



Techtronic Industries



Interim Report 2012



Performance at a Glance

Record sales of

USD **1.9** billion

Gross margin improved

to **33.5%**

Net profit

+20.1%

Net gearing reduced significantly from 66.1% to

37.4%

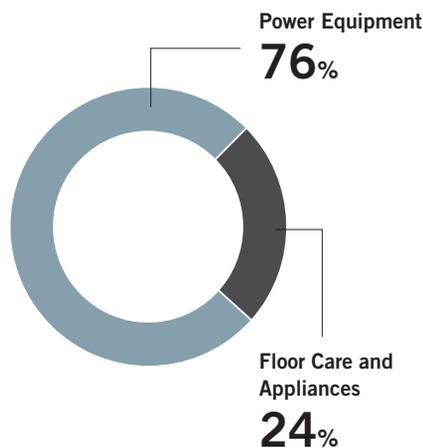
Free cash flow

+51.9%

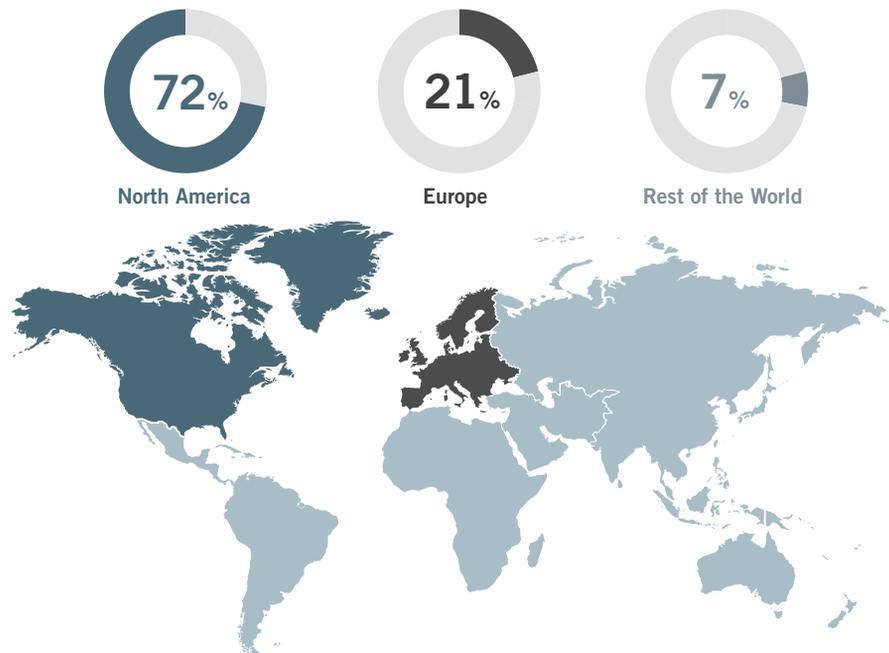
Power Equipment organic sales

+10.1%

Sales by Business



Sales by Region



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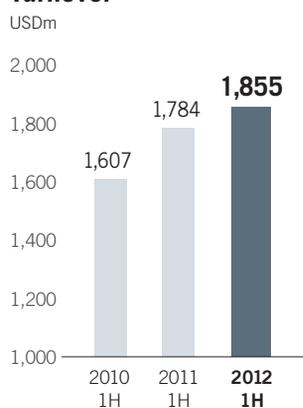
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Financial Highlights

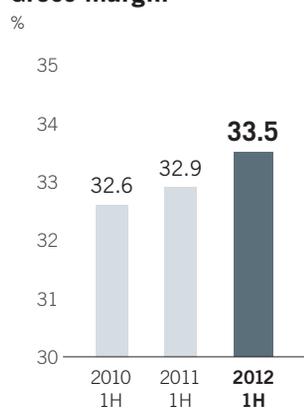
- » Record sales and profit for the period
- » Continued margin improvement
- » Positive free cash flow
- » Interim dividend increased by 35.0%
- » Reduced gearing from 66.1% to 37.4%
- » New products driving growth

	2012 USDm	2011 USDm	Changes %
Turnover	1,855	1,784	+4.0%
EBITDA	188	170	+10.4%
EBIT	127	115	+10.4%
Profit attributable to Owners of the Company	96	80	+20.1%
EPS (US cents)	5.69	5.00	+13.8%
Interim dividend per share (approx. US cents)	0.87	0.64	+35.0%

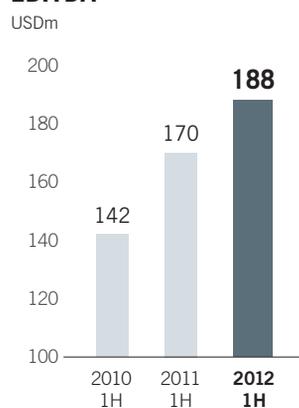
Turnover



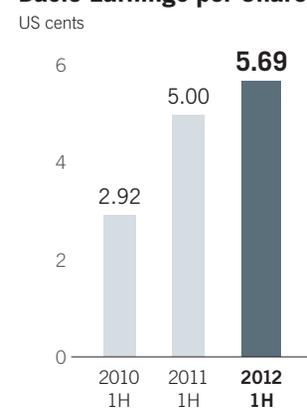
Gross Margin



EBITDA



Basic Earnings per Share



Management's Discussion and Analysis

Record Sales and Profit

TTI delivered record sales, record profit, and margin improvement for the period. This strong performance was a result of our ability to generate organic growth in existing and new markets, with powerful brands that connect with end-users, innovative new products with leading-edge technologies, and continuous improvement through operational efficiency and procurement.

Net profit attributable to shareholders was USD96 million, a 20.1% increase over the first half of 2011. Basic earnings per share was US5.69 cents, an increase of 13.8% compared to the same period last year. Total organic Group sales were up 5.2% before foreign currency impact. Foreign currency negatively impacted revenue by 1.2%. Our ongoing strategic focus on developing exciting new products contributed to the Group's growth and comprised one third of sales. We continued to drive our geographic expansion programs aggressively, generating rest-of-world organic sales growth of 8.5% before currency adjustments.

Operational Efficiencies Deliver Margin Improvements

Gross margin increased to 33.5% for the first half of 2012 from 32.9% for the first half of 2011. The improvement was achieved through productivity gains, including value engineering, lean manufacturing and supply chain efficiency programs, all of which have helped offset inflationary pressures. We were able to reduce headcount by 4.3% while growing sales 5.2%.

We continued investing in R&D and marketing to drive new product introductions and brand-building in global markets.

The Company continued to improve its working capital position. In the first six months of 2012, working capital as a percentage of sales improved to 18.9% as compared to 22.1% for the same period of 2011. Inventory was reduced by USD49 million, a 6.1% decrease compared to the same period last year.

Business Review

Power Equipment Business Review

The Power Equipment business, which includes Power Tools, Hand Tools, Outdoor Products and Accessories, delivered USD1.4 billion in sales, 10.1% higher than the same period last year before adjustments for currency. The business accounted for 75.9% of overall Group sales.

Industrial

MILWAUKEE® recorded double-digit sales growth across all geographic regions in the first half of 2012. Growth was driven by the introduction of new products using MILWAUKEE®'s advanced technology, like the powerful M18® FUEL™ range of lithium ion cordless tools, further expansion of innovative hand tools and continued penetration of the distribution network, driving gains in market share. MILWAUKEE® Power Tool Accessories likewise continued to deliver market gains, posting robust double-digit sales growth. This was partly driven by the expansion of the SHOCKWAVE™ range of drilling and fastening accessories and aggressive conversion programs in key markets, which have helped expand our presence in the home center, construction, industrial and hardware channels.

Consumer, Trade and Professional

For the first half of 2012, the North American Consumer Power Tools Division posted mid single-digit gains within the home improvement marketplace while improving our market position. Driving the expansion was the ongoing launch of innovative new products backed by marketing activities to communicate benefits to end-users, the underlying strength of lithium cordless tool demand, the successful RIDGID® JobMax® lithium ion cordless multi-tools for professionals, and the continuing success of the RYOBI® 18-volt ONE+ System® of cordless tools.

Outdoor Products & Accessories

Outdoor Products performed well despite second quarter weather-related challenges in our largest markets. This growth was supported by the robust sales of new RYOBI® lithium cordless outdoor products, expansion of the RYOBI® and HOMELITE® gas products, and growth in accessories.

RYOBI® lithium cordless products are rapidly gaining popularity among a growing segment of end-users who are adopting lithium cordless technology. As a result, lithium cordless outdoor products represent the fastest-growing segment in the outdoor category. The new RYOBI® outdoor lithium 40-volt products have been launched globally. This more powerful, higher-voltage lithium platform further strengthens the RYOBI® cordless offering, which includes 24-volt and the well-known, consumer market-leading RYOBI® 18-volt ONE+ System®.

Floor Care and Appliances Business Review

The Floor Care and Appliance business, reported USD0.5 billion in sales, 7.9% lower than the same period last year before adjustments for currency. The business accounted for 24.1% of overall Group sales.

Sales of our branded floor care business declined 1.4% before currency adjustment, with Europe and rest-of-world growing double-digit while our OEM business contracted. The business in North America faced a challenging environment. Sales increased in Europe as we continued to expand distribution and sales in core categories. Australia and New Zealand achieved significantly higher sales as VAX® products gained market share.

Outlook

The Group enters the second half with strong momentum across our businesses and is firmly positioned to build on the positive first half performance.

We are excited about the new products, such as the expanding range of new cordless lithium tools and innovative accessories, which will be launched. Also, as part of our aggressive strategy to continue achieving progress in operational excellence, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

In Power Equipment, the MILWAUKEE®'s M12® and M18® cordless platforms and the RYOBI®'s 18-volt ONE+ System® will continue to see expansion as we add to the ranges and more end-users adopt our highly advanced lithium technology. In Outdoor Products, we will be expanding our lithium cordless product range to capture the growing demand for cordless.

Profitability for Floor Care has shown improvement when compared to the second half of last year. We anticipate that the improvements will continue, supported by a stream of innovative new products and first half operational changes.

With our stable of powerful brands and pipeline of new products, we are confident of delivering another period of record sales and profit.

Financial Review

Financial Results

Turnover for the period under review amounted to USD1,855 million, 4.0% higher than the USD1,784 million reported for the same period last year. Profit attributable to Owners of the Company amounted to USD96 million as compared to USD80 million reported last year, an increase of 20.1%. Basic earnings per share was at US5.69 cents (2011: US5.00 cents).

EBITDA amounted to USD188 million, an increase of 10.4% as compared to the USD170 million reported in the same period last year.

EBIT amounted to USD127 million, an increase of 10.4% as compared to the USD115 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 33.5% as compared to 32.9% in the same period last year. The margin improvement was the result of new product introduction, category expansion all with higher margin, efficient production in the new PRC facilities, effective supply chain management and volume leverage on our economies of scale.

Operating Expenses

Total operating expenses for the period amounted to USD498 million as compared to USD474 million reported for the same period last year, representing 26.8% of turnover (2011: 26.6%). The Group continued to control non-strategic SG&A expenses and reinvested into strategic SG&A as planned.

Financial Review *(continued)*

Operating Expenses *(continued)*

Investment in product design and development amounted to USD37 million (2011: USD31 million), representing 2.0% of turnover (2011: 1.8%) reflecting our continuous investment in R&D even in times of economic challenge. With our new innovation centre in full operation in current period, efficiency and cost effectiveness is expected to be further improved in the coming years.

Net interest expenses for the period amounted to USD22 million as compared to USD28 million reported for the same period last year. Interest cover, expressed as a multiple of EBITDA to total interest was at 7.2 times (2011: 5.9 times).

Effective tax rate for the period was at 7.6% (2011: 8.0%). The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to USD1.5 billion, as compared to USD1.2 billion at December 31, 2011, an increase of 16.9%. Book value per share was USD0.80 as compared to USD0.78 at December 31, 2011, an increase of 2.6%.

Financial Position

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 37.4% as compared to 66.1% as at June 30, 2011. The gearing improvement is the result of our business growth and all the convertible bonds been converted into shares during the period. The Group remains confident that gearing will improve further after the successful implementation of key initiatives to deliver focused and stringent working capital management.

Bank Borrowings

Long term borrowing accounted for 33.7% of total debts (33.1% at December 31, 2011).

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

During the period, the Group repaid USD30 million of fixed interest rate notes, refinanced by other bank facilities with lower interest rates. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory was at USD752 million as compared to USD801 million for the same period last year. The number of days inventory was at 73 days as compared to 82 days as at June 30, 2011. When compared to the year end level, inventory at the end of the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year.

Trade receivables turnover days were at 64 days as compared to 68 days as at June 30, 2011. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 57 days as compared to 61 days as at June 30, 2011. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days were 69 days (62 days at December 31, 2011).

The Group's current ratio increased from 1.23 times to 1.33 times and the quick ratio also increased from 0.79 as at December 31, 2011 to 0.86.

Working capital as a percentage of sales was at 18.9% as compared to 22.1% for the same period last year.

Capital Expenditure

Total capital expenditures for the period amounted to USD37 million (2011: USD44 million).

Capital Commitment and Contingent Liability

As at June 30, 2012, total capital commitments amounted to USD 19 million (2011: USD 10 million), and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

Human Resources

The Group employed a total of 18,521 employees (2011: 19,360 employees) in Hong Kong and overseas. Total staff cost for the period under review amounted to USD263 million as compared to USD251 million in the same period last year.

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

Interim Dividend

The Directors have resolved to declare an interim dividend of HK6.75 cents (approximately US0.87 cent) (2011: HK5.00 cents (approximately US0.64 cent)) per share for the six months period ended June 30, 2012. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 14, 2012. It is expected that the interim dividend will be paid on or about September 28, 2012.

Closure of Register of Members

The register of members of the Company will be closed from September 13, 2012 to September 14, 2012, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on September 12, 2012.

Report on Review of Interim Financial Information



To the Board of Directors of
Techtronic Industries Company Limited

Introduction

We have reviewed the condensed consolidated financial statements of Techtronic Industries Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 7 to 18, which comprises the condensed consolidated statement of financial position as of June 30, 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting”(“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

August 16, 2012

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months period ended June 30, 2012

	Notes	2012 USD' 000 (Unaudited)	2011 USD' 000 (Unaudited)
Turnover	3	1,854,793	1,783,909
Cost of sales		(1,232,684)	(1,197,565)
Gross profit		622,109	586,344
Other income		2,187	2,760
Interest income		4,075	1,793
Selling, distribution, advertising and warranty expenses		(255,615)	(242,411)
Administrative expenses		(204,611)	(199,964)
Research and development costs		(37,362)	(31,257)
Finance costs		(26,483)	(29,298)
Profit before share of results of associates and taxation		104,300	87,967
Share of results of associates		—	(273)
Profit before taxation		104,300	87,694
Taxation charge	4	(7,916)	(7,024)
Profit for the period	5	96,384	80,670
Other comprehensive income			
Exchange differences on translation of foreign operations and other comprehensive (loss) income for the period		(1,458)	15,685
Total comprehensive income for the period		94,926	96,355
Profit for the period attributable to:			
Owners of the Company		96,362	80,259
Non-controlling interests		22	411
		96,384	80,670
Total comprehensive income attributable to:			
Owners of the Company		94,906	95,909
Non-controlling interests		20	446
		94,926	96,355
Earnings per share (US cents)	7		
Basic		5.69	5.00
Diluted		5.51	4.79

Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2012

	Notes	June 30 2012 USD' 000 (Unaudited)	December 31 2011 USD' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8 & 15	358,912	360,082
Lease prepayments		36,034	36,432
Goodwill		530,401	530,856
Intangible assets	8	391,787	371,275
Interests in associates		18,415	20,165
Available-for-sale investments		1,269	1,269
Deferred tax assets		76,156	73,633
		1,412,974	1,393,712
Current assets			
Inventories		752,186	704,419
Trade and other receivables	9	726,610	673,457
Deposits and prepayments		89,211	72,897
Bills receivable	9	25,022	35,760
Tax recoverable		7,945	12,361
Trade receivables from an associate		78	205
Derivative financial instruments		5,983	8,867
Held-for-trading investments		7,060	8,288
Bank balances, deposits and cash		530,076	459,650
		2,144,171	1,975,904
Current liabilities			
Trade and other payables	10	704,606	618,863
Bills payable	10	55,184	42,991
Warranty provision		42,722	44,748
Trade payables to an associate		—	4,037
Tax payable		8,024	10,937
Derivative financial instruments		6,498	9,002
Restructuring provision		1,426	3,743
Dividend payable		18,185	—
Obligations under finance leases – due within one year		1,206	1,730
Discounted bills with recourse		539,385	518,897
Unsecured borrowings – due within one year	11	217,488	194,025
Convertible bonds	12	—	134,001
Bank overdrafts		22,329	19,972
		1,617,053	1,602,946
Net current assets		527,118	372,958
Total assets less current liabilities		1,940,092	1,766,670

	Notes	June 30 2012 USD' 000 (Unaudited)	December 31 2011 USD' 000 (Audited)
CAPITAL AND RESERVES			
Share capital	13	23,372	20,533
Reserves		1,433,030	1,225,043
Equity attributable to owners of the Company		1,456,402	1,245,576
Non-controlling interests		8,572	8,552
Total equity		1,464,974	1,254,128
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		4,313	4,755
Unsecured borrowings – due after one year	11	361,592	396,877
Retirement benefit obligations		81,637	82,937
Deferred tax liabilities		27,576	27,973
		475,118	512,542
Total equity and non-current liabilities		1,940,092	1,766,670

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months period ended June 30, 2012

	Attributable to owners of the Company								Attributable to non-controlling interests	
	Share capital	Share premium	Capital redemption reserve	Convertible bonds equity reserve	Translation reserve	Employee share-based compensation reserve	Retained profits	Total	Share of net assets of subsidiaries	Total
	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000	USD' 000
At January 1, 2011 (audited)	20,598	459,866	56	8,833	(8,701)	7,451	626,656	1,114,759	14,948	1,129,707
Profit for the period	—	—	—	—	—	—	80,259	80,259	411	80,670
Exchange differences on translation of foreign operations and other comprehensive income for the period	—	—	—	—	15,650	—	—	15,650	35	15,685
Total comprehensive income for the period	—	—	—	—	15,650	—	80,259	95,909	446	96,355
Shares issued at premium on exercise of options	5	437	—	—	—	(81)	—	361	—	361
Recognition of equity-settled share-based payments	—	—	—	—	—	539	—	539	—	539
Lapse of share options	—	—	—	—	—	(1,108)	1,108	—	—	—
Final dividend – 2010	—	—	—	—	—	—	(12,907)	(12,907)	—	(12,907)
At June 30, 2011 (unaudited)	20,603	460,303	56	8,833	6,949	6,801	695,116	1,198,661	15,394	1,214,055
Profit for the period	—	—	—	—	—	—	70,567	70,567	(305)	70,262
Exchange differences on translation of foreign operations and other comprehensive income for the period	—	—	—	—	(10,062)	—	—	(10,062)	20	(10,042)
Total comprehensive income for the period	—	—	—	—	(10,062)	—	70,567	60,505	(285)	60,220
Shares issued at premium on exercise of options	1	69	—	—	—	(10)	—	60	—	60
Repurchase of shares	(71)	—	71	—	—	—	(3,817)	(3,817)	—	(3,817)
Recognition of equity-settled share-based payments	—	—	—	—	—	514	—	514	—	514
Lapse of share options	—	—	—	—	—	(697)	697	—	—	—
Interim dividend – 2011	—	—	—	—	—	—	(10,347)	(10,347)	(6,557)	(16,904)
At December 31, 2011 and January 1, 2012 (audited)	20,533	460,372	127	8,833	(3,113)	6,608	752,216	1,245,576	8,552	1,254,128
Profit for the period	—	—	—	—	—	—	96,362	96,362	22	96,384
Exchange differences on translation of foreign operations and other comprehensive income for the period	—	—	—	—	(1,456)	—	—	(1,456)	(2)	(1,458)
Total comprehensive income for the period	—	—	—	—	(1,456)	—	96,362	94,906	20	94,926
Shares issued at premium on exercise of options	5	508	—	—	—	(138)	—	375	—	375
Repurchase of shares	(43)	—	43	—	—	—	(3,870)	(3,870)	—	(3,870)
Recognition of equity-settled share-based payments	—	—	—	—	—	226	—	226	—	226
Lapse of share options	—	—	—	—	—	(1,937)	1,937	—	—	—
Conversion of convertible bonds	2,877	143,330	—	(8,833)	—	—	—	137,374	—	137,374
Final dividend – 2011	—	—	—	—	—	—	(18,185)	(18,185)	—	(18,185)
At June 30, 2012 (unaudited)	23,372	604,210	170	—	(4,569)	4,759	828,460	1,456,402	8,572	1,464,974

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months period ended June 30, 2012

	June 30 2012 USD' 000 (Unaudited)	June 30 2011 USD' 000 (Unaudited)
Net cash from operating activities	141,697	126,789
Net cash used in investing activities	(76,211)	(65,412)
Net cash from (used in) financing activities	3,929	(64,466)
Net increase (decrease) in cash and cash equivalents	69,415	(3,089)
Cash and cash equivalents at January 1	439,678	490,543
Effect of foreign exchange rate changes	(1,346)	10,881
Cash and cash equivalents at June 30	507,747	498,335
Analysis of the balances of cash and cash equivalents Represented by:		
Bank balances, deposits and cash	530,076	524,583
Bank overdrafts	(22,329)	(26,248)
	507,747	498,335

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 (“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 (“Stock Exchange”).

2. Significant accounting policies

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

The accounting policies and method of computations used in the condensed consolidated financial statements for the six months ended June 30, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2011.

In the current interim period, the Group has applied for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatory effective for the current interim period.

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

3. Segment information

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

For the period ended June 30, 2012

	Power Equipment USD’ 000	Floor Care and Appliances USD’ 000	Eliminations USD’ 000	Consolidated USD’ 000
Turnover				
External sales	1,407,426	447,367	—	1,854,793
Inter-segment sales	6,960	457	(7,417)	—
Total segment turnover	1,414,386	447,824	(7,417)	1,854,793

3. Segment information *(continued)*

For the period ended June 30, 2011

	Power Equipment USD' 000	Floor Care and Appliances USD' 000	Eliminations USD' 000	Consolidated USD' 000
Turnover				
External sales	1,294,529	489,380	—	1,783,909
Inter-segment sales	10,710	1,811	(12,521)	—
Total segment turnover	1,305,239	491,191	(12,521)	1,783,909

Inter-segment sales are charged at prevailing market rates.

	Six months period ended June 30					
	2012 Power Equipment USD' 000	2012 Floor Care and Appliances USD' 000	2012 Consolidated USD' 000	2011 Power Equipment USD' 000	2011 Floor Care and Appliances USD' 000	2011 Consolidated USD' 000
Segment results	114,801	15,982	130,783	89,803	27,462	117,265
Finance costs			(26,483)			(29,298)
Share of results of associates			—			(273)
Profit before taxation			104,300			87,694
Taxation charge			(7,916)			(7,024)
Profit for the period			96,384			80,670

Segment profit represents the profit earned by each segment without allocation of share of results of associates and finance costs. This is the measure reported to the Group's Chief Executive Officer, the chief operating decision maker ("CODM") of the Group, for the purpose of resource allocation and performance assessment.

The following is an analysis of the Group's assets by reportable and operating segments reported to the CODM of the Group:

	June 30 2012 USD' 000	December 31 2011 USD' 000
Power Equipment	2,292,598	2,175,535
Floor Care and Appliances	625,972	619,405
	2,918,570	2,794,940

Notes to the Condensed Consolidated Financial Statements (Unaudited)

4. Taxation charge

	Six months period ended June 30	
	2012 USD' 000	2011 USD' 000
Current tax:		
Hong Kong	569	700
Overseas Tax	6,219	12,679
Deferred Tax	1,128	(6,355)
	7,916	7,024

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period.

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	
	2012 USD' 000	2011 USD' 000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	36,172	34,866
Amortisation of lease prepayments	163	159
Amortisation of intangible assets	24,773	20,237
Total depreciation and amortisation	61,108	55,262
Exchange loss (gain)	4,942	(10,082)
Staff costs	263,391	250,747
Fair value loss on held-for-trading investments	1,228	762

6. Dividends

A dividend of HK7.75 cents (approximately US1.00 cent) per share (2011: HK6.25 cents (approximately US0.80 cent) per share) was paid to shareholders as the final dividend for 2011 on July 6, 2012.

The Directors have determined that an interim dividend of HK6.75 cents (approximately US0.87 cent) per share (2011: HK5.00 cents (approximately US0.64 cent) per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 14, 2012.

7. Earnings per share

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

	Six months period ended June 30	
	2012 USD' 000	2011 USD' 000
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	96,362	80,259
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds (net of tax)	4,457	7,772
Earnings for the purpose of diluted earnings per share	100,819	88,031
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,694,876,782	1,606,738,752
Effect of dilutive potential ordinary shares:		
Share options	5,430,285	6,617,803
Convertible bonds	129,688,975	223,557,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,829,996,042	1,836,913,555

The computation of diluted earnings per share for the six months ended June 30, 2012 and June 30, 2011 does not assume the exercise of the Company's outstanding share options if the exercise price of these options is higher than the average market price for the Company's shares.

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

During the period, the Group spent approximately USD37 million (for the six months ended June 30, 2011: USD44 million) and USD45 million (for the six months ended June 30, 2011: USD23 million) on the acquisition of property, plant and equipment and intangible assets respectively.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

9. Trade and other receivables/Bills receivable

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. The aging analysis of trade receivables based on the invoice date is as follows:

	June 30 2012 USD' 000	December 31 2011 USD' 000
0 to 60 days	612,456	569,695
61 to 120 days	24,937	17,145
121 days or above	21,267	19,806
Total trade receivables	658,660	606,646
Other receivables	67,950	66,811
	726,610	673,457

All the Group's bills receivable at June 30, 2012 are due within 120 days.

10. Trade and other payables/Bills payable

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

	June 30 2012 USD' 000	December 31 2011 USD' 000
0 to 60 days	324,459	259,435
61 to 120 days	112,124	93,376
121 days or above	11,530	7,048
Total trade payables	448,113	359,859
Other payables	256,493	259,004
	704,606	618,863

All the Group's bills payable at June 30, 2012 are due within 120 days.

11. Unsecured borrowings

During the period, the Group obtained new bank borrowings in the amount of USD353 million (2011: USD161 million) which are London Interbank Offered Rate, Euro Interbank Offered Rate or Hong Kong best lending rates based. The Group repaid the existing bank borrowings in the amount of USD332 million (2011: USD336 million).

12. Convertible bonds

In 2009, the Group issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of USD150,000,000 (“Convertible Bonds 2014”). Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds 2014 will be redeemed at their principal amount on the maturity date on April 30, 2014.

At the option of the Convertible Bonds 2014’s holders, on April 30, 2012, the holders could redeem Convertible Bond 2014 at the principal amount plus accrued interest to the date of redemption. Accordingly, the Convertible Bonds 2014 were classified as current liabilities as of December 31, 2011.

The weighted average effective interest rate of Convertible Bonds 2014 is 15.57%.

During the period, all the Convertible Bonds 2014 were converted into 223,557,689 shares of the Company at HKD5.20 per share.

13. Share capital

	Number of shares		Share capital	
	June 30 2012	December 31 2011	June 30 2012 USD' 000	December 31 2011 USD' 000
Ordinary shares of HKD0.10 each Authorised	2,400,000,000	2,400,000,000	30,769	30,769
Issued and fully paid:				
At the beginning of the period	1,601,564,252	1,606,625,752	20,533	20,598
Issue of shares upon exercise of share options	395,000	455,000	5	6
Repurchase of shares	(3,330,000)	(5,516,500)	(43)	(71)
Conversion of convertible bonds	223,557,689	—	2,877	—
At the end of the period	1,822,186,941	1,601,564,252	23,372	20,533

During the period, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares at HKD0.10 each	Price per share		Aggregate consideration paid USD' 000
		Highest HKD	Lowest HKD	
January 2012	200,000	8.01	7.93	205
May 2012	1,980,000	9.85	8.59	2,316
June 2012	1,150,000	9.40	8.75	1,349
	3,330,000			3,870

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of USD43,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately USD3,870,000 was charged to retained profits.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

14. Contingent liabilities

	June 30 2012 USD' 000	December 31 2011 USD' 000
Guarantees given to banks in respect of credit facilities utilised by associates	11,013	10,858

15. Capital commitments

	June 30 2012 USD' 000	December 31 2011 USD' 000
Capital expenditure in respect of the purchase of property, plant and equipment:		
Contracted for but not provided	17,684	15,484
Authorised but not contracted for	1,447	287

16. Event after the reporting period

On August 3, 2012, the Company has entered into an USD146,000,000 medium term loan with final maturity in 2016. The loan will be applied to refinance loans due.

Corporate Governance and Other Information

Directors' and Chief Executive's Interests

As at June 30, 2012, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and as adopted by the Company, 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	145,361,000	1,770,000	401,050,794	22.01%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	253,159,794 ⁽²⁾	—		
Mr Joseph Galli Jr	Beneficial owner	849,500	1,000,000	1,849,500	0.10%
Mr Kin Wah Chan	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr Chi Chung Chan	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr Stephan Horst Pudwill	Beneficial owner	4,509,500	2,000,000	6,509,500	0.36%
Prof Roy Chi Ping Chung BBS JP	Beneficial owner	56,405,948	600,000	94,216,978	5.17%
	Interests of spouse	136,000	—		
	Interests of controlled corporation	37,075,030 ⁽³⁾	—		
Mr Joel Arthur Schleicher	Beneficial owner	107,000	850,000	1,017,000	0.06%
	Interests of spouse	—	60,000 ⁽¹⁾		
Mr Christopher Patrick Langley OBE	Beneficial owner	900,000	850,000	1,750,000	0.10%
Mr Manfred Kuhlmann	Beneficial owner	—	850,000	850,000	0.05%
Mr Peter David Sullivan	Beneficial owner	—	850,000	850,000	0.05%
Mr Vincent Ting Kau Cheung	Beneficial owner	1,920,000	850,000	2,770,000	0.15%

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

Notes:

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

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

The interests of the spouse of Mr Joel Arthur Schleicher in the underlying shares pursuant to listed equity derivatives represent an interest in 60,000 underlying shares held in the form of 12,000 American Depositary Receipts, each representing 5 shares of the Company.

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

	No. of shares
Sunning Inc.	216,084,764
Cordless Industries Company Limited *	37,075,030
	253,159,794

- (3) These shares were held by Cordless Industries Company Limited* in which Prof Roy Chi Ping Chung BBS JP has a beneficial interest.

* Cordless Industries Company Limited is owned as to 70% by Mr Horst Julius Pudwill and as to 30% by Prof Roy Chi Ping Chung BBS JP.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at June 30, 2012.

Share Options

The following table discloses movements in the Company's share options during the six months period ended June 30, 2012:

Share option holders	Date of share options granted	Share option scheme category ⁽¹⁾	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HKD	Exercise period
Directors									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 - 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 - 25.11.2020
	21.5.2012	D	—	570,000	—	—	570,000	8.742	21.5.2012 - 20.5.2022
Mr Joseph Galli Jr	6.3.2007	C	1,000,000	—	—	(1,000,000)	—	10.572	6.3.2007 - 5.3.2012
	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Chi Chung Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Stephan Horst Pudwill	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
	21.5.2012	D	—	1,000,000	—	—	1,000,000	8.742	21.5.2012 - 20.5.2022
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 - 15.11.2019
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Christopher Patrick Langley OBE	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Manfred Kuhlmann	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Peter David Sullivan	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Total for directors			9,800,000	2,820,000	—	(1,000,000)	11,620,000		

Share Options *(continued)*

Share option holders	Date of share options granted	Share option scheme category ⁽¹⁾	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HKD	Exercise period
Employees	1.1.2007	C	150,000	—	—	(150,000)	—	10.080	1.1.2007 - 31.12.2011
	6.3.2007	C	4,325,000	—	—	(4,325,000)	—	10.572	6.3.2007 - 5.3.2012
	20.7.2007	D	200,000	—	—	—	200,000	10.060	20.7.2007 - 19.7.2017
	24.8.2007	D	2,060,000	—	(100,000)	—	1,960,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	23.11.2007	D	500,000	—	—	—	500,000	7.578	23.11.2007 - 22.11.2017
	14.1.2008	D	970,000	—	—	(100,000)	870,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	1,575,000	—	—	(300,000)	1,275,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	D	490,000	—	—	(40,000)	450,000	7.546	30.5.2008 - 29.5.2018
	1.9.2008	D	150,000	—	—	—	150,000	7.450	1.9.2008 - 31.8.2018
	11.9.2008	D	50,000	—	—	—	50,000	7.430	11.9.2008 - 10.9.2018
	2.10.2008	D	75,000	—	—	—	75,000	7.068	2.10.2008 - 1.10.2018
	1.12.2008	D	100,000	—	—	—	100,000	2.340	1.12.2008 - 30.11.2018
	16.11.2009	D	7,080,000	—	(120,000)	(50,000)	6,910,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 - 6.12.2019
	21.12.2009	D	225,000	—	(25,000)	(100,000)	100,000	6.350	21.12.2009 - 20.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 - 27.12.2019
	13.9.2010	D	1,050,000	—	(150,000)	—	900,000	7.390	13.9.2010 - 12.9.2020
17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 - 16.1.2021	
16.12.2011	D	100,000	—	—	—	100,000	7.530	16.12.2011 - 15.12.2021	
Total for employees			19,405,000	—	(395,000)	(5,065,000)	13,945,000		
Total for all categories			29,205,000	2,820,000	(395,000)	(6,065,000)	25,565,000		

Notes:

- (1) Scheme C is the share option scheme adopted by the Company on March 28, 2002 and has expired on March 27, 2007. The Company adopted Scheme D on May 29, 2007.
- (2) No option was cancelled during the period.
- (3) The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HKD9.14.

(4) The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price HKD	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the period ended June 30, 2012 21.5.2012	8.742	3 years	41%	0.298%	1.5%

The share options are vested in whole or in parts over 3 years from the date of grant.

For the purposes of the calculation of fair value, no adjustment has been made in respect of share options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of 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 closing price of the Company's shares on the date of grant was HKD8.57 per option.

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 estimated, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised a total expense of USD226,000 for the six months period ended June 30, 2012 in relation to share options granted by the Company.

The fair value of the share options granted in the period was HKD2.11 per option.

Arrangements to Purchase Shares or Debentures

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

Substantial Shareholders' Interests

As at June 30, 2012, 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⁾	147,648,536 (L)	8.10%
	4,350,500 (S)	0.24%
	141,891,635 (LP)	7.79%

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

Note:

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

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct Interests	(L/S)	Deemed interests	(L/S/LP)	
JPMorgan Chase & Co.	(1a)	—	—	147,648,536	(L)	8.10%
		—	—	4,350,500	(S)	0.24%
		—	—	141,891,635	(LP)	7.79%
JPMorgan Chase Bank, N.A.	(1b)	141,891,635	(L)	4,727,901	(L)	8.05%
		—	—	4,150,000	(S)	0.23%
J.P. Morgan Securities Ltd.	(1b)	4,205,500	(L)	—	—	0.23%
		3,650,000	(S)	—	—	0.20%
J.P. Morgan Chase International Holdings	(1b)	—	—	4,205,500	(L)	0.23%
		—	—	3,650,000	(S)	0.20%
J.P. Morgan Chase (UK) Holdings Limited	(1b)	—	—	4,205,500	(L)	0.23%
		—	—	3,650,000	(S)	0.20%
J.P. Morgan Capital Holdings Limited	(1b)	—	—	4,205,500	(L)	0.23%
		—	—	3,650,000	(S)	0.20%
J.P. Morgan International Finance Limited	(1b)	—	—	4,227,901	(L)	0.23%
		—	—	3,650,000	(S)	0.20%
Bank One International Holdings Corporation	(1b)	—	—	4,227,901	(L)	0.23%
		—	—	3,650,000	(S)	0.20%
J.P. Morgan International Inc.	(1b)	—	—	4,227,901	(L)	0.23%
		—	—	3,650,000	(S)	0.20%
JF Asset Management Limited	(1b)	622,500	(L)	—	—	0.03%
JPMorgan Asset Management (Asia) Inc.	(1b)	—	—	828,500	(L)	0.05%
JPMorgan Asset Management Holdings Inc.	(1b)	—	—	828,500	(L)	0.05%
J.P. Morgan Whitefriars Inc.	(1b)	22,401	(L)	—	—	0.00%
J.P. Morgan Overseas Capital Corporation	(1b)	—	—	22,401	(L)	0.00%
J.P. Morgan Markets Limited	(1b)	200,500	(L)	—	—	0.01%
		200,500	(S)	—	—	0.01%
Bear Stearns Holdings Limited	(1b)	—	—	200,500	(L)	0.01%
		—	—	200,500	(S)	0.01%
Bear Stearns UK Holdings Limited	(1b)	—	—	200,500	(L)	0.01%
		—	—	200,500	(S)	0.01%
The Bear Stearns Companies LLC	(1b)	—	—	200,500	(L)	0.01%
		—	—	200,500	(S)	0.01%
JPMorgan Chase Bank, N.A. - London Branch	(1b)	500,000	(L)	—	—	0.03%
		500,000	(S)	—	—	0.03%
JPMorgan Asset Management (Taiwan) Limited	(1b)	206,000	(L)	—	—	0.01%

Substantial Shareholders' Interests *(continued)*

Note: *(continued)*

Remarks:

- (1a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 147,648,536 shares of long position, 4,350,500 shares of short position and 141,891,635 shares of lending pool respectively was as controlled corporation.
- (1b) JPMorgan Chase Bank, N.A., J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan Markets Limited, Bear Stearns Holdings Limited, Bear Stearns UK Holdings Limited, The Bear Stearns Companies LLC, JPMorgan Chase Bank, N.A. - London Branch and JPMorgan Asset Management (Taiwan) Limited were all direct or indirect owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at June 30, 2012.

Compliance with the Corporate Governance Code of the Listing Rules

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (effective until March 31, 2012) and the Corporate Governance Code (effective from April 1, 2012) set out in Appendix 14 to the Listing Rules throughout the six months period ended June 30, 2012, except 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. Further, Mr Christopher Patrick Langley OBE (an Independent Non-executive Director) was unable to attend the annual general meeting of the Company held on May 18, 2012 as he had to attend another annual general meeting of which he is the chairman of the audit committee.

Compliance with the Model Code of the Listing Rules

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries of the Directors regarding any non-compliance with the Model Code during the six months period ended June 30, 2012 and all of them confirmed that they have fully complied with the required standards as set out in the Model Code. The Board 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"). Both the Model Code and the Code for Securities Transactions by Relevant Employees have been published on the Company's website (www.ttigroup.com).

Change in Director's Emoluments

The basic director's fee for Non-executive Director and Independent Non-executive Directors has been changed from USD32,000 (HKD250,000) per annum to USD38,000 (HKD300,000) per annum.

Review of Accounts

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

Directors' Interests in Contracts of Significance

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

Purchase, Sales or Redemption of Securities

A total of 3,330,000 ordinary shares of HKD0.10 each in the Company were repurchased by the Company during the period at prices ranging from HKD7.93 to HKD9.85 per share. The aggregate amount paid by the Company for such repurchases amounting to USD3,870,000 was charged to the retained earnings.

The repurchased shares were cancelled and the issued share capital and the capital redemption reserve of the Company was reduced and increased respectively by the par value thereof.

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

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

By order of the Board

Horst Julius Pudwill

Chairman

Hong Kong

August 16, 2012

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Director

Prof Roy Chi Ping Chung BBS JP

Independent Non-executive Directors

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

Financial Calendar 2012

June 30	:	Six months interim period end
July 6	:	Final dividend payment for 2011
August 16	:	Announcement of 2012 interim results
September 12	:	Last day to register for 2012 interim dividend
September 13 to 14	:	Book closure period for 2012 interim dividend
September 28	:	Interim dividend payment for 2012
December 31	:	Financial year end

Investor Relations Contact

Investor Relations and Communications
Techtronic Industries Co. Ltd.
24/F., CDW Building
388 Castle Peak Road
Tsuen Wan, 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
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

The Bank of New York

Principal Bankers

Bank of America, N.A.
Bank of China
Citic Bank International Limited
Hang Seng Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank

Solicitors

Vincent T K Cheung Yap & Co

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Ms Veronica Ka Po Ng

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RIDGID® is a registered trademark of Ridgid, Inc., part of Emerson Professional Tools, a business of St. Louis-based Emerson (NYSE: EMR).



Strategy



Our drivers of Powerful Brands, Innovative Products, Exceptional People, and Operational Excellence are the core strengths of TTI. They enable us to achieve our strategic goals, maximizing returns.

TTI is a world-class leader in design, manufacturing and marketing of Power Tools, Outdoor Power Equipment, and Floor Care and Appliances for consumers, professional and industrial users in the home improvement, repair and construction industries. Our unrelenting strategic focus on Powerful Brands, Innovative Products, Operational Excellence and Exceptional People drives our culture.

Our brands and products are recognized worldwide for their deep heritage, superior quality, outstanding performance and compelling innovation. Through a company-wide commitment to innovation and strong customer partnerships, we consistently deliver new products that enhance customer satisfaction and productivity. This focus and drive provides TTI with a powerful platform for sustainable leadership and strong growth.

Founded in 1985 in Hong Kong, TTI has a portfolio of industry leading brands, a worldwide customer reach, and over 18,000 staff. TTI is listed on the Stock Exchange of Hong Kong and in 2011 had worldwide annual sales of USD3.7 billion.

Power Equipment and Accessories

Brand	Market Segment	Major Market
	Industrial	North America, Europe, Australasia, Asia
	Professional	Europe, Australasia, Asia
	Consumer	North America, Europe, Australasia

Outdoor Products

Brand	Market Segment	Major Market
	Garden Enthusiasts	North America, Europe, Australasia
	Consumer	North America, Europe, Australasia, Asia

Floor Care and Appliances

Brand	Market Segment	Major Market
	Premium Cleaning	North America, Australasia, Asia
	High-Performance	Europe, Australasia, Asia
	Consumer	North America, Europe, Australasia, Asia

Global Operations

Canada
Power Equipment, Floor Care & Appliances
• Sales & Marketing

United States
Milwaukee Industrial Tools
• Sales & Marketing
• Research & Development
• Manufacturing
Consumer & Professional Tools
• Sales & Marketing
• Research & Development
Outdoor Products
• Sales & Marketing
• Research & Development
• Manufacturing
Floor Care & Appliances
• Sales & Marketing
• Research & Development
• Manufacturing

Mexico
Floor Care & Appliances
• Manufacturing

Latin America
Power Equipment, Floor Care & Appliances
• Sales & Marketing

Europe
Power Equipment & Accessories
• Sales & Marketing
• Research & Development
• Manufacturing
Floor Care & Appliances
• Sales & Marketing

Asia
TTI Worldwide Headquarters
• Sales & Marketing
• Research & Development
• Manufacturing
• Global Sourcing

Middle East, Africa, India Subcontinent
Power Equipment, Floor Care & Appliances
• Sales & Marketing

Australasia
Power Equipment, Floor Care & Appliances
• Sales & Marketing





Powerful Brands
Innovative Products
Exceptional People
Operational Excellence

