

Condensed Consolidated Financial Statements

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

For the six months period ended June 30, 2016

	Notes	2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
Revenue	3	2,685,662	2,474,009
Cost of sales		(1,716,909)	(1,592,644)
Gross profit		968,753	881,365
Other income		2,151	2,145
Interest income		4,095	5,580
Selling, distribution and advertising expenses		(399,396)	(358,914)
Administrative expenses		(299,112)	(278,105)
Research and development costs		(71,041)	(65,529)
Finance costs		(12,094)	(13,169)
Profit before taxation		193,356	173,373
Taxation charge	4	(16,428)	(14,737)
Profit for the period	5	176,928	158,636
Other comprehensive loss:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations		(107)	(5,434)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on foreign currency forward contracts in hedge accounting		2,151	(13,914)
Exchange differences on translation of foreign operations		(50,051)	(14,328)
Other comprehensive loss for the period		(48,007)	(33,676)
Total comprehensive income for the period		128,921	124,960
Profit for the period attributable to:			
Owners of the Company		177,033	158,693
Non-controlling interests		(105)	(57)
		176,928	158,636
Total comprehensive income attributable to:			
Owners of the Company		129,026	125,017
Non-controlling interests		(105)	(57)
		128,921	124,960
Earnings per share (US cents)	7		
Basic		9.69	8.67
Diluted		9.65	8.64

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Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2016

	Notes	June 30 2016 US\$'000 (Unaudited)	December 31 2015 US\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8 & 16	566,585	538,466
Lease prepayments		31,505	32,441
Goodwill		554,068	553,789
Intangible assets	8	532,349	520,935
Interests in associates		4,624	6,588
Available-for-sale investments		570	495
Derivative financial instruments		10,544	10,544
Deferred tax assets		163,835	146,064
		1,864,080	1,809,322
Current assets			
Inventories		1,341,391	1,190,331
Trade and other receivables	9	972,822	849,488
Deposits and prepayments		108,979	117,400
Bills receivable	9	26,761	27,277
Tax recoverable		9,289	8,080
Trade receivables from an associate	10	2,470	2,681
Derivative financial instruments		7,893	22,415
Held-for-trading investments		974	1,116
Bank balances, deposits and cash		743,838	774,608
		3,214,417	2,993,396
Current liabilities			
Trade and other payables	11	1,274,261	1,160,494
Bills payable	11	52,986	37,440
Warranty provision		79,908	75,193
Tax payable		135,616	110,353
Derivative financial instruments		18,970	14,028
Obligations under finance leases – due within one year		2,265	2,153
Discounted bills with recourse		104,759	77,629
Unsecured borrowings – due within one year	12	567,252	588,341
Bank overdrafts		—	3,837
		2,236,017	2,069,468
Net current assets		978,400	923,928
Total assets less current liabilities		2,842,480	2,733,250

	Notes	June 30 2016 US\$'000 (Unaudited)	December 31 2015 US\$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	13	647,534	647,109
Reserves		1,585,563	1,508,874
Equity attributable to Owners of the Company		2,233,097	2,155,983
Non-controlling interests		(516)	(411)
Total equity		2,232,581	2,155,572
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		10,187	10,402
Unsecured borrowings – due after one year	12	485,565	456,680
Retirement benefit obligations		105,228	99,896
Deferred tax liabilities		8,919	10,700
		609,899	577,678
Total equity and non-current liabilities		2,842,480	2,733,250

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Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended June 30, 2016

	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 rereasurement 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, 2015 (audited)	643,914	(2,441)	(26,245)	3,954	(3,229)	19,075	1,332,125	1,967,153	(127)	1,967,026
Profit (loss) for the period	—	—	—	—	—	—	158,693	158,693	(57)	158,636
Remeasurement of defined benefit obligations	—	—	—	—	(5,434)	—	—	(5,434)	—	(5,434)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	(13,914)	—	(13,914)	—	(13,914)
Exchange differences on translation of foreign operations	—	—	(14,328)	—	—	—	—	(14,328)	—	(14,328)
Other comprehensive loss for the period	—	—	(14,328)	—	(5,434)	(13,914)	—	(33,676)	—	(33,676)
Total comprehensive income (loss) for the period	—	—	(14,328)	—	(5,434)	(13,914)	158,693	125,017	(57)	124,960
Shares issued at premium on exercise of options	981	—	—	(192)	—	—	—	789	—	789
Recognition of equity-settled share-based payments	—	—	—	1,273	—	—	—	1,273	—	1,273
Final dividend – 2014	—	—	—	—	—	—	(44,799)	(44,799)	—	(44,799)
At June 30, 2015 (unaudited)	644,895	(2,441)	(40,573)	5,035	(8,663)	5,161	1,446,019	2,049,433	(184)	2,049,249
Profit (loss) for the period	—	—	—	—	—	—	195,734	195,734	(227)	195,507
Remeasurement of defined benefit obligations	—	—	—	—	807	—	—	807	—	807
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	(16,830)	—	(16,830)	—	(16,830)
Deferred tax liability on remeasurement of defined benefit obligations	—	—	—	—	1,823	—	—	1,823	—	1,823
Deferred tax liability on hedging reserve	—	—	—	—	—	482	—	482	—	482
Exchange differences on translation of foreign operations	—	—	(34,156)	—	—	—	—	(34,156)	—	(34,156)
Other comprehensive (loss) income for the period	—	—	(34,156)	—	2,630	(16,348)	—	(47,874)	—	(47,874)
Total comprehensive income (loss) for the period	—	—	(34,156)	—	2,630	(16,348)	195,734	147,860	(227)	147,633
Shares issued at premium on exercise of options	2,214	—	—	(445)	—	—	—	1,769	—	1,769
Vesting of awarded shares	—	813	—	(813)	—	—	—	—	—	—
Shares for share award scheme	—	(7,626)	—	—	—	—	—	(7,626)	—	(7,626)
Recognition of equity-settled share-based payments	—	—	—	2,273	—	—	—	2,273	—	2,273
Interim dividend - 2015	—	—	—	—	—	—	(37,726)	(37,726)	—	(37,726)
At December 31, 2015 and January 1, 2016 (audited)	647,109	(9,254)	(74,729)	6,050	(6,033)	(11,187)	1,604,027	2,155,983	(411)	2,155,572
Profit (loss) for the period	—	—	—	—	—	—	177,033	177,033	(105)	176,928
Remeasurement of defined benefit obligations	—	—	—	—	(107)	—	—	(107)	—	(107)
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	2,151	—	2,151	—	2,151
Exchange differences on translation of foreign operations	—	—	(50,051)	—	—	—	—	(50,051)	—	(50,051)
Other comprehensive (loss) income for the period	—	—	(50,051)	—	(107)	2,151	—	(48,007)	—	(48,007)
Total comprehensive income (loss) for the period	—	—	(50,051)	—	(107)	2,151	177,033	129,026	(105)	128,921
Shares issued at premium on exercise of options	425	—	—	(81)	—	—	—	344	—	344
Shares for share award scheme	—	(789)	—	—	—	—	—	(789)	—	(789)
Recognition of equity-settled share-based payments	—	—	—	3,414	—	—	—	3,414	—	3,414
Final dividend – 2015	—	—	—	—	—	—	(54,881)	(54,881)	—	(54,881)
At June 30, 2016 (unaudited)	647,534	(10,043)	(124,780)	9,383	(6,140)	(9,036)	1,726,179	2,233,097	(516)	2,232,581

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Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months period ended June 30, 2016

	June 30 2016 US\$'000 (Unaudited)	June 30 2015 US\$'000 (Unaudited)
Net cash from operating activities	125,313	59,330
Net cash used in investing activities	(127,588)	(174,914)
Net cash (used in) from financing activities	(20,728)	152,664
Net (decrease) increase in cash and cash equivalents	(23,003)	37,080
Cash and cash equivalents at January 1	770,771	687,776
Effect of foreign exchange rate changes	(3,930)	(5,377)
Cash and cash equivalents at June 30	743,838	719,479
Analysis of the balances of cash and cash equivalents Represented by:		
Bank balances, deposits and cash	743,838	725,153
Bank overdrafts	—	(5,674)
	743,838	719,479

Condensed Consolidated Financial Statements

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Basis of preparation and accounting policies

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

The financial information relating to the year ended December 31, 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended December 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

No significant events and transactions noted in the current interim period.

2. Significant accounting policies

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

Except as described below, the accounting policies and method of computations used in the condensed consolidated financial statements for the six months ended June 30, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2015.

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

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

3. Segment information

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

For the period ended June 30, 2016

	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Eliminations US\$'000	Consolidated US\$'000
Segment revenue				
External sales	2,204,254	481,408	—	2,685,662
Inter-segment sales	—	467	(467)	—
Total segment revenue	2,204,254	481,875	(467)	2,685,662

For the period ended June 30, 2015

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

Inter-segment sales are charged at prevailing market rates.

	Six months period ended June 30					
	2016			2015		
	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Consolidated US\$'000	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Consolidated US\$'000
Segment results	184,860	16,495	201,355	160,148	20,814	180,962
Interest income			4,095			5,580
Finance costs			(12,094)			(13,169)
Profit before taxation			193,356			173,373
Taxation charge			(16,428)			(14,737)
Profit for the period			176,928			158,636

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.

4. Taxation charge

	Six months period ended June 30	
	2016 US\$'000	2015 US\$'000
Current tax:		
Hong Kong	2,003	2,917
Overseas Tax	31,893	15,410
Deferred Tax	(17,468)	(3,590)
	16,428	14,737

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

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

5. Profit for the period

	Six months period ended June 30	
	2016 US\$'000	2015 US\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	48,988	43,751
Amortisation of lease prepayments	179	185
Amortisation of intangible assets	42,097	36,546
Total depreciation and amortisation	91,264	80,482
Net exchange gain	(6,034)	(5,835)
Staff costs	408,095	367,451
Fair value loss (gain) on held-for-trading investments	141	(52)

6. Dividends

A dividend of HK23.25 cents (approximately US2.99 cents) per share with a total of approximately US\$54,881,000 (2015: HK19.00 cents (approximately US2.45 cents) per share with a total of approximately US\$44,799,000) was paid to shareholders as the final dividend for 2015 on June 24, 2016.

The Directors have determined that an interim dividend of HK20.00 cents (approximately US2.57 cents) per share with a total of approximately US\$47,209,000 (2015: HK16.00 cents (approximately US2.06 cents) per share) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 9, 2016.

7. 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:

	Six months period ended June 30	
	2016 US\$'000	2015 US\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to Owners of the Company	177,033	158,693
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,827,745,438	1,829,912,665
Effect of dilutive potential ordinary shares:		
Share options	6,408,796	7,426,563
Share award	839,723	406,156
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,834,993,957	1,837,745,384

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

During the period, the Group spent approximately US\$81 million (for the six months ended June 30, 2015: US\$137 million) and US\$54 million (for the six months ended June 30, 2015: US\$49 million) on the acquisition of property, plant and equipment and intangible assets respectively.

9. Trade and other receivables/Bills receivable

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

Age	June 30	December 31
	2016 US\$'000	2015 US\$'000
0 to 60 days	797,657	699,592
61 to 120 days	109,544	90,601
121 days or above	40,833	37,744
Total trade receivables	948,034	827,937
Other receivables	24,788	21,551
	972,822	849,488

All the Group's bills receivable at June 30, 2016 are due within 120 days.

10. Trade receivables from an associate

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

11. Trade and other payables/Bills payable

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

	June 30 2016 US\$'000	December 31 2015 US\$'000
Age		
0 to 60 days	563,771	523,034
61 to 120 days	176,460	140,479
121 days or above	4,407	9,734
Total trade payables	744,638	673,247
Other payables	529,623	487,247
	1,274,261	1,160,494

All the Group's bills payable at June 30, 2016 were aged and are due within 120 days.

12. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US\$817 million (2015: US\$1,253 million) which carry interest at the London Interbank Offered Rate, Euro Interbank Offered Rate or Hong Kong best lending rates. The Group also repaid the existing bank borrowings of US\$809 million (2015: US\$1,078 million).

13. Share capital

	Number of shares		Share capital	
	June 30 2016	December 31 2015	June 30 2016 US\$'000	December 31 2015 US\$'000
Ordinary shares				
Authorised shares	2,400,000,000	2,400,000,000	N/A	N/A
Issued and fully paid:				
At the beginning of the period	1,833,736,941	1,831,346,941	647,109	643,914
Issue of shares upon exercise of share options	345,000	2,390,000	425	3,195
At the end of the period	1,834,081,941	1,833,736,941	647,534	647,109

14. Contingent liabilities

	June 30 2016 US\$'000	December 31 2015 US\$'000
Guarantees given to banks in respect of credit facilities utilised by an associate	9,582	8,877

15. Fair value measurements of financial instruments

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

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

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active 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).

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	June 30, 2016	December 31, 2015		
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the condensed consolidated statement of financial position	Acquisition right of certain property, plant and equipment: US\$10,544,000	Acquisition right of certain property, plant and equipment: US\$10,544,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by a 3 rd party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – US\$7,893,000; and Liabilities – US\$18,970,000	Assets – US\$22,415,000; and Liabilities – US\$13,368,000	Level 2	Quoted forward exchange rates matching maturities of the contracts.
3) Held-for-trading non-derivative financial assets classified as held-for-trading investments in the condensed consolidated statement of financial position	Unlisted investment fund: US\$974,000	Unlisted investment fund: US\$1,116,000	Level 2	Quoted prices provided by the fund administrator based on the prices of stocks invested by the investment fund.
4) Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities (not designated for hedging) – Nil	Liabilities (not designated for hedging) – US\$660,000	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.

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

16. Capital commitments

	June 30 2016 US\$'000	December 31 2015 US\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	36,878	20,942