]	576,000	86,679,478	4.73%
	Interests of controlled corporation	37,075,030[10]	–		
Mr Camille Jojo	Beneficial owner	203,000[11]	226,000	429,000	0.02%
Mr Peter David Sullivan	Beneficial owner	519,500[12]	79,000	598,500	0.03%
Mr Johannes-Gerhard Hesse	Beneficial owner	22,500[13]	411,000	433,500	0.02%
Mr Robert Hinman Getz	Beneficial owner	68,174[14]	154,000	222,174	0.01%
Ms Virginia Davis Wilmerding	Beneficial owner	12,500[15]	29,500	42,000	0.00%

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 525,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Horst Julius Pudwill's awarded shares are set out in the Corporate Governance Report.

Directors' and Chief Executive's Interests (continued)

Notes: (continued)

(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 Stephan Horst Pudwill's interests in 62,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Stephan Horst Pudwill'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 included Mr Joseph Galli Jr's interests in 3,128,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021; 2,000,000 awarded shares which agreed to be granted to Mr Galli in the year between 2023 to 2024 in two equal tranches (i.e. 1,000,000 awarded shares each year) provided the Company meets certain performance criteria; and the agreement for the 1,000,000 shares and 5,000,000 shares might be granted subject to, inter alia, the achievement of performance criteria for the year of 2021 and the years between 2022 to 2026 respectively. Details of Mr Joseph Galli Jr's awarded shares are set out in the Corporate Governance Report.

(7) These included Mr Kin Wah Chan's interests in 62,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Kin Wah Chan's awarded shares are set out in the Corporate Governance Report.

(8) These included Mr Chi Chung Chan's interests in 62,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Chi Chung Chan's awarded shares are set out in the Corporate Governance Report.

(9) These included Prof Roy Chi Ping Chung GBS BBS JP's interests in 17,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Prof Roy Chi Ping Chung GBS BBS JP's awarded shares are set out in the Corporate Governance Report.

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

(11) These included Mr Camille Jojo's interests in 67,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Camille Jojo's awarded shares are set out in the Corporate Governance Report.

(12) These included Mr Peter David Sullivan's interests in 17,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Peter David Sullivan's awarded shares are set out in the Corporate Governance Report.

(13) These included Mr Johannes-Gerhard Hesse's interests in 17,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Johannes-Gerhard Hesse's awarded shares are set out in the Corporate Governance Report.

(14) These included Mr Robert Hinman Getz's interests in 17,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Mr Robert Hinman Getz's awarded shares are set out in the Corporate Governance Report.

(15) These included Ms Virginia Davis Wilmerding's interests in 12,500 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2021. Details of Ms Virginia Davis Wilmerding's awarded shares are set out in the Corporate Governance Report.

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, 2021.

Share Options

Share Option Schemes

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. The scheme rules of both Scheme D and Scheme E are substantially identical and below are the summary of the principal terms of both schemes:

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) Directors; or
(iii) secondees; or
(iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or
(v) business partners; or
(vi) suppliers; or
(vii) customers; or
(viii) advisers of the Group.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board 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.

The maximum number of shares in respect of which share options may be granted under the respective share option scheme is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of the shares in issue as at the adoption date of the respective share option scheme. 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 or second 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; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

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	20.5.2019	E	97,000	–	(97,000)	–	–	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	32,000	–	–	32,000	154.900	30.12.2022 – 29.12.2031
Mr Stephan Horst Pudwill	20.3.2014	D	750,000	–	–	–	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	–	–	–	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	–	–	–	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	–	–	–	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	–	–	–	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	–	–	–	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	–	–	–	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	1,000,000	–	–	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Kin Wah Chan	11.9.2015	D	250,000	–	(250,000)	–	–	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	–	(300,000)	–	200,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	–	–	–	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	–	–	–	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	–	–	–	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	–	–	–	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	1,000,000	–	–	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Chi Chung Chan	20.3.2014	D	200,000	–	(200,000)	–	–	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	–	(250,000)	–	–	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	–	–	–	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	–	–	–	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	–	–	–	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	–	–	–	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	–	–	–	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	1,000,000	–	–	1,000,000	154.900	30.12.2022 – 29.12.2031
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	–	–	–	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	–	–	–	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	–	–	–	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	32,000	–	–	32,000	154.900	30.12.2022 – 29.12.2031

Share Options (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
Directors (continued)									
Mr Camille Jojo	14.3.2018	E	100,000	–	(50,000)	–	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	32,000	–	–	32,000	154.900	30.12.2022 – 29.12.2031
Mr Peter David Sullivan	11.9.2015	D	150,000	–	(150,000)	–	–	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	–	(150,000)	–	–	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	–	(100,000)	–	–	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	–	(97,000)	–	–	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	32,000	–	–	32,000	154.900	30.12.2022 – 29.12.2031
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	–	–	–	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	–	–	–	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	32,000	–	–	32,000	154.900	30.12.2022 – 29.12.2031
Mr Robert Hinman Getz	15.5.2020	E	75,000	–	–	–	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	–	32,000	–	–	32,000	154.900	30.12.2022 – 29.12.2031
Ms Virginia Davis Wilmerding	19.8.2021	E	–	29,500	–	–	29,500	167.200	19.8.2022 – 18.8.2031
Mr Christopher Patrick Langley OBE	17.3.2017	D	130,000	–	(20,000)	–	110,000	32.100	17.3.2018 – 16.3.2027
(retired after the conclusion of	14.3.2018	E	100,000	–	–	–	100,000	47.900	14.3.2019 – 13.3.2028
the annual general meeting of the	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029
Company held on May 14, 2021)	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
Mr Vincent Ting Kau Cheung	14.3.2018	E	50,000	–	–	–	50,000	47.900	14.3.2019 – 13.3.2028
(passed away on July 31, 2021)	20.5.2019	E	97,000	–	–	–	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	–	–	–	47,000	105.500	22.12.2021 – 21.12.2030
Total for directors			**15,495,000**	**3,221,500**	**(1,664,000)**	**–**	**17,052,500**		
Employees	23.3.2017	D	100,000	–	(100,000)	–	–	32.150	23.3.2018 – 22.3.2027
	19.6.2017	E	100,000	–	–	–	100,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	–	(100,000)	–	–	47.900	14.3.2019 – 13.3.2028
Total for employees			**300,000**	**–**	**(200,000)**	**–**	**100,000**		
Total for all categories			**15,795,000**	**3,221,500**	**(1,864,000)**	**–**	**17,152,500**		

The weighted average closing price of the Company's shares immediately before the various dates on which the share options were granted during 2021 was HK$152.31 (2020: HK$98.44).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$152.20 to HK$163.70 in 2021 (2020: ranged from HK$63.80 to HK$107.00).

The weighted average closing prices of the Company's shares immediately before various dates during 2021 and 2020 on which the share options was exercised were HK$152.40 (2020: HK$83.11) respectively.

The fair value of the share options granted in 2021 measured at various dates on which the share options were granted was ranged from HK$36.67 to HK$39.49 (2020: ranged from HK$15.26 to HK$24.57). The weighted average fair value of the share options granted in 2021 was HK$36.70 (2020: HK$22.73) per option.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in this Annual Report), 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 Transactions, Arrangements and Contracts of Significance

No transactions, arrangements and contracts of significance, to which the Company, or any of its subsidiaries, was a party and in which a director or a connected entity of 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.

Directors' Indemnities

Pursuant to the Company's Articles of Association, every director of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance) which he/she may sustain or incur in or about the execution of the duties of his/her office. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Equity-linked Agreements

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in this Annual Report), the Group has not entered into any equity-linked agreements during the year.

Substantial Shareholders' Interests

As at December 31, 2021, 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
JPMorgan Chase & Co.(1)	155,583,167	(L)	8.48%
	1,853,450	(S)	0.10%
	61,182,084	(LP)	3.34%
The Bank of New York Mellon Corporation (2)	92,564,945	(L)	5.05%
	33,372,940	(S)	1.82%
	55,652,029	(LP)	3.03%

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

Substantial Shareholders' Interests (continued)

Notes:

(1) 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/LP)***	**Deemed interests**	**(L/S/LP)***	**Approximate percentage of interests**
JPMorgan Chase & Co.	(1a)	–	–	155,583,167	(L)	8.48%
		–	–	1,853,450	(S)	0.10%
		–	–	61,182,084	(LP)	3.34%
JPMorgan Asset Management (Taiwan) Limited	(1b)	438,000	(L)	–	–	0.02%
J.P. Morgan AG	(1b)	10,500	(L)	–	–	0.00%
J.P. Morgan Securities LLC	(1b)	423,147	(L)	–	–	0.02%
		16,500	(S)	–	–	0.00%
JPMORGAN CHASE BANK, N.A. – LONDON BRANCH	(1b)	61,182,084	(L)	–	–	3.34%
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	(1b)	4,521,000	(L)	–	–	0.25%
J.P. Morgan Investment Management Inc.	(1b)	63,109,500	(L)	–	–	3.44%
J.P. Morgan Prime Inc.	(1b)	4,000	(L)	–	–	0.00%
JPMorgan Asset Management (Japan) Limited	(1b)	731,772	(L)	–	–	0.04%
J.P. Morgan Trust Company of Delaware	(1b)	54,185	(L)	–	–	0.00%
JPMorgan Chase Bank, National Association	(1b)	5,404,476	(L)	–	–	0.29%
JPMorgan Asset Management (Asia Pacific) Limited	(1b)	16,531,500	(L)	–	–	0.90%
J.P. MORGAN SECURITIES PLC	(1b)	3,173,003	(L)	–	–	0.17%
		1,836,950	(S)	–	–	0.10%
JPMorgan Asset Management (Asia) Inc.	(1b)	–	–	17,701,272	(L)	0.96%
JPMorgan Asset Management Holdings Inc.	(1b)	–	–	85,331,772	(L)	4.65%
JPMorgan Chase Holdings LLC	(1b)	–	–	85,813,104	(L)	4.68%
		–	–	16,500	(S)	0.00%
J.P. Morgan International Finance Limited	(1b)	–	–	3,183,503	(L)	0.17%
		–	–	1,836,950	(S)	0.10%
JPMorgan Chase Bank, National Association	(1b)	–	–	64,365,587	(L)	3.51%
		–	–	1,836,950	(S)	0.10%
J.P. Morgan Broker-Dealer Holdings Inc.	(1b)	–	–	427,147	(L)	0.02%
		–	–	16,500	(S)	0.00%
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	(1b)	–	–	4,521,000	(L)	0.25%
J.P. Morgan Securities LLC	(1b)	–	–	4,000	(L)	0.00%
J.P. Morgan Equity Holdings, Inc.	(1b)	–	–	54,185	(L)	0.00%
J.P. MORGAN CAPITAL HOLDINGS LIMITED	(1b)	–	–	3,173,003	(L)	0.17%
		–	–	1,836,950	(S)	0.10%

Remarks:

(1a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 155,583,167 shares of long position, 1,853,450 shares of short position and 61,182,084 shares of lending pool respectively was as controlled corporation.

(1b) JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan AG, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, JPMORGAN ASSET MANAGEMENT (UK) LIMITED, J.P. Morgan Investment Management Inc., J.P. Morgan Prime Inc., JPMorgan Asset Management (Japan) Limited, J.P. Morgan Trust Company of Delaware, JPMorgan Chase Bank, National Association, JPMorgan Asset Management (Asia Pacific) Limited, J.P. MORGAN SECURITIES PLC, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, J.P. Morgan International Finance Limited, JPMorgan Chase Bank, National Association, J.P. Morgan Broker-Dealer Holdings Inc., JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, J.P. Morgan Securities LLC, J.P. Morgan Equity Holdings, Inc. and J.P. MORGAN CAPITAL HOLDINGS LIMITED 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.

(2) The following is a breakdown of the interest in shares in the Company held by The Bank of New York Mellon Corporation:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)***	**Deemed interests**	**(L/S/LP)***	**Approximate percentage of interests**
The Bank of New York Mellon Corporation	(2a)	–	–	92,564,945	(L)	5.05%
		–	–	33,372,940	(S)	1.82%
		–	–	55,652,029	(LP)	3.03%
The Bank of New York Mellon	(2b)	92,505,970	(L)	–	–	5.04%
		33,372,940	(S)	–	–	1.82%
BNY Mellon, National Association	(2b)	58,010	(L)	–	–	0.00%
B.N.Y. Holdings (Delaware) Corporation	(2b)	–	–	965	(L)	0.00%
BNY Mellon Trust of Delaware	(2b)	965	(L)	–	–	0.00%

Remarks:

(2a) The Bank of New York Mellon Corporation is listed on New York Stock Exchange. The capacity of The Bank of New York Mellon Corporation in holding the 92,564,945 shares of long position, 33,372,940 shares of short position and 55,652,029 shares of lending pool respectively was as controlled corporation.

(2b) The Bank of New York Mellon, BNY Mellon, National Association, B.N.Y. Holdings (Delaware) Corporation and BNY Mellon Trust of Delaware were all directly or indirectly owned by The Bank of New York Mellon Corporation and by virtue of the SFO, The Bank of New York Mellon Corporation 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 December 31, 2021.

Dividend Policy

Stable dividend payment to shareholders of the Company is our primary objective. The Board of Directors of the Company determines the interim dividend and recommends the final dividend which requires the approval of shareholders of the Company. In proposing any dividend payout, the Board of Directors shall take into account, inter alia, the Group's operations, earnings, financial condition, cash availability, capital expenditure and future development requirements and other factors that may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Ordinance and the Company's Articles of Association.

Environmental, Social and Governance ("ESG")

The Company has adopted the latest ESG reporting guidelines issued by the Stock Exchange. A separate ESG report will be published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk) in due course in compliance with the ESG reporting guidelines as set out in Appendix 27 to the Listing Rules.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2021.

Donations

During the year, the Group made charitable and other donations totalling US$1,900,000.

Auditor

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

Horst Julius Pudwill
Chairman
Hong Kong

March 2, 2022

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)

Opinion

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 97 to 186, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Recognition of income taxes We identified the recognition of income and deferred tax as a key audit matter as the Group operates in a complex multinational tax environment, in which the tax amounts, including provisions for potential tax exposures, and the realizability of the deferred tax assets, which depends on whether sufficient taxable profits or taxable temporary differences will be available in the future, are associated with a high degree of estimate and judgement. As disclosed in Notes 10 and 41 to the consolidated financial statements, as at December 31, 2021, the Group has recognized US$83 million of income tax expense in the consolidated statement of profit or loss and other comprehensive income and US$97 million deferred tax assets in the consolidated statement of financial position, respectively.	Our procedures in relation to management's assessment about the recognition of income and deferred tax included: • Understanding and evaluating the management's procedures and relevant controls regarding the completeness of tax exposures and estimating the provision for income tax and deferred tax assets to be recognized; • Understanding and evaluating management's estimates and judgements and consider the status of current tax authority inquiries, judgmental positions taken in the tax returns, the outcome of previous inquiries and current estimates and developments in the tax environment; • Using our tax specialists to evaluate and challenge the adequacy of management's key assumptions and read the latest correspondence with the tax authorities to assess management's estimates; and • Evaluating management's assessment of the sufficiency of future taxable profits supporting the recognition of deferred tax assets.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Stephen David Smart.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 2, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	Notes	2021 US$'000	2020 US$'000
Revenue	6	**13,203,161**	9,811,941
Cost of sales		**(8,081,548)**	(6,058,859)
Gross profit		**5,121,613**	3,753,082
Other income	7	**12,992**	11,164
Interest income	8	**32,028**	36,787
Selling, distribution and advertising expenses		**(2,165,373)**	(1,573,048)
Administrative expenses		**(1,351,733)**	(1,006,327)
Research and development costs		**(425,699)**	(316,614)
Finance costs	9	**(42,008)**	(44,222)
Profit before share of result of an associate and taxation		**1,181,820**	860,822
Share of result of an associate		**5**	432
Profit before taxation		**1,181,825**	861,254
Taxation charge	10	**(82,724)**	(60,258)
Profit for the year	11	**1,099,101**	800,996
Other comprehensive income (loss):			
Item that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		**7,839**	(6,718)
Items that may be reclassified subsequently to profit or loss, net of related income tax:			
Fair value gain (loss) on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting		**162,205**	(90,897)
Exchange differences on translation of foreign operations		**(15,949)**	63,537
Other comprehensive income (loss) for the year		**154,095**	(34,078)
Total comprehensive income for the year		**1,253,196**	766,918
Profit for the year attributable to:			
Owners of the Company		**1,099,003**	800,760
Non-controlling interests		**98**	236
		1,099,101	800,996
Total comprehensive income attributable to:			
Owners of the Company		**1,253,098**	766,682
Non-controlling interests		**98**	236
		1,253,196	766,918
Earnings per share (US cents)	15		
Basic		**60.04**	43.80
Diluted		**59.73**	43.63

Consolidated Statement of Financial Position

As at December 31, 2021

	Notes	2021 US$'000	2020 US$'000
Non-current assets			
Property, plant and equipment	16	**1,852,886**	1,332,960
Right of use assets	17	**553,365**	383,718
Goodwill	18	**577,237**	578,461
Intangible assets	19	**849,785**	663,674
Interest in an associate	21	**2,026**	2,021
Financial assets at fair value through profit or loss	22	**4,959**	6,535
Derivative financial instruments	28	**8,302**	8,494
Deferred tax assets	41	**97,436**	74,501
		3,945,996	3,050,364
Current assets			
Inventories	23	**4,849,792**	3,223,748
Right to returned goods asset	24	**9,692**	9,266
Trade and other receivables	25	**2,022,278**	1,367,286
Deposits and prepayments		**151,443**	139,677
Bills receivable	26	**7,643**	7,660
Tax recoverable		**29,874**	27,181
Trade receivables from an associate	27	**6,600**	4,240
Derivative financial instruments	28	**93,554**	9,341
Financial assets at fair value through profit or loss	22	**16,272**	17,763
Bank balances, deposits and cash	29	**1,874,401**	1,533,876
		9,061,549	6,340,038
Current liabilities			
Trade and other payables	30	**3,991,797**	3,247,808
Bills payable	31	**47,549**	61,791
Warranty provision	32	**182,765**	156,671
Tax payable		**56,123**	32,336
Derivative financial instruments	28	**8,282**	96,135
Lease liabilities	33	**115,194**	73,331
Discounted bills with recourse	34	**1,857**	1,436
Unsecured borrowings – due within one year	37	**2,252,636**	385,214
Refund liabilities from right of return	24	**22,767**	26,713
		6,678,970	4,081,435
Net current assets		**2,382,579**	2,258,603
Total assets less current liabilities		**6,328,575**	5,308,967

	Notes	**2021 US$'000**	2020 US$'000
Capital and Reserves			
Share capital	38	**683,395**	673,141
Reserves		**4,039,123**	3,229,864
Equity attributable to Owners of the Company		**4,722,518**	3,903,005
Non-controlling interests		**—**	(98)
Total equity		**4,722,518**	3,902,907
Non-current Liabilities			
Lease liabilities	33	**439,006**	301,076
Unsecured borrowings – due after one year	37	**1,028,351**	940,220
Retirement benefit obligations	40	**76,139**	92,318
Other payables	30	**48,502**	58,524
Deferred tax liabilities	41	**14,059**	13,922
		1,606,057	1,406,060
Total equity and non-current liabilities		**6,328,575**	5,308,967

The consolidated financial statements on pages 97 to 186 were approved and authorized for issue by the Board of Directors on March 2, 2022 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to Owners of the Company								Attributable to non-controlling interests	
	Share capital 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, 2020	662,379	(31,827)	(151,302)	14,599	(28,893)	10,592	2,919,097	3,394,645	(334)	3,394,311
Profit for the year	—	—	—	—	—	—	800,760	800,760	236	800,996
Remeasurement of defined benefit obligations	—	—	—	—	(3,213)	—	—	(3,213)	—	(3,213)
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	—	—	—	(91,219)	—	(91,219)	—	(91,219)
Termination of a defined benefit plan	—	—	—	—	15,991	—	(15,991)	—	—	—
Deferred tax asset on remeasurement of defined benefit obligations	—	—	—	—	(80)	—	—	(80)	—	(80)
Release of deferred tax upon termination of a defined benefit plan	—	—	—	—	(3,425)	—	—	(3,425)	—	(3,425)
Deferred tax liability on hedging reserve	—	—	—	—	—	322	—	322	—	322
Exchange differences on translation of foreign operations	—	—	63,537	—	—	—	—	63,537	—	63,537
Other comprehensive income (loss) for the year	—	—	63,537	—	9,273	(90,897)	(15,991)	(34,078)	—	(34,078)
Total comprehensive income (loss) for the year	—	—	63,537	—	9,273	(90,897)	784,769	766,682	236	766,918
Shares issued on exercise of options	10,762	—	—	(2,168)	—	—	—	8,594	—	8,594
Vesting of awarded shares	—	12,798	—	(12,798)	—	—	—	—	—	—
Shares for share award scheme	—	(23,057)	—	—	—	—	—	(23,057)	—	(23,057)
Recognition of share-based payments	—	—	—	17,778	—	—	—	17,778	—	17,778
Final dividend – 2019	—	—	—	—	—	—	(136,688)	(136,688)	—	(136,688)
Interim dividend – 2020	—	—	—	—	—	—	(124,949)	(124,949)	—	(124,949)
At December 31, 2020	673,141	(42,086)	(87,765)	17,411	(19,620)	(80,305)	3,442,229	3,903,005	(98)	3,902,907
Profit for the year	—	—	—	—	—	—	1,099,003	1,099,003	98	1,099,101
Remeasurement of defined benefit obligations	—	—	—	—	7,459	—	—	7,459	—	7,459
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	—	—	—	163,556	—	163,556	—	163,556
Deferred tax asset on remeasurement of defined benefit obligations	—	—	—	—	380	—	—	380	—	380
Deferred tax liability on hedging reserve	—	—	—	—	—	(1,351)	—	(1,351)	—	(1,351)
Exchange differences on translation of foreign operations	—	—	(15,949)	—	—	—	—	(15,949)	—	(15,949)
Other comprehensive (loss) income for the year	—	—	(15,949)	—	7,839	162,205	—	154,095	—	154,095
Total comprehensive (loss) income for the year	—	—	(15,949)	—	7,839	162,205	1,099,003	1,253,098	98	1,253,196
Shares issued on exercise of options	10,254	—	—	(2,046)	—	—	—	8,208	—	8,208
Vesting of awarded shares	—	17,597	—	(17,597)	—	—	—	—	—	—
Shares for share award scheme	—	(81,251)	—	—	—	—	—	(81,251)	—	(81,251)
Recognition of share-based payments	—	—	—	33,573	—	—	—	33,573	—	33,573
Final dividend – 2020	—	—	—	—	—	—	(193,488)	(193,488)	—	(193,488)
Interim dividend – 2021	—	—	—	—	—	—	(200,627)	(200,627)	—	(200,627)
At December 31, 2021	683,395	(105,740)	(103,714)	31,341	(11,781)	81,900	4,147,117	4,722,518	—	4,722,518

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021 US$'000	2020 US$'000
Operating Activities		
Profit before taxation	**1,181,825**	861,254
Adjustments for:		
Amortization/write-off of intangible assets	**123,992**	161,217
Depreciation of right of use assets	**112,815**	77,038
Depreciation on property, plant and equipment	**190,289**	165,893
Fair value (gain) loss on foreign currency forward contracts	**(9,074)**	3,750
Fair value loss on listed equity securities	**4,792**	8,061
Fair value loss on acquisition right of certain property, plant and equipment	**192**	435
Finance costs	**42,008**	44,222
Gain on early termination of leases	**(734)**	(31)
Goodwill written off	**—**	3,861
Impairment loss on trade receivables under expected credit loss model	**24,820**	22,489
Impairment loss on right of use assets	**876**	—
Interest income	**(32,028)**	(36,787)
Loss on disposal of property, plant and equipment	**32,707**	62,436
Share-based payments expense	**33,573**	17,778
Share of result of an associate	**(5)**	(432)
Write down of inventories	**101,991**	32,139
Operating cash flows before movements in working capital	**1,808,039**	1,423,323
Increase in inventories	**(1,732,671)**	(1,117,840)
Increase in trade and other receivables, deposits and prepayments	**(697,983)**	(120,690)
(Increase) decrease in right to returned goods asset	**(426)**	6,076
Decrease (increase) in bills receivable	**17**	(1,584)
(Increase) decrease in trade receivables from an associate	**(2,360)**	3,908
Increase in trade and other payables	**734,304**	1,098,206
Decrease in refund liabilities from right of return	**(3,946)**	(9,761)
(Decrease) increase in bills payable	**(14,242)**	15,621
Increase in warranty provision	**29,048**	37,673
Decrease in retirement benefit obligations	**(8,719)**	(54,356)
Net payment for purchase of shares for share award scheme	**(81,251)**	(23,057)
Cash generated from operations	**29,810**	1,257,519
Interest paid	**(42,008)**	(44,222)
Hong Kong Profits Tax paid	**(4,990)**	(6,413)
Overseas tax paid	**(87,874)**	(53,757)
Hong Kong Profits Tax refunded	**1,104**	102
Overseas tax refunded	**3,013**	5,836
Net Cash (used in) from Operating Activities	**(100,945)**	1,159,065

	2021 US$'000	2020 US$'000
Investing Activities		
Additions to intangible assets	**(310,238)**	(158,186)
Interest received	**32,028**	36,787
Payment for early termination of leases	**(71)**	(38)
Proceeds from disposal of property, plant and equipment	**1,632**	2,078
Purchase of club membership debenture	**(1,737)**	(752)
Purchase of listed equity securities	**—**	(1,227)
Purchase of property, plant and equipment	**(746,538)**	(458,928)
Net Cash used in Investing Activities	**(1,024,924)**	(580,266)
Financing Activities		
Increase (decrease) in discounted bills with recourse	**421**	(7,653)
Dividends paid	**(394,115)**	(261,637)
New unsecured borrowings obtained	**7,300,433**	3,693,536
Proceeds from issue of shares	**8,208**	8,594
Repayment of unsecured borrowings	**(5,341,104)**	(3,855,110)
Repayment of lease liabilities	**(101,736)**	(75,823)
Net Cash from (used in) Financing Activities	**1,472,107**	(498,093)
Net Increase in Cash and Cash Equivalents	**346,238**	80,706
Cash and Cash Equivalents at Beginning of the Year	**1,533,876**	1,411,821
Effect of Foreign Exchange Rate Changes	**(5,713)**	41,349
Cash and Cash Equivalents at End of the Year	**1,874,401**	1,533,876
Analysis of the Balances of Cash and Cash Equivalents		
Represented by:		
Bank balances, deposits and cash	**1,874,401**	1,533,876
	1,874,401	1,533,876

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

1. General Information

Techtronic Industries Company Limited (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 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacturing and trading of electrical and electronic products.

The consolidated financial statements are presented in United States dollars ("US$"), which is also the functional currency of the Company.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7").

As at January 1, 2021, the Group has several financial liabilities and derivative financial instruments, the interest of which are indexed to benchmark rates that will be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts with payments indexed to benchmark rates which are subject to interest rate benchmark reform. The amounts of financial liabilities are shown at their carrying amounts and derivative financial instruments are shown at their notional amounts.

	United States dollar London Interbank Offered Rate ("USD LIBOR") US$'000
Financial liabilities	
Unsecured borrowings	**270,245**
Derivative financial instruments	
Cross-currency interest rate swaps	**210,300**

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for unsecured borrowings measured at amortized cost. Additional disclosures as required by HKFRS 7 are set out in Note 36.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after April 1, 2021.

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for annual periods beginning on or after January 1, 2023.

4 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at December 31, 2021, the application of the amendments will not result in a reclassification of the Group's liabilities.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right of use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right of use assets and lease liabilities which are subject to the amendments amounted to US$524,917,000 and US$554,200,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value at the end of each reporting period, 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 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized 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.

Significant Accounting Policies

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

BASIS OF CONSOLIDATION (continued)
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

BUSINESS COMBINATIONS OR ASSET ACQUISITIONS

Optional Concentration Test
The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset Acquisitions
When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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 recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized 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 at the acquisition date (see the accounting policy below);
- 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; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right of use assets ("ROU assets") are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

BUSINESS COMBINATIONS OR ASSET ACQUISITIONS (continued)

Business Combinations (continued)

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 recognized 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 relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included 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. 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 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 to fair value at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is disclosed below.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

INTEREST IN AN ASSOCIATE

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 result and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of an associate. Changes in net assets of an associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of 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 recognizing its share of further losses. Additional losses are recognized 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 recognized 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 recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, 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. 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 the relevant 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 recognized 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 recognized 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) upon disposal/partial disposal of the relevant associate.

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 recognized 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 recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

INTANGIBLE ASSETS

Intangible Assets Acquired Separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Internally-Generated Intangible Assets – Research and Development Expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized 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 recognized 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 listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognized 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 recognized in profit or loss in the period when the asset is derecognized.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

(continued)

Significant Accounting Policies (continued)

LEASES

Definition of a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a Lessee

Allocation of Consideration to Components of a Contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

ROU Assets

The cost of ROU assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

ROU assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents ROU assets as a separate line item on the consolidated statement of financial position.

Refundable Rental Deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of ROU assets.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

LEASES (continued)

The Group as a Lessee (continued)

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease Modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant ROU asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

PROPERTY, PLANT & EQUIPMENT ("PP&E")

PP&E are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold land and construction in progress as described below. PP&E are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of items of PP&E, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

PROPERTY, PLANT & EQUIPMENT ("PP&E") (continued)

PP&E in the course of construction for production, supply or administrative purpose is carried at cost, less any recognized impairment loss. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of PP&E when completed and ready for its intended use. Depreciation of these assets, on the same basis as other PP&E, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold is presented as "ROU assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as PP&E.

An item of PP&E is derecognized 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 derecognized.

IMPAIRMENT ON PP&E, ROU ASSETS AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of the reporting period, the Group reviews the carrying amounts of its PP&E, ROU assets and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. The recoverable amount of PP&E, ROU assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 recognized for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"). 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 ("FVTPL")) 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 FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Assets

Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except for derivatives designated as cash flow hedge relationship and at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 *Business Combinations* ("HKFRS 3") applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

Amortized Cost and Interest Income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Financial Assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL except for derivatives designated as cash flow hedge relationship.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9
The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, bills receivable, trade receivables from an associate, bank balances and deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant Increase in Credit Risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)

(i) Significant Increase in Credit Risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item Subject to Impairment Assessment under HKFRS 9 (continued)

(v) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset (i.e. gross carrying amount less loss allowance for ECL).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Financial Liabilities and Equity

Debt and equity instruments 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

Financial Liabilities at Amortized Cost

Financial liabilities (including unsecured borrowings, trade and other payables, bills payable and discounted bills with recourse) are subsequently measured at amortized cost, using the effective interest method.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, 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 recognized 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 attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortized cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Derivative Financial Instruments

Derivatives are initially recognized 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 recognized 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Hedge Accounting

The Group designates certain derivatives as hedging instruments for 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 attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based, is not altered as a result of interest rate benchmark reform.

Assessment of Hedging Relationship and Effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in the hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognized in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial Liabilities and Equity (continued)

Discontinuation of Hedge Accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Derecognition of Financial Assets and Liabilities

The Group derecognizes 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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognizes 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

OVER TIME REVENUE RECOGNITION (COMMISSION AND ROYALTY INCOME): MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (i.e. royalty income), the Group recognizes revenue in the amount to which the Group has the right to invoice.

REFUND LIABILITIES

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

SALE WITH A RIGHT OF RETURN/EXCHANGE

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

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 of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

TAXATION (continued)

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, 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 expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the ROU assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the ROU assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to ROU assets and lease liabilities are assessed on a net basis. Excess of depreciation on ROU assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used, by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

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 recognized 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 recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal or partial 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. US$) 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 recognized 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 re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of an associate 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 recognized in the other comprehensive income.

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.

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies
(continued)

Significant Accounting Policies (continued)

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve would be transferred to share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the employee share-based compensation reserve would be transferred to retained profits.

When the 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 recognized 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 the share award scheme. Accordingly, the related expense of the granted shares vested is reversed from the employee share-based compensation reserve. The difference arising from this transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimate of the number of shares that are expected to ultimately vest. The impact of the revision of the estimate, if any, is recognized in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

GOVERNMENT GRANTS

Government grants are not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognized as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

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 consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in reserves and will not be reclassified to profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

RETIREMENT BENEFIT SCHEMES (continued)

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized 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 recognized 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.

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interests and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. Key Sources of Accounting Estimates

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect 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.

Capitalization, Useful Lives and Estimated Impairment of Deferred Development Costs

Determining the development costs, including the time and costs for individual projects, to be capitalized requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life. As at December 31, 2021, the carrying amounts of deferred development costs of the Group are US$572,449,000 (2020: US$394,144,000). The estimation of their useful lives impacts the level of annual amortization 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 impairment loss may arise and need to be recognized. 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 adjustments are required.

Income Taxes

The Group operates in a complex multinational tax environment. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for taxation charge as there are many transactions and calculations, of which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payable carried as liabilities in the consolidated statement of financial position as at December 31, 2021 was US$56,123,000 (2020: US$32,336,000).

As at December 31, 2021, deferred tax assets of US$17,797,000 (2020: US$25,362,000) in relation to unused tax losses and US$74,748,000 (2020: US$39,452,000) in relation to employee related provisions has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax assets 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, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of the deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal or further recognition takes place. During the year, deferred tax assets of approximately US$8,100,000 (2020: US$6,703,000) in relation to unused tax losses were utilized.

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 "Floorcare & Cleaning". 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, HOMELITE and HART brands plus original equipment manufacturer ("OEM") customers.
2. Floorcare & Cleaning – sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

In order to better describe the business nature, the Group renamed the "Floorcare" segment to "Floorcare & Cleaning". The change in segment name does not affect the comparative figures. Information regarding the above segments is reported below.

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended December 31, 2021

	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Segment revenue				
External sales	**11,960,891**	**1,242,270**	**—**	**13,203,161**
Inter-segment sales	**—**	**20,340**	**(20,340)**	**—**
Total segment revenue	**11,960,891**	**1,262,610**	**(20,340)**	**13,203,161**

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	**1,162,480**	**29,227**	**—**	**1,191,707**
Interest income				**32,028**
Finance costs				**(42,008)**
Profit before taxation				**1,181,727**

For the year ended December 31, 2020

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	8,729,841	1,082,100	—	9,811,941
Inter-segment sales	—	4,018	(4,018)	—
Total segment revenue	8,729,841	1,086,118	(4,018)	9,811,941

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	843,831	24,622	—	868,453
Interest income				36,787
Finance costs				(44,222)
Profit before taxation				861,018

5. Segment Information (continued)

Segment Revenue and Results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned by each segment without the allocation of interest income and 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.

Other Segment Information

For the year ended December 31, 2021

Amounts included in the measure of segment results:

	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Consolidated US$'000**
Loss on disposal of property, plant and equipment	**31,374**	**1,333**	**32,707**
Write down of inventories	**90,860**	**11,131**	**101,991**
Impairment loss (reversal of impairment loss) on trade receivables under expected credit loss model	**32,226**	**(7,406)**	**24,820**
Write-off of intangible assets	**26,830**	**1,493**	**28,323**
Depreciation and amortization	**356,938**	**41,835**	**398,773**
Gain on early termination of leases	**(734)**	**—**	**(734)**

For the year ended December 31, 2020

Amounts included in the measure of segment results:

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Consolidated US$'000
Loss on disposal of property, plant and equipment	55,070	7,366	62,436
Write down of inventories	29,974	2,165	32,139
Impairment loss on trade receivables under expected credit loss model	16,222	6,267	22,489
Write-off of intangible assets	43,320	5,481	48,801
Depreciation and amortization	308,564	46,783	355,347
Gain on early termination of leases	(31)	—	(31)

Revenue from Major Products

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

	2021 US$'000	2020 US$'000
Power Equipment	**11,960,891**	8,729,841
Floorcare & Cleaning	**1,242,270**	1,082,100
Total	**13,203,161**	9,811,941

5. Segment Information (continued)

Geographical Information

The Group's revenue 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:

	Revenue from external customers		Non-Current Assets*	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
North America	**10,225,163**	7,650,370	**2,329,309**	1,764,007
Europe	**1,951,454**	1,382,707	**189,085**	173,873
Other countries	**1,026,544**	778,864	**1,314,879**	1,020,933
Total	**13,203,161**	9,811,941	**3,833,273**	2,958,813

* Non-current assets exclude interest in an associate, financial assets at FVTPL, derivative financial instruments and deferred tax assets.

Information about Major Customer

During the years ended December 31, 2021 and 2020, the Group's largest customer contributed total revenue of US$6,275,193,000 (2020: US$4,793,600,000), of which US$6,206,588,000 (2020: US$4,742,534,000) was under the Power Equipment segment and US$68,605,000 (2020: US$51,066,000) was under the Floorcare & Cleaning segment. There is no other customer contributing more than 10% of total revenue.

6. Revenue

Revenue 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 analyzed as follows:

	2021 US$'000	2020 US$'000
Sales of goods	**13,187,327**	9,801,240
Commission and royalty income	**15,834**	10,701
	13,203,161	9,811,941

Revenue from sales of goods is recognized at a point in time. Commission and royalty income is recognized over time.

The Group sells products mainly to the wholesale market. Revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location or pick up point (delivery).

Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognized for sales which are considered highly probable and where a significant reversal of the cumulative revenue recognized will not occur. A contract liability is recognized for sales in which revenue has not yet been recognized. The Group's right to recover the product when customers exercise their right to return products is recognized as a right to returned goods asset and a corresponding adjustment to cost of sales.

As at December 31, 2021, revenue for unsatisfied contracts to be recognized by the Group over one year is immaterial. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for contracts with period of one year or less is not disclosed.

7. Other Income

Other income in both 2021 and 2020 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2021 US$'000	2020 US$'000
Interest on:		
Unsecured borrowings	**31,656**	36,648
Lease liabilities	**10,352**	7,574
	42,008	44,222

10. Taxation Charge

	2021 US$'000	2020 US$'000
Current tax:		
Hong Kong Profits Tax	**(1,337)**	(260)
(Under) over provision in prior years	**(392)**	995
	(1,729)	735
Overseas taxation	**(105,702)**	(58,505)
Under provision in prior years	**(1,539)**	(2,033)
	(107,241)	(60,538)
Deferred tax (Note 41):		
Current year	**39,916**	8,075
Deferred tax asset impairment	**(14,127)**	(8,521)
Change in tax rates	**457**	(9)
	26,246	(455)
	(82,724)	(60,258)

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.

10. Taxation Charge (continued)

The taxation charge for the year is reconciled as follows:

	2021 US$'000	2021 %	2020 US$'000	2020 %
Profit before taxation	**1,181,825**		861,254	
Tax at Hong Kong Profits Tax rate	**(195,001)**	**16.5%**	(142,107)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**161,337**	**(13.7%)**	111,836	(13.0%)
Tax effect of expenses not deductible for tax purposes	**(61,339)**	**5.2%**	(42,289)	4.9%
Tax effect of income not taxable for tax purposes	**3,386**	**(0.3%)**	2,962	(0.3%)
Utilization of deductible temporary differences previously not recognized	**8,100**	**(0.7%)**	6,703	(0.8%)
Tax effect of tax losses and deductible temporary differences not recognized	**16,394**	**(1.4%)**	12,134	(1.4%)
Deferred tax asset impairment	**(14,127)**	**1.2%**	(8,521)	1.0%
Under provision in respect of prior years	**(1,931)**	**0.2%**	(1,038)	0.1%
Tax effect of changes in tax rates	**457**	**0.0%**	(9)	0.0%
Tax effect of share of result of an associate	**—**	**0.0%**	71	(0.0%)
Taxation charge for the year	**(82,724)**	**7.0%**	(60,258)	7.0%

Details of deferred tax are set out in Note 41.

11. Profit for the Year

	2021 US$'000	2020 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortization of intangible assets	**95,669**	112,416
Auditors' remuneration	**3,352**	3,027
Cost of inventories recognized as an expense	**8,081,548**	6,058,859
Depreciation of right of use assets	**112,815**	77,038
Depreciation of property, plant and equipment	**190,289**	165,893
Fair value (gain) loss on foreign currency forward contracts	**(9,074)**	3,750
Fair value loss on listed equity securities	**4,792**	8,061
Fair value loss on acquisition right of certain property, plant and equipment	**192**	435
Gain on early termination of leases	**(734)**	(31)
Goodwill written off	**—**	3,861
Impairment loss on trade receivables under expected credit loss model	**24,820**	22,489
Impairment loss on right of use assets	**876**	—
Loss on disposal of property, plant and equipment	**32,707**	62,436
Net exchange (gain) loss	**(1,443)**	1,633
Expenses relating to short-term leases and low-value assets recognized in respect of:		
Motor vehicles	**988**	934
Plant and machinery	**18,205**	11,522
Premises	**14,618**	9,716
Other assets	**1,036**	510
Share of result of an associate	**(5)**	(432)
Unconditional government grants	**(1,026)**	(657)
Write down of inventories	**101,991**	32,139
Write-off of intangible assets	**28,323**	48,801
Staff costs		
Directors' remuneration		
Fees	**515**	539
Other emoluments	**86,645**	63,754
	87,160	64,293
Other staff costs	**1,765,516**	1,293,422
Contributions to retirement benefits schemes (other than those included in the Directors' emoluments)		
Defined contribution plans	**24,594**	17,608
Defined benefit plans (Note 40)	**874**	808
	1,878,144	1,376,131

Staff costs disclosed above do not include an amount of US$328,684,000 (2020: US$207,699,000) of staff costs incurred relating to research and development activities.

12. Directors' Emoluments

The emoluments paid or payable to each of the thirteen (2020: twelve) directors, disclosed pursuant to the applicable Listing Rules and the CO, was as follows:

For the year ended December 31, 2021

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,671	2	14,257	3,249	19,179
Mr Stephan Horst Pudwill (Note i)	—	1,034	2	2,556	4,630	8,222
Mr Joseph Galli Jr (Note i)	—	1,743	874	22,773	13,870	39,260
Mr Kin Wah Chan (Note i)	—	905	2	3,035	4,630	8,572
Mr Chi Chung Chan (Note i)	—	902	—	4,362	4,630	9,894
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	77	—	—	—	149	226
Mr Camille Jojo (Note ii)	77	27	—	—	364	468
Mr Peter David Sullivan (Note iii)	77	37	—	—	149	263
Mr Johannes-Gerhard Hesse (Note iii)	77	27	—	—	149	253
Mr Robert Hinman Getz (Note iii)	77	28	—	—	193	298
Ms Virginia Davis Wilmerding (appointed on April 9, 2021) (Note iii)	56	—	—	—	42	98
Mr Christopher Patrick Langley OBE (retired after the conclusion of the annual general meeting of the Company held on May 14, 2021) (Note iii)	29	6	—	—	162	197
Mr Vincent Ting Kau Cheung (passed away on July 31, 2021) (Note iii)	45	23	—	—	162	230
Total	515	6,403	880	46,983	32,379	87,160

12. Directors' Emoluments (continued)

For the year ended December 31, 2020

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,671	2	12,412	3,795	17,880
Mr Stephan Horst Pudwill (Note i)	—	537	2	2,225	1,191	3,955
Mr Joseph Galli Jr (Note i)	—	1,753	383	19,100	7,211	28,447
Mr Kin Wah Chan (Note i)	—	870	2	2,645	1,191	4,708
Mr Chi Chung Chan (Note i)	—	867	—	4,750	1,191	6,808
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	77	—	—	816	81	974
Mr Camille Jojo (Note ii)	77	27	—	—	521	625
Mr Peter David Sullivan (Note iii)	77	37	—	—	81	195
Mr Johannes-Gerhard Hesse (Note iii)	77	27	—	—	81	185
Mr Robert Hinman Getz (Note iii)	77	7	—	—	61	145
Mr Christopher Patrick Langley OBE (Note iii)	77	15	—	—	81	173
Mr Vincent Ting Kau Cheung (Note iii)	77	40	—	—	81	198
Total	539	5,851	389	41,948	15,566	64,293

Note i: The individuals represent the Executive Directors of the Company and the Group. The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group. Mr Joseph Galli Jr serves as the Chief Executive Officer of the Group.

Note ii: The individuals represent the Non-Executive Directors of the Company. The Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

Note iii: The individuals represent the independent Non-Executive Directors of the Company. The Independent Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company.

The bonuses were based on past performance of the Group.

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. The share-based payments represent the costs of share options and share awards granted to directors as charged to the Company's profit and loss, but not as income of respective directors. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 43 and 44 respectively.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2020: three) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining one (2020: two) individuals for the year ended December 31, 2021 were as follows:

	2021 US$'000	2020 US$'000
Basic salaries and allowances	**829**	1,677
Contributions to retirement benefits schemes	**40**	152
Bonus	**7,500**	10,578
Share-based payments	**—**	1,948
	8,369	14,355

13. Employees' Emoluments (continued)

The emoluments of these one (2020: two) highest paid individuals for the year ended December 31, 2021 were within the following bands:

	No. of persons	
HK$	**2021**	2020
51,000,001 to 51,500,000	—	1
60,000,001 to 60,500,000	—	1
65,000,001 to 65,500,000	**1**	—

During each of the two years ended December 31, 2021 and 2020, 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

	2021 US$'000	2020 US$'000
Dividends recognized as distributions during the year:		
Final dividend paid:		
2020: HK82.00 cents (approximately US10.55 cents) (2019: HK58.00 cents (approximately US7.46 cents)) per share	**193,488**	136,688
Interim dividend paid:		
2021: HK85.00 cents (approximately US10.94 cents) (2020: HK53.00 cents (approximately US6.82 cents)) per share	**200,627**	124,949
	394,115	261,637

The final dividend of HK 1 dollar (approximately US12.87 cents) per share with a total of approximately US$236,098,000 in respect of the year ended December 31, 2021 (2020: final dividend of HK82.00 cents (approximately US10.55 cents) per share in respect of the year ended December 31, 2020) 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:

	2021 US$'000	2020 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**1,099,003**	800,760
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,830,544,048**	1,828,388,789
Effect of dilutive potential ordinary shares:		
Share options	**7,179,011**	4,816,658
Share award	**2,287,031**	1,980,218
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,840,010,090**	1,835,185,665

16. Property, Plant and Equipment

	Freehold land and land and buildings (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$'000	Aircraft US$'000	Construction in progress US$'000	Total US$'000
Cost										
At January 1, 2020	400,221	92,547	247,773	395,589	8,047	390,181	7,106	27,695	254,666	1,823,825
Currency realignment	3,163	2,989	5,255	16,765	142	7,142	—	—	2,567	38,023
Additions	177	5,289	15,766	34,373	1,303	3,584	—	—	398,436	458,928
Disposals	(11,478)	(17,160)	(19,858)	(8,641)	(1,485)	(139,383)	—	—	(17,259)	(215,264)
Reclassification	67,597	6,766	36,791	43,623	657	99,119	—	—	(254,553)	—
At December 31, 2020	459,680	90,431	285,727	481,709	8,664	360,643	7,106	27,695	383,857	2,105,512
Currency realignment	**(1,552)**	**(36)**	**(2,771)**	**(1,198)**	**(140)**	**2,345**	**—**	**—**	**(871)**	**(4,223)**
Additions	**4,193**	**11,965**	**29,226**	**67,609**	**1,977**	**1,945**	**—**	**41,119**	**588,504**	**746,538**
Disposals	**(2,614)**	**(2,218)**	**(19,285)**	**(14,714)**	**(170)**	**(137,483)**	**—**	**(1,321)**	**(9,590)**	**(187,395)**
Reclassification	**94,826**	**14,640**	**30,148**	**81,343**	**140**	**143,129**	**—**	**—**	**(364,226)**	**—**
At December 31, 2021	**554,533**	**114,782**	**323,045**	**614,749**	**10,471**	**370,579**	**7,106**	**67,493**	**597,674**	**2,660,432**
Depreciation and Impairment										
At January 1, 2020	44,027	49,756	157,760	212,511	4,617	262,239	4,221	2,135	—	737,266
Currency realignment	1,282	1,532	3,795	7,681	87	5,766	—	—	—	20,143
Provided for the year	11,295	10,269	30,543	41,610	1,410	67,662	1,198	1,906	—	165,893
Eliminated on disposals	(4,110)	(12,316)	(13,530)	(8,364)	(1,084)	(111,346)	—	—	—	(150,750)
At December 31, 2020	52,494	49,241	178,568	253,438	5,030	224,321	5,419	4,041	—	772,552
Currency realignment	**(146)**	**(1)**	**(2,145)**	**(885)**	**(91)**	**1,029**	**—**	**—**	**—**	**(2,239)**
Provided for the year	**13,334**	**13,110**	**33,939**	**55,750**	**1,560**	**69,681**	**1,191**	**1,724**	**—**	**190,289**
Eliminated on disposals	**(21)**	**(1,886)**	**(15,096)**	**(12,399)**	**(151)**	**(122,713)**	**—**	**(790)**	**—**	**(153,056)**
At December 31, 2021	**65,661**	**60,464**	**195,266**	**295,904**	**6,348**	**172,318**	**6,610**	**4,975**	**—**	**807,546**
Carrying amounts										
At December 31, 2021	**488,872**	**54,318**	**127,779**	**318,845**	**4,123**	**198,261**	**496**	**62,518**	**597,674**	**1,852,886**
At December 31, 2020	407,186	41,190	107,159	228,271	3,634	136,322	1,687	23,654	383,857	1,332,960

Note: Buildings with a carrying amount of US$13,319,000 (2020: US$15,099,000) are erected on leasehold land that is presented as ROU assets on the consolidated statement of financial position.

16. Property, Plant and Equipment (continued)

The above PP&E, other than freehold land and construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Land and buildings	Over the Shorter of lease term or useful life of twenty to fifty years
Leasehold improvements	2½% – 37½%
Office equipment, furniture and fixtures	10% – 33⅓%
Plant and machinery	6⅔% – 33⅓%
Motor vehicles	10% – 33⅓%
Moulds and tooling	18% – 33⅓%
Vessels	20% – 25%
Aircraft	6% – 16⅔%

The carrying amounts of properties shown above comprise:

	2021 US$'000	2020 US$'000
Properties situated outside Hong Kong are analyzed as follows:		
Freehold land	**414,814**	329,951
Land and buildings	**13,319**	15,099
	428,133	345,050
Land and buildings situated in Hong Kong	**60,739**	62,136
	488,872	407,186

The cost of the Group's PP&E includes amounts of US$286,318,000 (2020: US$347,619,000) in respect of fully depreciated PP&E that are still in use.

17. Right of Use Assets

	Land and buildings US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Aircraft US$'000	Leasehold land US$'000	Total US$'000
Cost							
At January 1, 2020	330,194	7,214	6,609	81,417	12,582	35,485	473,501
Currency realignment	12,102	(9)	269	2,759	—	2,369	17,490
Additions	175,919	1,701	176	33,636	—	—	211,432
Early termination/end of leases	(21,957)	(596)	(601)	(12,954)	—	—	(36,108)
At December 31, 2020	496,258	8,310	6,453	104,858	12,582	37,854	666,315
Currency realignment	**(9,483)**	**(21)**	**(143)**	**(2,393)**	**—**	**1,019**	**(11,021)**
Additions	**241,862**	**5,934**	**4,337**	**42,021**	**—**	**—**	**294,154**
Early termination/end of leases	**(40,413)**	**(1,165)**	**(1,707)**	**(13,432)**	**—**	**—**	**(56,717)**
Impairment loss	**(876)**	**—**	**—**	**—**	**—**	**—**	**(876)**
At December 31, 2021	**687,348**	**13,058**	**8,940**	**131,054**	**12,582**	**38,873**	**891,855**
Depreciation							
At January 1, 2020	168,059	2,301	3,101	36,094	8,703	8,099	226,357
Currency realignment	7,366	10	180	1,548	—	580	9,684
Provided for the year	48,979	1,756	1,576	22,753	1,258	716	77,038
Elimination on early termination/end of leases	(17,596)	(568)	(550)	(11,768)	—	—	(30,482)
At December 31, 2020	206,808	3,499	4,307	48,627	9,961	9,395	282,597
Currency realignment	**(6,317)**	**(9)**	**(79)**	**(1,613)**	**—**	**264**	**(7,754)**
Provided for the year	**80,020**	**2,331**	**1,068**	**27,372**	**1,258**	**766**	**112,815**
Elimination on early termination/end of leases	**(33,421)**	**(1,138)**	**(1,667)**	**(12,942)**	**—**	**—**	**(49,168)**
At December 31, 2021	**247,090**	**4,683**	**3,629**	**61,444**	**11,219**	**10,425**	**338,490**
Carrying amounts							
At December 31, 2021	**440,258**	**8,375**	**5,311**	**69,610**	**1,363**	**28,448**	**553,365**
At December 31, 2020	289,450	4,811	2,146	56,231	2,621	28,459	383,718

	2021 US$'000	2020 US$'000
Expense relating to short-term leases	**22,536**	12,911
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**12,311**	9,771
Total cash outflow for leases	**146,935**	106,079

For both years, the Group leases land and buildings, office equipment, furniture and fixtures, plant and machinery, motor vehicles and aircraft for its operations. Lease contracts are entered into for term of up to 50 years (2020: 18 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. Right of Use Assets (continued)

In addition, the Group owns office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for premises, plant and machinery and motor vehicles. As at December 31, 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases Committed

As at December 31, 2021, the Group entered into new leases for certain PP&E that have not yet commenced, with average non-cancellable period that ranges from 1 to 6 years (2020: 1 to 6 years) with extension options, the total future undiscounted cash flows under which amounts to US$59,395,000 (2020: US$7,294,000) over the non-cancellable period.

Details of the lease maturity analysis of the lease liabilities are set out in Note 33.

18. Goodwill

	US$'000
At January 1, 2020	580,866
Currency realignment	1,456
Written off during the year	(3,861)
At December 31, 2020	578,461
Currency realignment	**(1,224)**
At December 31, 2021	**577,237**

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
Cost							
At January 1, 2020	1,062,457	106,656	242,412	1,753	16,400	1,300	1,430,978
Currency realignment	108	—	—	—	—	—	108
Additions	145,707	12,479	—	—	—	—	158,186
Written off in the year	(444,763)	(23,482)	(3,200)	—	(6,500)	—	(477,945)
At December 31, 2020	763,509	95,653	239,212	1,753	9,900	1,300	1,111,327
Currency realignment	**(156)**	**—**	**—**	**—**	**—**	**—**	**(156)**
Additions	**296,179**	**14,059**	**—**	**—**	**—**	**—**	**310,238**
Written off in the year	**(34,939)**	**(200)**	**—**	**—**	**—**	**—**	**(35,139)**
At December 31, 2021	**1,024,593**	**109,512**	**239,212**	**1,753**	**9,900**	**1,300**	**1,386,270**
Amortization							
At January 1, 2020	674,439	68,968	14,044	616	5,614	592	764,273
Currency realignment	108	—	—	—	—	—	108
Provided for the year	102,116	8,504	453	130	664	549	112,416
Eliminated on write-off	(407,298)	(17,675)	—	—	(4,171)	—	(429,144)
At December 31, 2020	369,365	59,797	14,497	746	2,107	1,141	447,653
Currency realignment	**(21)**	**—**	**—**	**—**	**—**	**—**	**(21)**
Provided for the year	**89,616**	**4,829**	**275**	**130**	**660**	**159**	**95,669**
Eliminated on write-off	**(6,816)**	**—**	**—**	**—**	**—**	**—**	**(6,816)**
At December 31, 2021	**452,144**	**64,626**	**14,772**	**876**	**2,767**	**1,300**	**536,485**
Carrying amounts							
At December 31, 2021	**572,449**	**44,886**	**224,440**	**877**	**7,133**	**—**	**849,785**
At December 31, 2020	394,144	35,856	224,715	1,007	7,793	159	663,674

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

Deferred development costs are internally-generated by capitalizing the costs pertaining to the development of new or enhancement of existing products.

Included in trademarks of the Group, US$224,440,000 (2020: US$224,440,000) are trademarks considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely. The trademarks will not be amortized 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.

19. Intangible Assets (continued)

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

Deferred development costs	20% – 33⅓%
Patents	10% – 25%
Trademarks with finite useful lives	6⅔%
Manufacturing know-how	10%
Retailer and service relationships	5% – 6⅔%
Non compete agreement	6⅔%

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 preparing the 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 four major individual CGUs, including three units in the Power Equipment segment and one unit in the Floorcare & Cleaning segment. The carrying amounts of goodwill and trademarks as at December 31, 2021 allocated to these units are as follows:

	Goodwill		**Trademarks**	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Power Equipment – MET	**443,264**	443,264	**126,607**	126,607
Power Equipment – TTI OPE	**16,509**	16,509	**30,648**	30,648
Power Equipment – Drebo	**22,010**	23,234	**—**	—
Floorcare & Cleaning – RAM/Hoover/VAX	**75,748**	75,748	**67,179**	67,179
Others	**19,706**	19,706	**6**	6
	577,237	578,461	**224,440**	224,440

During the year ended December 31, 2020, management of the Group wrote off goodwill of US$3,861,000 and trademarks of US$3,200,000 pertaining to amounts included in the Others CGU and Power Equipment – TTI OPE CGU respectively.

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

Power Equipment – MET ("MET")

The recoverable amounts of MET's goodwill and intangible assets have 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 7.5% (2020: 8.5%) 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 of the new products launched, managing the working capital and the continuance of costs controlling strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2020: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of MET's goodwill and intangible assets to exceed the estimated recoverable amounts.

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

Power Equipment – TTI OPE ("TTI OPE")

The recoverable amounts of TTI OPE's goodwill and intangible assets have 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 9.0% (2020: 10.0%) per annum.

Cash flow projections during the budget period for TTI OPE 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 TTI OPE's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling 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 amounts of TTI OPE's goodwill and intangible assets to exceed the estimated recoverable amounts.

Power Equipment – Drebo ("Drebo")

The recoverable amounts of Drebo's goodwill have 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 9.0% (2020: 9.0%) 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 of the new products launched and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a 3.0% (2020: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Drebo's goodwill to exceed the estimated recoverable amount.

Floorcare & Cleaning – RAM/Hoover/VAX ("RAM/Hoover/VAX")

The recoverable amounts of RAM/Hoover/VAX's goodwill and intangible assets have 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% (2020: 12.5%) 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, managing the working capital and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2020: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of RAM/Hoover/VAX's goodwill and intangibles to exceed the estimated aggregate recoverable amounts.

21. Interest in an Associate

	2021 US$'000	2020 US$'000
Cost of investment in an associate	**1,470**	1,470
Share of post-acquisition profits	**556**	551
Share of net assets	**2,026**	2,021

Summarized financial information in respect of Wuerth Master Power Tools Limited ("Wuerth") is set out below. The summarized financial information below represents amounts shown in Wuerth's financial statements prepared in accordance with HKFRSs.

Wuerth is accounted for using equity method in the consolidated financial statements.

	2021 US$'000	2020 US$'000
Non-current assets	**1,578**	1,875
Current assets	**9,391**	7,034
Current liabilities	**6,834**	4,437
Non-current liabilities	**—**	347
Net assets	**4,135**	4,125

	2021 US$'000	2020 US$'000
Revenue	**62,113**	45,095
Profit for the year	**9**	882

Reconciliation of the above summarized financial information to the carrying amount of the interest in Wuerth recognized in the consolidated financial statements:

	2021 US$'000	2020 US$'000
Net assets	**4,135**	4,125
Proportion of the Group's ownership interest	**49.0%**	49.0%
The Group's share of net assets	**2,026**	2,021
Carrying amount of the Group's interest	**2,026**	2,021

Particulars of an associate as at December 31, 2021 and 2020 are set out in Note 50.

The trade receivables from an associate are unsecured, non-interest bearing and are repayable on demand.

22. Financial Assets at FVTPL

	Notes	**2021 US$'000**	2020 US$'000
Club membership debentures	(a)	**4,914**	3,189
Unlisted equity securities	(b)	**—**	3,301
Listed equity securities	(c)	**16,272**	17,763
Other		**45**	45
		21,231	24,298
Analyzed for reporting purposes as:			
Current assets		**16,272**	17,763
Non-current assets		**4,959**	6,535
		21,231	24,298

Notes:

(a) As at December 31, 2021 and 2020, the club membership debentures measured at fair value with reference to recent transaction prices for similar comparables with similar characteristic.

(b) As at December 31, 2020, the unlisted equity securities represented the interest in a private company incorporated in the United States of America ("US"). The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in a private market. During the year ended December 31, 2021, the shares of the private company have been listed in the US and the carrying value was reclassified as "listed equity securities".

(c) The Group's listed equity securities were carried at fair value using the market bid prices on the reporting date.

23. Inventories

	2021 US$'000	2020 US$'000
Raw materials	**602,312**	401,837
Work in progress	**61,129**	53,703
Finished goods	**4,186,351**	2,768,208
	4,849,792	3,223,748

24. Right to Returned Goods Asset/Refund Liabilities from Right of Return

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's various returns policies. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for the sold products expected to be returned. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

25. Trade and Other Receivables

	2021 US$'000	2020 US$'000
Trade receivables	**1,976,060**	1,359,988
Less: Allowances for credit losses	**(75,913)**	(52,932)
	1,900,147	1,307,056
Other receivables	**122,131**	60,230
	2,022,278	1,367,286

As at January 1, 2020, all trade receivables amounted US$1,195,630,000 are derived from contracts with customers.

The ageing analysis of trade receivables, net of allowances for credit losses, 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:

	2021 US$'000	2020 US$'000
0 to 60 days	**1,795,436**	1,016,581
61 to 120 days	**22,583**	232,640
121 days or above	**82,128**	57,835
Total trade receivables	**1,900,147**	1,307,056

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.

As at December 31, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$220,824,000 (2020: US$307,439,000) which are past due as at the reporting date. The past due over 90 days balances that are presumed in default according with the Group's accounting policy of US$145,059,000 (2020: US$254,508,000) are not considered as in default as they are due from a number of independent customers that have a good payment track record with the Group.

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days.

In accordance with receivables purchase agreements, certain trade receivables have been factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group has continued to recognize 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 US$75,000,000 (2020: US$10,000,000) were recognized 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, 2021 and 2020 are aged within 120 days based on invoice date.

27. Trade Receivables from an Associate

The trade receivables from an associate are aged within 120 days based on invoice date.

28. Derivative Financial Instruments

	2021 US$'000	2020 US$'000
Assets		
Acquisition right of certain property, plant and equipment	**8,302**	8,494
Foreign currency forward contracts – under hedge accounting	**86,226**	9,341
Foreign currency forward contracts – not under hedge accounting	**7,328**	–
	101,856	17,835

	2021 US$'000	2020 US$'000
Liabilities		
Foreign currency forward contracts – under hedge accounting	**1,885**	51,458
Foreign currency forward contracts – not under hedge accounting	**–**	16,400
Cross-currency interest rate swaps – under hedge accounting	**6,397**	28,277
	8,282	96,135

Acquisition Right of Certain PP&E

As at December 31, 2021 and 2020, the Group owned a right to acquire certain PP&E 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 PP&E was US$8,302,000 valued on September 30, 2021 (2020: US$8,494,000 valued on September 30, 2020) by Duff & Phelps, 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.

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.

28. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts under Hedge Accounting (continued)

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

2021

Notional amounts in millions ("M")	Maturity
Sell AUD 488M, Buy US$	**January 28, 2022 to December 29, 2022**
Sell EUR 673.6M, Buy US$	**January 27, 2022 to December 29, 2022**
Sell US$954.8M, Buy RMB	**January 27, 2022 to December 29, 2022**
Sell US$101M, Buy EUR	**January 5, 2022 to October 16, 2023**
Sell GBP 89.5M, Buy US$	**January 4, 2022 to December 22, 2022**
Sell GBP 72M, Buy EUR	**January 13, 2022 to December 15, 2022**
Sell CHF 6.6M, Buy EUR	**January 13, 2022 to December 15, 2022**
Sell SEK 660M, Buy EUR	**January 13, 2022 to December 15, 2022**
Sell NOK 96M, Buy EUR	**January 13, 2022 to April 13, 2022**

2020

Notional amounts in M	Maturity
Sell AUD 537M, Buy US$	January 28, 2021 to December 30, 2021
Sell EUR 780.2M, Buy US$	January 11, 2021 to December 29, 2022
Sell GBP 90.8M, Buy US$	January 8, 2021 to March 18, 2022
Sell US$270.8M, Buy RMB	July 29, 2021 to December 30, 2021
Sell US$16M, Buy EUR	January 5, 2021 to August 24, 2021
Sell GBP 18M, Buy EUR	January 14, 2021 to September 16, 2021
Sell CHF 4.4M, Buy EUR	January 14, 2021 to December 16, 2021
Sell SEK 333M, Buy EUR	January 14, 2021 to December 16, 2021

As at December 31, 2021, a fair value gain of US$175,263,000 (December 31, 2020: fair value loss of US$75,838,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

During the year, a fair value loss of US$33,587,000 (2020: fair value gain of US$12,896,000) was reclassified from reserves to profit or loss.

28. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts under Hedge Accounting (continued)

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

2021

Notional amounts in M	**Maturity**
Buy EUR 3.2M, Sell AUD	**January 20, 2022 to December 20, 2022**
Buy US$65.5M, Sell AUD	**January 20, 2022 to December 23, 2022**
Buy US$60.1M, Sell NZD	**January 20, 2022 to December 22, 2022**
Buy US$402.9M, Sell CAD	**January 31, 2022 to November 2, 2022**

2020

Notional amounts in M	Maturity
Buy EUR 4.8M, Sell AUD	January 13, 2021 to December 13, 2021
Buy US$27M, Sell AUD	January 20, 2021 to December 20, 2021
Buy US$33.5M, Sell NZD	January 20, 2021 to December 20, 2021
Buy US$381.7M, Sell CAD	January 29, 2021 to October 8, 2021

Cross-currency Interest Rate Swaps

The Group uses cross-currency interest rate swaps designated as effective hedging instrument to minimize its exposures to interest rate risk on US$ floating borrowings and foreign currency risk on the intercompany advances which affects the consolidated profit or loss.

The cross-currency interest rate swaps with notional amount of US$210,300,000 (2020: US$210,300,000) have fixed currency payments in EUR at exchange rate of EUR to US$ at 1.102 and 1.077 (2020: at 1.102 and 1.077), fixed interest payments monthly in EUR at 0.305% and 0.520% per annum (2020: 0.305% and 0.520% per annum) for periods up until October 2023, October 2024, April 2024 and April 2025 (2020: October 2023, October 2024, April 2024 and April 2025).

The floating rate index and the currency exposure of the cross-currency interest rate swaps match with the floating rate US$ bank borrowings and the currency exposure of the intercompany advances respectively.

During the year, a fair value gain of US$21,880,000 (December 31, 2020: fair value loss of US$28,277,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

The fair value of the cross-currency interest rate swaps is determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between US$ and EUR estimated at the end of the reporting period.

28. Derivative Financial Instruments (continued)

Cross-currency Interest Rate Swaps (continued)

Major terms of the cross-currency interest rate swaps were as follows:

2021

Notional amounts	Maturity	Receive floating	Pay fixed
US$66,120,000	**October 16, 2023**	**LIBOR +0.85%**	**0.305%**
US$99,180,000	**October 9, 2024**	**LIBOR +0.85%**	**0.305%**
US$18,000,000	**April 23, 2024**	**LIBOR +0.85%**	**0.520%**
US$27,000,000	**April 23, 2025**	**LIBOR +0.85%**	**0.520%**

2020

Notional amounts	Maturity	Receive floating	Pay fixed
US$66,120,000	October 16, 2023	LIBOR +0.85%	0.305%
US$99,180,000	October 9, 2024	LIBOR +0.85%	0.305%
US$18,000,000	April 23, 2024	LIBOR +0.85%	0.520%
US$27,000,000	April 23, 2025	LIBOR +0.85%	0.520%

29. Bank Balances, Deposits and Cash

Bank balances carry interest at market rates which ranged from (1.25%) to 3.50% (2020: 0.001% to 1.75%) per annum.

30. Trade and other Payables

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

	2021 US$'000	2020 US$'000
0 to 60 days	**1,267,129**	1,315,379
61 to 120 days	**672,558**	389,775
121 days or above	**92,789**	17,988
Total trade payables	**2,032,476**	1,723,142
Other payables	**2,007,823**	1,583,190
Total trade and other payables	**4,040,299**	3,306,332
Non-current portion of other payables	**(48,502)**	(58,524)
	3,991,797	3,247,808

The credit period on the purchase of goods ranges from 30 days to 120 days (2020: 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.

The other payables mainly represents accruals of various selling, general and administrative expenses of US$1,731,545,000 (2020: US$1,385,793,000). The non-current other payables mainly represents accruals of long-term incentive benefits offered to certain management executives of the Group.

31. Bills Payable

All the Group's bills payable at December 31, 2021 and 2020 are aged within 120 days based on invoice date.

32. Warranty Provision

	US$'000
At January 1, 2020	115,210
Currency realignment	3,788
Provision in the year	141,803
Utilization of provision	(104,130)
At December 31, 2020	156,671
Currency realignment	**(2,954)**
Provision in the year	**140,742**
Utilization of provision	**(111,694)**
At December 31, 2021	**182,765**

The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims and industry averages for defective products. It is expected that the majority of this expenditure will be utilized in the next financial year.

33. Lease Liabilities

	2021 US$'000	2020 US$'000
Amounts payable under lease liabilities:		
Within one year	**115,194**	73,331
In more than one year but not more than two years	**106,211**	69,439
In more than two years but not more than five years	**181,084**	111,206
More than five years	**151,711**	120,431
	554,200	374,407
Less: Amount due for settlement with 12 months shown under current liabilities	**(115,194)**	(73,331)
Amount due for settlement after 12 months shown under non-current liabilities	**439,006**	301,076

The weighted average incremental borrowing rates applied to lease liabilities ranged from 1.60% to 2.80% (2020: from 2.20% to 2.80%).

Lease obligations that are denominated in major currencies other than the functional currencies of the relevant group entities are set out below:

	EUR US$'000	**AUD US$'000**	**VND US$'000**	**GBP US$'000**
As at December 31, 2021	**49,532**	**24,166**	**35,050**	**23,497**
As at December 31, 2020	32,706	24,388	23,686	16,922

34. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 3.81% per annum (2020: 3.88% per annum) have maturity profiles of less than 120 days.

35. 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 maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt which includes unsecured borrowings and discounted bills with recourse, 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:

	2021 **US$'000**	2020 US$'000
Bank balances, deposits and cash	**1,874,401**	1,533,876
Debt [(i)]	**(3,207,844)**	(1,316,870)
Net (debt) cash	**(1,333,443)**	217,006
Equity [(ii)]	**4,722,518**	3,903,005
Net debt to equity ratio	**28.24%**	(5.56%)

(i) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from factored trade receivables as detailed in Notes 34, 37 and 25 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.

36. Financial Instruments

36.1 Categories of Financial Instruments

	2021 US$'000	2020 US$'000
Financial assets		
FVTPL		
Financial assets at FVTPL	**21,231**	24,298
	21,231	24,298
Derivative financial instruments		
Acquisition right of certain property, plant and equipment	**8,302**	8,494
Foreign currency forward contracts – under hedge accounting	**86,226**	9,341
Foreign currency forward contracts – not under hedge accounting	**7,328**	—
	101,856	17,835
Financial assets at amortized cost		
Trade and other receivables	**2,022,278**	1,367,286
Bills receivable	**7,643**	7,660
Trade receivables from an associate	**6,600**	4,240
Bank balances, deposits and cash	**1,874,401**	1,533,876
	3,910,922	2,913,062
Financial liabilities		
Derivative financial instruments		
Foreign currency forward contracts – under hedge accounting	**1,885**	51,458
Foreign currency forward contracts – not under hedge accounting	**—**	16,400
Cross-currency interest rate swaps – under hedge accounting	**6,397**	28,277
	8,282	96,135
Financial liabilities at amortized cost		
Trade and other payables	**4,040,299**	3,306,332
Bills payable	**47,549**	61,791
Discounted bills with recourse	**1,857**	1,436
Unsecured borrowings	**3,280,987**	1,325,434
	7,370,692	4,694,993

36. Financial Instruments (continued)

36.2 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 analyze 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 minimize 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 internally on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

36.2.1 FOREIGN CURRENCY RISK MANAGEMENT

Subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 21.0% (2020: 20.4%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 13.0% (2020: 14.4%) 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	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Foreign Currency				
EUR	**413,646**	448,945	**672,148**	676,921
US$	**3,927,546**	2,974,968	**883,038**	1,715,483

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

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 amounting to US$693,733,000 (2020: US$946,737,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness (see Note 28 for details).

The Group also uses cross-currency interest rate swaps to reduce currency exposure to hedge against the debts which are effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.1 FOREIGN CURRENCY RISK MANAGEMENT (continued)

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currency against foreign currency without considering the cross-currency interest rate swaps entered at end of the reporting period. 5% (2020: 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 foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of cross-currency interest rate swaps held at the reporting date. A positive number below indicates an increase in profit for the year where functional currency weakens 5% (2020: 5%) against foreign currency. For a 5% (2020: 5%) strengthening of functional currency against the foreign currency, there would be an equal and opposite impact on the profit for the year and the amounts below would be negative.

	Impact of US$		Impact of EUR	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Profit for the year [(i)]	**(141,571)**	(58,567)	**12,020**	10,601

(i) This is mainly attributable to the net exposure on receivables, payables and unsecured borrowings denominated in US$ & EUR as foreign currency at the reporting date.

36.2.2 INTEREST RATE RISK MANAGEMENT

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note. The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 37 for details of these borrowings), discounted bills with recourse and bank balances and deposits. The Group's cash flow interest rate risk is mainly concentrated on LIBOR arising from the Group's US$ and EUR denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk to be low. The management continuously monitors interest rate fluctuations and will consider further hedging the interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate unsecured borrowings (see Note 37 for details of these borrowings) and lease liabilities.

During the year, the Group obtained new unsecured borrowings of US$7,300 million (2020: US$3,694 million) which are either at a fixed rate or LIBOR based. The proceeds were used for refinancing the Group's borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.2 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 at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year without considering the cross-currency interest rate swaps entered at the end of the reporting period. A 50 basis points (2020: 50 basis points) 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 (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2021 would decrease/increase by US$11,828,000 (2020: decrease/increase by US$3,992,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable-rate debt instruments.

36.2.3 OTHER PRICE RISK

The Group is exposed to price risk mainly through its listed equity securities.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of listed equity securities measured at fair value at the reporting date.

If the prices of the listed equity securities had been 10% higher, the profit for the year ended December 31, 2021 of the Group would have increase by US$1,627,000 (2020: increase by US$1,776,000) as a result of the changes in the fair values of the listed equity securities.

36.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT

As at December 31, 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group amounted to US$3,910,922,000 (2020: US$2,913,062,000). The Group's credit risk exposures are primarily attributable to trade and other receivables, bills receivables, trade receivables from an associate and bank balances, deposits and cash. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. 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 twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment using an ECL model on trade receivables collectively which are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 43.0% (2020: 35.0%) and 61.9% (2020: 53.6%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of Group has delegated a team responsible for determination of credit limits and credit approvals.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

Bank balances

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ Other items
Minimal risk	The counterparty has minimal risk of default and does not have any past-due amounts.	Lifetime ECL - not credit-impaired	12m ECL
Low risk	The counterparty has a low risk of default and occasionally repays after due dates.	Lifetime ECL - not credit-impaired	12m ECL
Medium risk	The counterparty has a medium risk of default and occasionally repays after due dates.	Lifetime ECL - not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

The tables below detail the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

				2021		2020	
	Notes	Internal credit rating	12m or lifetime ECL	**External credit rating**	**Gross carrying amount US$'000**	External credit rating	Gross carrying amount US$'000
Trade receivables	25	(Note 1)	Lifetime ECL (not credit-impaired)	**N/A**	**1,976,060**	N/A	1,359,988
Other receivables	25	(Note 2)	12m ECL	**N/A**	**122,131**	N/A	60,230
Bills receivable	26	N/A	12m ECL	**A- To A+**	**7,643**	A- To A	7,660
Trade receivables from an associate	27	(Note 2)	12m ECL	**N/A**	**6,600**	N/A	4,240
Bank balances and deposits	29	N/A	12m ECL	**A To A+**	**1,874,401**	A To A+	1,533,876

Notes:

1. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a collective assessment grouped by internal credit rating.
2. Trade receivables from an associate and other receivables amounted to US$6,600,000 and US$122,131,000 (2020: US$4,240,000 and US$60,230,000) respectively have no fixed repayment terms. The Group has assessed these balances on a 12m ECL basis as there has been no significant increase in the credit risk since initial recognition.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively as at December 31, 2021.

	2021			2020		
	Average loss rate	**Gross carrying amount US$'000**	**Allowances for credit losses US$'000**	Average loss rate	Gross carrying amount US$'000	Allowances for credit losses US$'000
Internal credit rating						
Minimal risk	**Less than 1%**	**405,109**	**—**	Less than 1%	380,494	—
Low risk	**1-5%**	**1,516,371**	**58,848**	1-5%	920,879	30,534
Medium risk	**6-20%**	**29,485**	**3,007**	6-20%	31,255	2,624
High risk	**Over 20%**	**25,095**	**14,058**	Over 20%	27,360	19,774
		1,976,060	**75,913**		1,359,988	52,932

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended December 31, 2021, the Group provided US$75,913,000 (2020: US$52,932,000) for credit losses allowances for trade receivables.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulties and there is no realistic prospect of recovery.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 CREDIT RISK MANAGEMENT AND IMPAIRMENT ASSESSMENT (continued)

The following table shows the movement in the lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) US$'000
As at January 1, 2020	34,529
Currency realignment	(581)
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$967,757,000	(30,443)
Impairment losses recognized on new trade receivables with a gross carrying amount of US$979,494,000	52,932
Write-offs	(3,505)
As at December 31, 2020	52,932
Currency realignment	**(619)**
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$978,274,000	**(51,093)**
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,570,951,000	**75,913**
Write-offs	**(1,220)**
As at December 31, 2021	**75,913**

36.2.5 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, 2021, the Group has available unutilized overdrafts facilities and short and medium term bank loan facilities of approximately US$323 million (2020: US$351 million) and US$2,248 million (2020: US$2,220 million) respectively.

Liquidity Tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on agreed repayment dates. 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.

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/settlement as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 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, 2021 US$'000
2021								
Non-derivative financial liabilities								
Trade and other payables	—	(2,746,663)	(869,860)	(375,274)	(48,502)	—	(4,040,299)	(4,040,299)
Bills payable	—	(1,708)	(19,225)	(26,616)	—	—	(47,549)	(47,549)
Lease liabilities	1.60% – 2.80%	(9,600)	(19,268)	(87,821)	(108,548)	(347,438)	(572,675)	(554,200)
Discounted bills with recourse	3.81%	(723)	(1,142)	—	—	—	(1,865)	(1,857)
Unsecured borrowings	0.31% – 3.52%	(1,695,726)	(105,435)	(458,299)	(189,414)	(874,764)	(3,323,638)	(3,280,987)
Refund liabilities from right of return	—	(8,763)	—	(14,002)	(2,885)	—	(25,650)	(22,767)
		(4,463,183)	(1,014,930)	(962,012)	(349,349)	(1,222,202)	(8,011,676)	(7,947,659)
2021								
Derivatives – net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	8,302	8,302	8,302
Cross-currency interest rate swaps contracts	—	103	227	1,683	(1,084)	(7,922)	(6,993)	(6,397)
Foreign currency forward contracts								
– US$	—	—	881	2,209	—	—	3,090	3,090
	—	103	1,108	3,892	(1,084)	380	4,399	4,995
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	20,518	40,676	160,690	—	—	221,884	221,884
– RMB	—	182,971	298,083	494,375	—	—	975,429	975,429
– GBP	—	11,994	23,991	87,092	—	—	123,077	123,077
– US$	—	105,438	192,979	887,189	69,947	—	1,255,553	1,255,553
– AUD	—	6,286	11,569	51,278	—	—	69,133	69,133
– NZD	—	3,980	8,712	47,449	—	—	60,141	60,141
	—	331,187	576,010	1,728,073	69,947	—	2,705,217	2,705,217
– outflow								
– EUR	—	(20,738)	(41,105)	(161,632)	—	—	(223,475)	(223,475)
– RMB	—	(178,977)	(291,420)	(484,798)	—	—	(955,195)	(955,195)
– GBP	—	(12,123)	(24,290)	(84,722)	—	—	(121,135)	(121,135)
– US$	—	(98,965)	(180,967)	(842,565)	(69,300)	—	(1,191,797)	(1,191,797)
– AUD	—	(6,162)	(11,343)	(50,293)	—	—	(67,798)	(67,798)
– NZD	—	(3,804)	(8,325)	(45,109)	—	—	(57,238)	(57,238)
	—	(320,769)	(557,450)	(1,669,119)	(69,300)	—	(2,616,638)	(2,616,638)
	—	10,418	18,560	58,954	647	—	88,579	88,579

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 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, 2020 US$'000
2020								
Non-derivative financial liabilities								
Trade and other payables	—	(2,300,469)	(792,033)	(155,306)	(58,524)	—	(3,306,332)	(3,306,332)
Bills payable	—	(968)	(31,401)	(29,422)	—	—	(61,791)	(61,791)
Lease liabilities	2.20% – 2.80%	(6,111)	(12,273)	(56,029)	(71,175)	(243,219)	(388,807)	(374,407)
Discounted bills with recourse	3.88%	(1,436)	—	—	—	—	(1,436)	(1,436)
Unsecured borrowings	0.31% – 3.52%	(219,614)	(44,140)	(123,346)	(250,416)	(721,110)	(1,358,626)	(1,325,434)
Refund liabilities from right of return	—	(18,493)	—	(8,219)	(1,202)	—	(27,914)	(26,713)
		(2,547,091)	(879,847)	(372,322)	(381,317)	(964,329)	(5,144,906)	(5,096,113)
2020								
Derivatives – net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	8,494	8,494	8,494
Cross-currency interest rate swaps contracts	—	102	201	887	1,270	(32,117)	(29,657)	(28,277)
Foreign currency forward contracts								
– US$	—	(721)	(1,822)	(9,373)	—	—	(11,916)	(11,916)
	—	(619)	(1,621)	(8,486)	1,270	(23,623)	(33,079)	(31,699)
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	30,161	16,873	44,614	—	—	91,648	91,648
– RMB	—	—	—	281,578	—	—	281,578	281,578
– GBP	—	9,516	18,482	71,366	19,440	—	118,804	118,804
– US$	—	69,698	154,137	733,052	364,074	—	1,320,961	1,320,961
– AUD	—	2,722	5,447	24,505	—	—	32,674	32,674
– NZD	—	2,518	5,000	25,999	—	—	33,517	33,517
	—	114,615	199,939	1,181,114	383,514	—	1,879,182	1,879,182
– outflow								
– EUR	—	(30,793)	(16,941)	(44,598)	—	—	(92,332)	(92,332)
– RMB	—	—	—	(270,378)	—	—	(270,378)	(270,378)
– GBP	—	(9,785)	(18,978)	(74,707)	(20,603)	—	(124,073)	(124,073)
– US$	—	(72,829)	(161,045)	(762,996)	(371,504)	—	(1,368,374)	(1,368,374)
– AUD	—	(2,887)	(5,775)	(25,873)	—	—	(34,535)	(34,535)
– NZD	—	(2,737)	(5,476)	(27,878)	—	—	(36,091)	(36,091)
	—	(119,031)	(208,215)	(1,206,430)	(392,107)	—	(1,925,783)	(1,925,783)
	—	(4,416)	(8,276)	(25,316)	(8,593)	—	(46,601)	(46,601)

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

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 LIQUIDITY RISK MANAGEMENT (continued)

Liquidity Tables (continued)

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.

36.2.6 INTEREST RATE BENCHMARK REFORM

Several of the Group's financial liabilities and derivative financial instruments, the interest of which are indexed to benchmark rates will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after December 31, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after June 30, 2023, in the case of the remaining US dollar settings.

Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. If such a case arises, the Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.6 INTEREST RATE BENCHMARK REFORM (continued)

LIBOR (continued)

Progress towards implementation of alternative benchmark interest rates

The Group is exposed to the impact of interest rate changes, primarily through its floating rate borrowings that require it to make interest payments based on LIBOR. The Group uses cross-currency interest rate swaps to reduce its market risk from changes in interest rates.

The Group plans to transition the majority of its LIBOR linked contracts to risk-free rates through amendments to fallback clauses in its floating rate credit facilities and debt instruments which would change the basis for determining the interest rate cash flows from LIBOR to a risk-free rate at an agreed point in time.

Interest rate benchmark transition for non-derivative financial liabilities

As at December 31, 2021, the Group has US$2,511 million of outstanding USD LIBOR referenced borrowings summarized as following:

	Principal US$'000	Weighted average term (years)	Transition progress
Term loans	450,970	2.09	Expected to amend fallback clauses prior to cessation of publication of LIBOR.
Revolving and trade loan	2,060,110	0.11	Expected to amend fallback clauses prior to cessation of publication of LIBOR.
Total	2,511,080		

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.6 INTEREST RATE BENCHMARK REFORM (continued)

LIBOR (continued)

Interest rate benchmark transition for derivatives

As at December 31, 2021, the Group had an outstanding notional balance of US$210,300,000 of USD LIBOR referenced cross-currency interest rate swaps which were in a cash flow hedge with the Group's variable-rate US$ unsecured borrowings.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators regarding the transition away from LIBOR. In response to the announcements, the Group has set up an LIBOR transition programme comprised of the following work streams: tax, treasury, legal, accounting and systems. The aim of the programme is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. None of the Group's current LIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different LIBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's cross-currency interest rate swaps, the International Swaps and Derivatives Association's ("ISDA") fall back clauses were made available in the first quarter of 2021 and the Group is discussing with its banks with the aim to implement this language into its ISDA agreements within 2022.

The Group will continue to apply the amendments to HKFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's LIBOR contracts are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders is underway.

Below are details of the hedging instruments and the related hedged items that have been or will be subject to transition to alternative benchmark interest rates, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

Hedge type	Instrument type	Maturing in	Nominal amount US$'000	Hedged item	Transition progress
Cash flow hedge	Cross-currency interest rate swaps	October 2023, October 2024, April 2024 and April 2025	210,300	Floating rate US$ bank borrowings and the currency exposure of the intercompany advances	To transition derivatives via ISDA protocol

36. Financial Instruments (continued)

36.3 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 cross-currency interest rate swaps is measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period;
- 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 or latest purchase/transaction 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.

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED 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 categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are 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).

36. Financial Instruments (continued)

36.3 Fair Value (continued)

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

Financial assets/financial liabilities	Fair value as at 2021	Fair value as at 2020	Fair value hierarchy	Valuation techniques and key inputs
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$8,302,000**	Acquisition right of certain property, plant and equipment: US$8,494,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Assets – US$93,554,000; and Liabilities – US$1,885,000**	Assets – US$9,341,000; and Liabilities – US$67,858,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position	**Listed shares: US$16,272,000**	Listed shares: US$17,763,000	Level 1	Quoted bid prices in an active market.
4) Other financial assets classified as financial assets at FVTPL in the consolidated statement of financial position	**Club membership debentures: US$4,914,000**	Club membership debentures: US$3,189,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
	Unlisted equity securities: Nil	Unlisted equity securities: US$3,301,000	Level 2	The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.
	Other: US$45,000	Other: US$45,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
5) Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	**Liabilities: US$6,397,000**	Liabilities: US$28,277,000	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period.

36. Financial Instruments (continued)

36.3 Fair Value (continued)

FAIR VALUE MEASUREMENTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Level 1 US$'000	Level 2 US$'000	Total US$'000
2021			
Financial assets			
Acquisition right of certain property, plant and equipment	**—**	**8,302**	**8,302**
Foreign currency forward contracts	**—**	**93,554**	**93,554**
Financial assets at FVTPL	**16,272**	**4,959**	**21,231**
Total	**16,272**	**106,815**	**123,087**
Financial liabilities			
Foreign currency forward contracts	**—**	**(1,885)**	**(1,885)**
Cross-currency interest rate swaps	**—**	**(6,397)**	**(6,397)**
Total	**—**	**(8,282)**	**(8,282)**
2020			
Financial assets			
Acquisition right of certain property, plant and equipment	—	8,494	8,494
Foreign currency forward contracts	—	9,341	9,341
Financial assets at FVTPL	17,763	6,535	24,298
Total	17,763	24,370	42,133
Financial liabilities			
Foreign currency forward contracts	—	(67,858)	(67,858)
Cross-currency interest rate swaps	—	(28,277)	(28,277)
Total	—	(96,135)	(96,135)

During the year, there was a transfer of financial asset of US$3,301,000 from level 2 to level 1 for one equity investment. The reason for the transfer was that the shares of the invested company have started being actively traded and reliable quoted price can be obtained in the market.

36. Financial Instruments (continued)

36.4 Transfers of financial assets

The following were the Group's financial assets as at December 31, 2021 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group retained substantially all of the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as discounted bills with recourse (see Note 34) and unsecured borrowings – due within one year (see Note 37). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

The trade and bills receivables discounted with banks with full recourse at the year end was as follows:

	2021 US$'000	2020 US$'000
Carrying amount of transferred assets	**76,857**	11,436
Carrying amount of associated liabilities	**(76,857)**	(11,436)
Net position	**—**	—

37. Unsecured Borrowings

	2021 US$'000	2020 US$'000
Bank advance from Factored Trade Receivables	**75,000**	10,000
Bank loans	**2,991,475**	1,205,110
Medium Term Notes	**214,512**	110,324
Total borrowings	**3,280,987**	1,325,434

The borrowings of the Group are repayable as follows:

	2021 US$'000	2020 US$'000
Fixed-rate		
Within one year	**21,000**	20,982
In more than one year but not more than two years	**79,856**	62,960
In more than two years but not more than five years	**423,860**	274,154
More than five years	**214,512**	110,324
Variable-rate		
Within one year	**2,231,636**	364,232
In more than one year but not more than two years	**105,998**	182,750
In more than two years but not more than five years	**204,125**	310,032
	3,280,987	1,325,434
Less: Amount due within one year shown under current liabilities	**(2,252,636)**	(385,214)
Amount due after one year	**1,028,351**	940,220

37. Unsecured Borrowings (continued)

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**0.73% to 3.52%**	0.73% to 3.52%
Variable-rate borrowings	**0.31% to 2.91%**	0.31% to 1.15%

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, 2021	**87,258**
As at December 31, 2020	60,745

The carrying amount of unsecured borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

38. Share Capital

	2021 Number of shares	2020 Number of shares	**2021 US$'000**	2020 US$'000
Ordinary shares				
Authorized shares	**2,400,000,000**	2,400,000,000	**N/A**	N/A
Issued and fully paid:				
At the beginning of the year	**1,832,620,441**	1,830,006,941	**673,141**	662,379
Issue of shares upon exercise of share options	**1,864,000**	2,613,500	**10,254**	10,762
At the end of the year	**1,834,484,441**	1,832,620,441	**683,395**	673,141

Details of the share options are set out in Note 43.

39. Reserves

	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, 2020	(31,827)	14,599	16,522	23,894,144	23,893,438
Loss for the year	—	—	—	(60,272)	(60,272)
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	(81,012)	—	(81,012)
Total comprehensive loss for the year	—	—	(81,012)	(60,272)	(141,284)
Shares issued on exercise of options	—	(2,168)	—	—	(2,168)
Vesting of awarded shares	12,798	(12,798)	—	—	—
Shares for share award scheme	(23,057)	—	—	—	(23,057)
Recognition of equity-settled share-based payments	—	17,778	—	—	17,778
Final dividend – 2019	—	—	—	(136,688)	(136,688)
Interim dividend – 2020	—	—	—	(124,949)	(124,949)
At December 31, 2020	(42,086)	17,411	(64,490)	23,572,235	23,483,070
Loss for the year	**—**	**—**	**—**	**(72,591)**	**(72,591)**
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	**—**	**—**	**131,393**	**—**	**131,393**
Total comprehensive income (loss) for the year	**—**	**—**	**131,393**	**(72,591)**	**58,802**
Shares issued on exercise of options	**—**	**(2,046)**	**—**	**—**	**(2,046)**
Vesting of awarded shares	**17,597**	**(17,597)**	**—**	**—**	**—**
Shares for share award scheme	**(81,251)**	**—**	**—**	**—**	**(81,251)**
Recognition of equity-settled share-based payments	**—**	**33,573**	**—**	**—**	**33,573**
Final dividend – 2020	**—**	**—**	**—**	**(193,488)**	**(193,488)**
Interim dividend – 2021	**—**	**—**	**—**	**(200,627)**	**(200,627)**
At December 31, 2021	**(105,740)**	**31,341**	**66,903**	**23,105,529**	**23,098,033**

As at December 31, 2021, the Company's reserves available for distribution to shareholders comprised the retained profits of US$23,105,529,000 (2020: US$23,572,235,000).

40. Retirement Benefit Obligations

Defined Contribution Plans:

The Group operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Schemes 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 a maximum amount of HK$18,000 (2020: HK$18,000) per employee per annum, which contribution is matched by the employee.

The employees of the Group's subsidiaries in the People's Republic of China ("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 recognized in profit or loss of US$25,474,000 (2020: US$17,997,000) 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 plans are administered by separate funds that are 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:

	2021 US$'000	2020 US$'000
Pension plan obligations (Note i)	**74,474**	90,505
Life and medical insurance plan (Note ii)	**1,051**	1,245
Others	**614**	568
	76,139	92,318

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes an unfunded plan that pays retirement benefits based on the term of service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the qualifying 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 January 1, 2022, by BDO AG Wirtschaftsprufungsgesellschaft, an independent valuer not related to the Group.

Note ii: Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 23, 2021 by Willis Towers Watson, an independent valuer not related to the Group.

40. 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 rate 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		Life & medical insurance plan	
	2021	2020	**2021**	2020
Discount rate	**0.55%**	0.45%	**2.00%**	1.75%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A
Future pension increases	**2.00%**	2.00%	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%

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		Life & medical insurance plan	
	2021	2020	**2021**	2020
	US$'000	US$'000	**US$'000**	US$'000
Current service cost and interest cost	**N/A**	N/A	**1**	1
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**61**	80

40. Retirement Benefit Obligations (continued)

Defined Benefits Plans: (continued)

Amounts recognized in other comprehensive income in respect of the defined benefit plans are as follows:

	Pension plan		Life & medical Insurance plan	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Service cost:				
Current service cost	**479**	485	**—**	—
Net interest expense on defined benefit liabilities	**374**	263	**21**	30
Components of defined benefit costs recognized in profit or loss	**853**	748	**21**	30
Remeasurement on the net defined benefit liability:				
Actuarial (gains) losses arising from changes in financial assumptions	**(7,257)**	3,283	**(202)**	(40)
Components of defined benefit costs recognized in other comprehensive income	**(7,257)**	3,283	**(202)**	(40)
Total	**(6,404)**	4,031	**(181)**	(10)

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 defined benefit plans is as follows:

	Pension plan		Life & medical insurance plan	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Present value of unfunded obligations	**74,474**	90,505	**1,051**	1,245

Movements in the present value of the defined benefit obligations in the current year in respect of major defined benefit plans were as follows:

	Pension plan		Life & medical insurance plan	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
At January 1	**90,505**	82,755	**1,245**	1,269
Exchange realignment	**(5,857)**	7,429	**—**	—
Current service cost	**479**	485	**—**	—
Actuarial (gains) losses	**(7,257)**	3,283	**(202)**	(40)
Interest cost	**374**	263	**21**	30
Benefit paid	**(3,770)**	(3,710)	**(13)**	(14)
At December 31	**74,474**	90,505	**1,051**	1,245

The significant actuarial assumption for the determination of the defined obligation is the discount rate. If the discount rate is 100 basis points higher (lower), the effect on defined benefit obligation would be immaterial.

41. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognized 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 US$'000	Others US$'000	Total US$'000
At January 1, 2020	(37,904)	16,270	31,984	28,165	15,230	7,748	61,493
Currency realignment	(73)	503	131	369	141	1,653	2,724
Credit to hedging reserve	—	—	—	—	—	322	322
(Charge) credit to profit or loss	(16,406)	4,873	10,906	(3,277)	(14,360)	17,818	(446)
Change in tax rates	36	—	(64)	105	4	(90)	(9)
Charge to other comprehensive income	—	—	(3,505)	—	—	—	(3,505)
At December 31, 2020	(54,347)	21,646	39,452	25,362	1,015	27,451	60,579
Currency realignment	**68**	**(429)**	**(410)**	**(57)**	**(190)**	**(1,459)**	**(2,477)**
Charge to hedging reserve	**—**	**—**	**—**	**—**	**—**	**(1,351)**	**(1,351)**
(Charge) credit to profit or loss	**(28,052)**	**4,770**	**35,259**	**(7,589)**	**(2,405)**	**23,806**	**25,789**
Change in tax rates	**(1)**	**13**	**67**	**81**	**19**	**278**	**457**
Credit to other comprehensive income	**—**	**—**	**380**	**—**	**—**	**—**	**380**
At December 31, 2021	**(82,332)**	**26,000**	**74,748**	**17,797**	**(1,561)**	**48,725**	**83,377**

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:

	2021 US$'000	2020 US$'000
Deferred tax assets	**97,436**	74,501
Deferred tax liabilities	**(14,059)**	(13,922)
	83,377	60,579

At the end of the reporting period, the Group has unused tax losses of US$2,031 million (2020: US$1,916 million) available for offset against future taxable profits. Of the US$2,031 million of unused losses approximately US$447 million expire over the next 7 to 16 years with the remaining loss carryforwards having no useful life limitation. No deferred tax asset has been recognized in respect of tax losses of US$1,946 million (2020: US$1,802 million) due to the lack of probable future taxable profits.

In respect of all unrepatriated foreign earnings, the Group has provided deferred taxes of US$13 million (2020: US$13 million) as these unrepatriated foreign earnings are not considered permanently reinvested.

42. Guarantees

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at December 31, 2021 amounted to US$670,896,000 (2020: US$83,227,000).

43. Share Options

Share Option Schemes

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. The scheme rules of both Scheme D and Scheme E are substantially identical and below are the summary of the principal terms of both schemes:

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) Directors; or

(iii) secondees; or

(iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or

(v) business partners; or

(vi) suppliers; or

(vii) customers; or

(viii) advisers of the Group.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board 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.

The maximum number of shares in respect of which share options may be granted under the respective share option scheme is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of the shares in issue as at the adoption date of the respective share option scheme. 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 or second 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; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

43. Share Options (continued)

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

2021

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	20.5.2019	E	97,000	—	(97,000)	—	—	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	32,000	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Stephan Horst Pudwill	20.3.2014	D	750,000	—	—	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	1,000,000	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Kin Wah Chan	11.9.2015	D	250,000	—	(250,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	(300,000)	—	200,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	1,000,000	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Mr Chi Chung Chan	20.3.2014	D	200,000	—	(200,000)	—	—	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	(250,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	500,000	—	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	2,000,000	—	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	1,000,000	—	—	1,000,000	154.900	30.12.2022 – 29.12.2031
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	32,000	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Camille Jojo	14.3.2018	E	100,000	—	(50,000)	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	32,000	—	—	32,000	154.900	30.12.2022 – 29.12.2031

43. Share Options (continued)

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

2021

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 Peter David Sullivan	11.9.2015	D	150,000	—	(150,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	(150,000)	—	—	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	(100,000)	—	—	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	(97,000)	—	—	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	32,000	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	32,000	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Mr Robert Hinman Getz	15.5.2020	E	75,000	—	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
	30.12.2021	E	—	32,000	—	—	32,000	154.900	30.12.2022 – 29.12.2031
Ms. Virginia Davis Wilmerding (appointed on April 9, 2021)	19.08.2021	E	—	29,500	—	—	29,500	167.200	19.08.2022 – 19.08.2031
Mr Christopher Patrick Langley OBE (retired after the conclusion of the annual general meeting of the Company held on May 14, 2021)	17.3.2017	D	130,000	—	(20,000)	—	110,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Vincent Ting Kau Cheung (passed away on July 31, 2021)	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	47,000	—	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Total for directors			15,495,000	3,221,500	(1,664,000)	—	17,052,500		
Employees	23.3.2017	D	100,000	—	(100,000)	—	—	32.150	23.3.2018 – 22.3.2027
	19.6.2017	E	100,000	—	—	—	100,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	(100,000)	—	—	47.900	14.3.2019 – 13.3.2028
Total for employees			300,000	—	(200,000)	—	100,000		
Total for all categories			15,795,000	3,221,500	(1,864,000)	—	17,152,500		
Exercisable at the end of the year							8,690,500		

43. Share Options (continued)

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

2020

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	11.9.2015	D	168,000	—	(168,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	155,500	—	(155,500)	—	—	32.100	17.3.2018 – 16.3.2027
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Stephan Horst Pudwill	20.3.2014	D	1,000,000	—	(250,000)	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Mr Kin Wah Chan	20.3.2014	D	1,000,000	—	(1,000,000)	—	—	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Mr Chi Chung Chan	20.3.2014	D	600,000	—	(400,000)	—	200,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Camille Jojo	17.3.2017	D	250,000	—	(250,000)	—	—	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Peter David Sullivan	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030

43. Share Options (continued)

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

2020

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 Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Robert Hinman Getz	15.5.2020	E	—	75,000	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Christopher Patrick Langley OBE	17.3.2017	D	150,000	—	(20,000)	—	130,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Vincent Ting Kau Cheung	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Total for directors			9,787,500	7,951,000	(2,243,500)	—	15,495,000		
Employees	17.1.2011	D	20,000	—	(20,000)	—	—	10.436	17.1.2012 – 16.1.2021
	23.3.2017	D	200,000	—	(100,000)	—	100,000	32.150	23.3.2018 – 22.3.2027
	19.6.2017	E	350,000	—	(250,000)	—	100,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
Total for employees			670,000	—	(370,000)	—	300,000		
Total for all categories			10,457,500	7,951,000	(2,613,500)	—	15,795,000		
Exercisable at the end of the year							6,754,500		

43. 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	Yields of Hong Kong Government Bonds	Expected annual dividend yield
For the year ended December 31, 2021					
19.8.2021	**167.200**	**3 years**	**38%**	**0.254%**	**1.5%**
30.12.2021	**154.900**	**3 years**	**38%**	**0.553%**	**1.5%**
For the year ended December 31, 2020					
15.5.2020	65.250	3 years	38%	0.273%	1.5%
22.12.2020	105.500	3 years	38%	0.178%	1.5%

The share options are vested in parts over 1 to 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 behavioral 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 price of the Company's shares immediately before the various dates on which the share options were granted during 2021 was HK$152.31 (2020: HK$98.44).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$152.20 to HK$163.70 in 2021 (2020: ranged from HK$63.80 to HK$107.00).

The weighted average closing prices of the Company's shares immediately before various dates during 2021 and 2020 on which the share options was exercised were HK$152.40 (2020: HK$83.11) respectively.

The Group recognized a total expense of US$13,935,000 (2020: US$3,209,000) for the year ended December 31, 2021 in relation to share options granted by the Company.

The fair value of the share options granted in 2021 measured at various dates on which the share options were granted was ranged from HK$36.67 to HK$39.49 (2020: ranged from HK$15.26 to HK$24.57). The weighted average fair value of the share options granted in 2021 was HK$36.70 (2020: HK$22.73) per option.

The Company had 17,152,500 share options outstanding (2020: 15,795,000), which represented approximately 0.94% (2020: 0.86%) of the issued share capital of the Company as at December 31, 2021. No option (2020: Nil) was cancelled and no share options (2020: Nil) was lapsed during the year.

Total securities available for issue under Scheme D are 150,505,065 shares, which represented approximately 8.20% of the issued shares of the Company as at December 31, 2021. Total securities available for issue under Scheme E are 183,299,194 shares, which represented approximately 9.99% of the issued shares of the Company as at December 31, 2021.

44. Share Award Scheme

The purpose of the share award scheme is to recognize 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 and renewed on January 17, 2018. 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 of Directors are required to pay 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 of Directors at the time of making the award and becomes 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 the share award scheme during the year was US$19,638,000 (2020: US$14,569,000). During the year ended December 31, 2021, 2,391,500 shares (2020: 2,364,000 shares) 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	
	2021	2020
At January 1	**3,452,000**	2,423,000
Awarded (Note (a))	**3,530,500**	3,393,000
Vested	**(2,391,500)**	(2,364,000)
At December 31 (Note (b))	**4,591,000**	3,452,000

Notes:

(a) All the awarded shares were purchased from the market with the average price of HK$97.08.

(b) At the end of the year, the average fair value per share is HK$75.82 (2020: HK$44.51). 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:

	Number of awarded shares	
	2021	2020
Less than 1 year	**966,000**	1,376,000
More than 1 year	**3,625,000**	2,076,000
	4,591,000	3,452,000

45. Capital Commitments

	2021 US$'000	2020 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**235,174**	103,957

46. Related Party Transactions

During the year, the Group entered into the following transactions with its associate, which did not constitute connected transactions under Chapter 14A of the Listing Rules:

	2021 US$'000	2020 US$'000
Interest income	—	7
Sales income	**56,956**	40,644
Service income	**1,464**	57
Purchases	**1,847**	520

The remuneration of directors and other members of key management during the year was as follows:

	2021 US$'000	2020 US$'000
Short-term benefits	**113,825**	97,852
Post-employment benefits	**1,542**	1,316
Share-based payments	**33,517**	17,522
	148,884	116,690

Details of the balances and transactions with related parties are set out in the consolidated statements of financial position and Notes 21 and 27.

47. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable US$'000	Unsecured borrowings Note 37 US$'000	Discounted bills with recourse Note 34 US$'000	Lease liabilities Note 33 US$'000	Total US$'000
At January 1, 2020	—	1,487,008	9,089	238,368	1,734,465
Currency realignment	—	—	—	6,124	6,124
Financing cash flows	(261,637)	(161,574)	(7,653)	(75,823)	(506,687)
New leases entered	—	—	—	211,432	211,432
Early termination of leases	—	—	—	(5,694)	(5,694)
Interest expenses	—	36,648	—	7,574	44,222
Interest paid	—	(36,648)	—	(7,574)	(44,222)
Dividends declared	261,637	—	—	—	261,637
At December 31, 2020	—	1,325,434	1,436	374,407	1,701,277
Currency realignment	**—**	**(3,776)**	**—**	**(4,271)**	**(8,047)**
Financing cash flows	**(394,115)**	**1,959,329**	**421**	**(101,736)**	**1,463,899**
New leases entered	**—**	**—**	**—**	**294,154**	**294,154**
Early termination of leases	**—**	**—**	**—**	**(8,354)**	**(8,354)**
Interest expenses	**—**	**31,656**	**—**	**10,352**	**42,008**
Interest paid	**—**	**(31,656)**	**—**	**(10,352)**	**(42,008)**
Dividends declared	**394,115**	**—**	**—**	**—**	**394,115**
At December 31, 2021	**—**	**3,280,987**	**1,857**	**554,200**	**3,837,044**

48. Statement of Financial Position of the Company

As at December 31, 2021

	Note	2021 US$'000	2020 US$'000
Non-current assets			
Property, plant and equipment		**3,888**	3,643
Right of use assets		**1,988**	1,273
Intangible assets		**18**	30
Investments in subsidiaries		**26,500,976**	25,672,357
Loans to subsidiaries		**12,822**	33,148
Investment in an associate		**1,470**	1,470
Financial assets at FVTPL		**3,647**	5,224
		26,524,809	25,717,145
Current assets			
Deposits and prepayments		**25,226**	19,482
Financial assets at FVTPL		**16,272**	17,763
Tax recoverable		**7,612**	6,068
Derivative financial instruments		**73,300**	11,200
Amounts due from subsidiaries		**682,938**	1,256,348
Bank balances, deposits and cash		**773,663**	415,159
		1,579,011	1,726,020
Current liabilities			
Trade and other payables		**170,147**	130,958
Derivative financial instruments		**6,397**	75,691
Lease liabilities		**893**	823
Amounts due to subsidiaries		**1,484,310**	1,773,617
Unsecured borrowings – due within one year		**1,631,147**	365,214
		3,292,894	2,346,303
Net current liabilities		**(1,713,883)**	(620,283)
Total assets less current liabilities		**24,810,926**	25,096,862
Capital and Reserves			
Share capital		**683,395**	673,141
Reserves	39	**23,098,033**	23,483,070
Total equity		**23,781,428**	24,156,211
Non-current Liabilities			
Lease liabilities		**1,147**	431
Unsecured borrowings – due after one year		**1,028,351**	940,220
Total equity and non-current liabilities		**24,810,926**	25,096,862

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on March 2, 2022 and are signed on its behalf by:

Chi Chung Chan	**Stephan Horst Pudwill**
Group Executive Director	*Vice Chairman*

49. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2021 and December 31, 2020 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			2021		2020		
			Directly %	**Indirectly %**	Directly %	Indirectly %	
DreBo Werkzeugfabrik GmbH*	Germany	EUR1,000,000	**—**	**100**	—	100	Trading and manufacture of power equipment products
TTI Outdoor Power Equipment, Inc. (Formerly known as Homelite Consumer Products, Inc.)	US	US$10	**—**	**100**	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	US$1	**—**	**100**	—	100	Trading and manufacture of floorcare products
Hart Consumer Products, Inc.	US	US$10	**—**	**100**	—	100	Trading of power equipment and outdoor power equipment products
Milwaukee Electric Tool Corporation	US	US$50,000,000	**—**	**100**	—	100	Trading and manufacture of power equipment products
TTI Consumer Power Tools, Inc. (Formerly known as One World Technologies, Inc.)	US	US$10	**—**	**100**	—	100	Trading of power equipment products
Royal Appliance Mfg. Co.	US	US$1	**—**	**100**	—	100	Trading and manufacture of floorcare products
Sang Tech Industries Limited	Hong Kong	HK$1,000,000	**100**	**—**	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK$2,000,000	**100**	**—**	100	—	Manufacture of metallic parts
Techtronic Cordless GP	US	US$200	**—**	**100**	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	US$47,000,000	**—**	**100**	—	100	Manufacture of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NTD5,000,000	**100**	**—**	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd	United Kingdom	GBP4,000,000	**—**	**100**	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD25,575,762	**—**	**100**	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR25,600	**—**	**100**	—	100	Trading of power equipment products

49. Particulars of Principal Subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			2021		2020		
			Directly %	**Indirectly %**	Directly %	Indirectly %	
Techtronic Industries ELC GmbH*	Germany	EUR25,000	**—**	**100**	—	100	Trading of power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR14,919,832	**—**	**100**	—	100	Trading of power equipment products
Techtronic Industries GmbH	Germany	EUR20,452,500	**—**	**100**	100	—	Trading and manufacture of power equipment products
Techtronic Industries Korea LLC	Korea	KRW3,400,000,000	**100**	**—**	100	—	Trading of power equipment products
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN50,000 (Serie I) MXN596,964,358 (Serie II)	**—**	**100**	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Co. Mexico, S. De R.L. de C.V.	Mexico	MXN878,896,320 (2020: MXN458,386,930)	**99.99**	**0.01**	99.99	0.01	Manufacture of power equipment products
Techtronic Industries N.Z. Limited	New Zealand	NZD4,165,600	**100**	**—**	100	—	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries North America, Inc.	US	US$10	**100**	**—**	100	—	Investment holding
Techtronic Industries Vietnam Manufacturing Co Ltd	Vietnam	VND406,954,000,000 (2020: VND347,895,000,000)	**100**	**—**	100	—	Manufacture of power equipment and outdoor power equipment products
Techtronic Product Development Limited	Hong Kong	HK$2	**100**	**—**	100	—	Engage in research and development activities
Techtronic Trading Limited	Hong Kong	HK$2	**100**	**—**	100	—	Trading of power equipment, floorcare and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$2	**100**	**—**	100	—	Investment holding
Vax Limited	United Kingdom	GBP30,000 (Ordinary A shares) GBP2,500 (Ordinary B shares)	**—**	**100**	100	—	Trading of household electrical and floorcare 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.

49. 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 summarized as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2021	2020
Manufacture of power equipment, floorcare and outdoor power equipment products	Europe, PRC, US and others	**6**	6
Trading of power equipment, floorcare and outdoor power equipment product	Canada, Europe, Hong Kong, Latin America, PRC, US and others	**38**	44
Investment holding	Australia, BVI, Europe, Hong Kong, US	**22**	22
Dormant	BVI, Europe, Hong Kong, US	**19**	15

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

50. Particulars of an Associate

Particulars of an associate are 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
			2021	2020	
			%	%	
Wuerth Master Power Tools Limited	Hong Kong	US$3,000,000	**49.0**	49.0	Manufacture and sale of power equipment

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Results

	Year ended December 31				
	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000	**2021** **US$'000**
Revenue	6,063,633	7,021,182	7,666,721	9,811,941	**13,203,161**
Profit before taxation	505,496	594,610	661,286	861,254	**1,181,825**
Taxation charge	(34,972)	(42,070)	(46,290)	(60,258)	**(82,724)**
Profit for the year	470,524	552,540	614,996	800,996	**1,099,101**
Attributable to:					
Owners of the Company	470,425	552,463	614,900	800,760	**1,099,003**
Non-controlling interests	99	77	96	236	**98**
Profit for the year	470,524	552,540	614,996	800,996	**1,099,101**
Basic earnings per share (US cents)	25.66	30.16	33.67	43.80	**60.04**

Assets and Liabilities

	As at December 31				
	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000	**2021** **US$'000**
Total assets	5,598,477	6,348,862	7,698,051	9,390,402	**13,007,545**
Total liabilities	2,857,759	3,291,521	4,303,740	5,487,495	**8,285,027**
	2,740,718	3,057,341	3,394,311	3,902,907	**4,722,518**
Equity attributable to Owners of the Company	2,741,225	3,057,771	3,394,645	3,903,005	**4,722,518**
Non-controlling interests	(507)	(430)	(334)	(98)	**–**
	2,740,718	3,057,341	3,394,311	3,902,907	**4,722,518**

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Stephan Horst Pudwill
Vice Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan

Non-executive Directors

Prof Roy Chi Ping Chung GBS BBS JP
Mr Camille Jojo

Independent Non-executive Directors

Mr Peter David Sullivan
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz
Ms Virginia Davis Wilmerding
Ms Caroline Christina Kracht

Financial Calendar 2022

March 2	:	Announcement of 2021 annual results
May 10	:	Last day to register for the entitlement to attend and vote at Annual General Meeting
May 11-13	:	Book closure period for the entitlement to attend and vote at Annual General Meeting
May 13	:	Annual General Meeting
May 19	:	Last day to register for 2021 final dividend
May 20	:	Book closure period for 2021 final dividend
June 17	:	Final dividend payment
June 30	:	Six months interim period end
December 31	:	Financial year end

Investor Relations Contact

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51 Kwai Cheong Road
Kwai Chung, N.T.
Hong Kong
email: ir@tti.com.hk

Website

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

Listing Information

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

Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

BNY Mellon

Principal Bankers

Bank of America, N.A.
Bank of China Group
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Citibank N.A.
MUFG Bank, Ltd.
Mizuho Bank, Ltd., Hong Kong Branch

Solicitors

Vincent T.K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Company Secretary

Ms Veronica Ka Po Ng

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