

Interim Report **2017**





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## Corporate Profile

Techtronic Industries Company Limited (the “Company”, the “Group” or “TTI”) is a world leader in cordless technology spanning Power Tools, Outdoor Power Equipment, Floor Care Appliances and Accessories for the consumer, professional, and industrial users in the home, construction, maintenance, industrial and infrastructure industries.

The Company foundation is built on four strategic drivers – Brands, Innovation, Operations, People – reflecting a long-term expansive vision to advance cordless technology. The global growth strategy of the relentless pursuit of product innovation has brought TTI to the forefront of its industries. The powerful brands are recognized as market leaders across the globe. The products are known for superior quality, durability, and market changing innovations which are transforming targeted industries and dramatically expanding the market for cordless products.

### Power Equipment, Accessories and Hand Tools



### Floor Care and Appliances



#### 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

#### Latin America

- Power Equipment,  
Floor Care & Appliances**
- Sales & Marketing

#### Middle East, Africa, Indian Subcontinent

- Power Equipment,  
Floor Care & Appliances**
- Sales & Marketing

#### Australasia

- Power Equipment,  
Floor Care & Appliances**
- Sales & Marketing

#### Europe

- Power Equipment**
- Sales & Marketing
  - Research & Development
  - Manufacturing

#### Floor Care & Appliances

- Sales & Marketing

#### Asia TTI Worldwide Headquarters

- Sales & Marketing
- Research & Development
- Manufacturing
- Global Sourcing

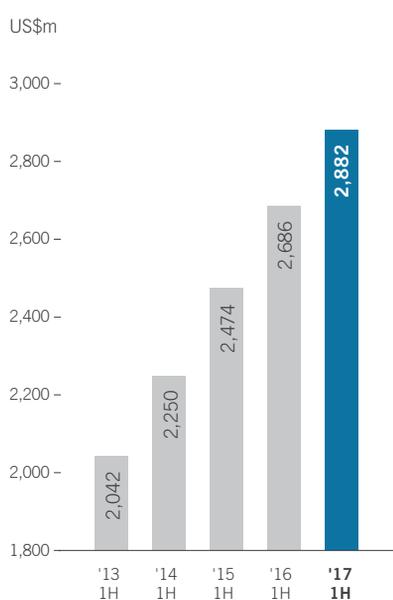
# Financial Highlights

	2017 US\$' million	2016 US\$' million	Changes
Revenue	<b>2,882</b>	2,686	<b>+7.3%</b>
Gross profit margin	<b>36.6%</b>	36.1%	<b>+50 bps</b>
EBIT	<b>233</b>	201	<b>+15.4%</b>
Profit attributable to Owners of the Company	<b>204</b>	177	<b>+15.5%</b>
EPS (US cents)	<b>11.17</b>	9.69	<b>+15.3%</b>
Interim dividend per share (approx. US cents)	<b>3.57</b>	2.57	<b>+38.8%</b>

- Revenue increased 7.3% to a record US\$2.9 billion
- Revenue adjusted for foreign currency grew 8.1%
- MILWAUKEE continues with strong momentum, growing 20.1% adjusted for currency

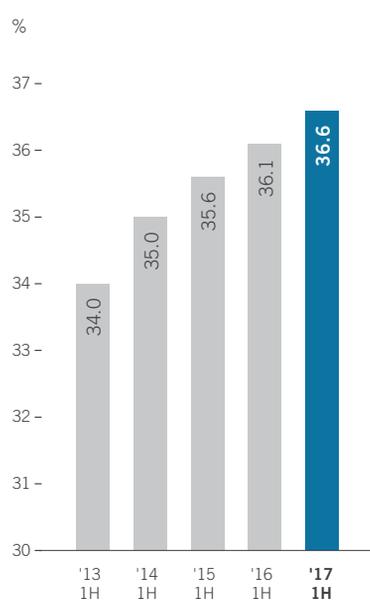
## Revenue

US\$ **2,882** million  
+7.3%



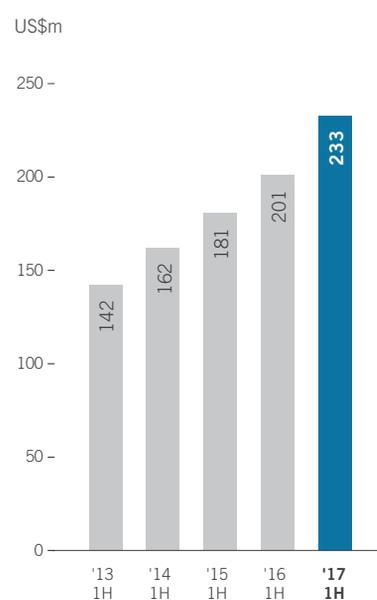
## Gross Profit Margin

**36.6%**  
+50 bps

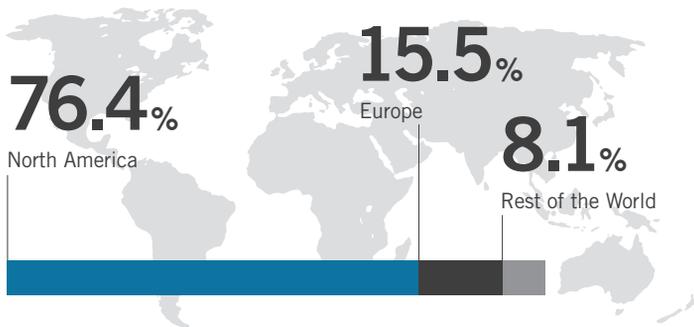


## EBIT

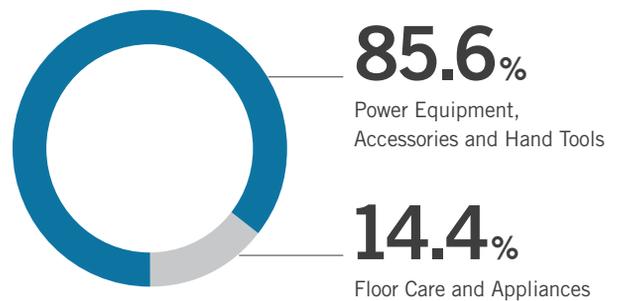
US\$ **233** million  
+15.4%



Sales by Location



Sales by Business

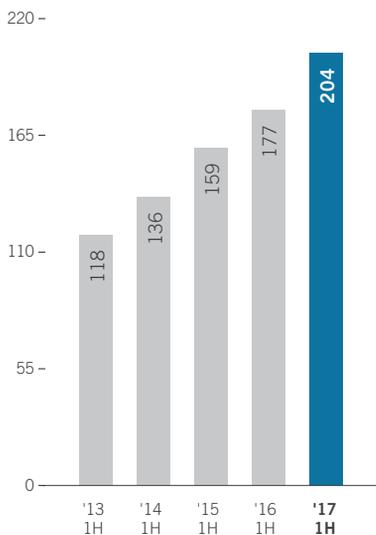


- RYOBI brand business delivered double-digit revenue growth
- Gross margin improved 50 basis points to 36.6%
- Net profit increased 15.5%, delivering double-digit growth for eight consecutive first half periods

Profit Attributable to Owners of Company

US\$ **204** million  
+15.5%

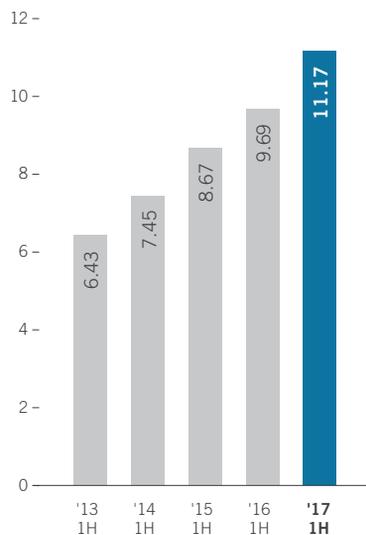
US\$m



EPS

US **11.17** cents  
+15.3%

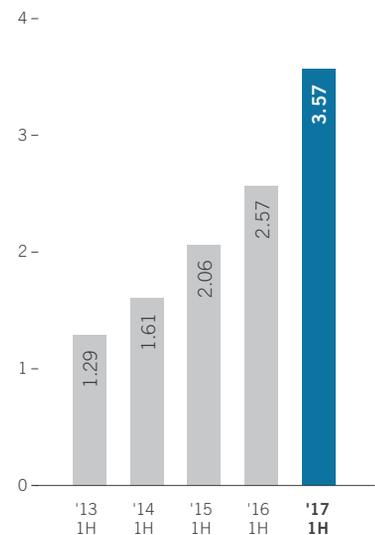
US cents



Interim Dividend per Share

US **3.57** cents  
+38.8%

US cents



# Management's Discussion and Analysis

## Record Performance

TTI delivered another set of record results in the first half of 2017 on strong revenue growth and excellent operational productivity. Revenue, gross profit and net income all reached record levels for the period. Revenues grew 7.3% to US\$2.9 billion and 8.1% before currency adjustment. Net profit margins improved by 50 basis points to 7.1% of sales, compared to 6.6% in the first half of 2016. Before currency adjustments, all geographic regions reported revenue growth. TTI continues to drive growth by launching leadership cordless products and through highly successful geographic expansion initiatives.

The Power Equipment segment outpaced the power tool industry with double-digit sales growth of 11.9% and 12.5% before currency adjustment. The MILWAUKEE industrial business again produced outstanding sales growth of 20.1% before currency adjustment. The Consumer Power Tool and Outdoor Product businesses delivered robust growth driven by the industry leading RYOBI ONE+ cordless system. The Floor Care and Appliances segment had a sales decline of 13.8% or 12.1% before currency adjustment, but made progress in revitalizing the product range.

TTI reported its ninth consecutive period of gross margin improvement with a 50 basis point increase in gross margin to 36.6% for the period. The gains are being generated by positive margin contributions from the new product stream as well as lean manufacturing and automation, global purchasing programs, and ongoing initiatives to boost supply chain efficiency. SG&A for the first half of 2017 remained at the same 28.7% of sales as last year. TTI continued the strategic investments in new product development, targeted geographic expansion, and marketing. These initiatives generated increased earnings before interest and taxes by 15.4% to US\$233 million, net profit attributable to shareholders of US\$204 million, which is a 15.5% increase from the prior year, and basic earnings per share increase of 15.3% to 11.17 US cents.

## Business Review

### Power Equipment, Accessories and Hand Tools

The Power Equipment business, the largest segment accounting for 85.6% of total sales, delivered a strong first half with US\$2.5 billion in global sales, representing an 11.9% increase compared with the same period in 2016. The growth was bolstered by the flow of new product introductions, strong account partnerships, geographic expansion, and focused end-user marketing. The EBIT increased 25.6% for the business in the first half of the year.

### Industrial Tools

In the first half of 2017, the MILWAUKEE industrial business reported impressive results with world-wide sales growing by 20.1% in local currency. The effective execution of both distribution and end user conversion initiatives, introduction of innovative new products, and entry into large adjacent categories resulted in growth which outperformed the market.

### Power Tools

The MILWAUKEE Power Tool business reported another period of double-digit sales growth with market share gains and category expansion. The M18 system is the fastest-growing cordless system for the professional end user, which will have over 135 compatible tool solutions on a single battery platform by year-end. MILWAUKEE is the leader in the global sub-compact cordless space, with the M12 cordless system offering over 80 compatible tools.

The MILWAUKEE FUEL technology leverages high-performance brushless motor technology, system electronics, and REDLITHIUM battery technology with sustained performance capable of replacing the need for cords. MILWAUKEE remains focused on developing new and innovative products integrating FUEL technology and currently offers over 55 M18 FUEL cordless power tools. The highly successful FUEL range was further expanded by the introduction of the M18 FUEL Outdoor Power Equipment range. The game changing performance of FUEL is converting users of traditional corded, pneumatic, and gas-powered tools and outdoor products to the MILWAUKEE M18 and M12 cordless systems.

The FORCELOGIC platform which replaces traditional corded, gas, and hydraulic tools continues to exceed end user expectations with the recent introduction of M18 FORCELOGIC 1590 ACSR Cable Cutter, M18 FORCELOGIC 12 Ton Crimper and the innovative M18 FORCELOGIC 3" Underground Cable Cutter. The successful MILWAUKEE High Output LED Lighting family, powered by the M12 and M18 cordless systems, continues to grow with innovations which utilize the most-advanced LED technology and incorporating versatile product designs.

#### **Accessories**

The MILWAUKEE Power Tool Accessory business delivered strong growth in the first half. The SHOCKWAVE line of driver bits and drill bits continues to grow globally through product line expansion tailored to regional needs and from the growth of cordless impact drivers. A new high performance SAWZALL reciprocating blade line up, THE AX with Carbide Teeth offers extreme life and versatility for wood and multi-purpose demolition jobs. Growth will continue to accelerate with the launch of the TORCH with Carbide Teeth for the toughest metal cutting applications.

#### **Hand Tools**

The Hand Tool business expansion continues. The successful MILWAUKEE Tape Measure range was upgraded with user benefits including reduced overall size, higher blade durability, and optimized hook design. Additions to the layout category include chalk reels that feature STRIPGUARD clutch technology to protect the planetary gear system from damage. The 18" and 24" Jobsite Rolling Bags have been added to the MILWAUKEE storage solutions which features 6" all-terrain wheels and 1680D ballistic material. MILWAUKEE continues to expand into new categories, such as framing hammers with SHOCKSHIELD grips that provide best-in-class grip durability and vibration reduction.

The EMPIRE brand business maintained strong growth with new product introductions and retail conversions in targeted sales channels. EMPIRE launched a series of digital levels with the first-ever auto-calibrate feature making it simple and easy to use and includes the industry's largest LCD screen, an audio indication feature, and IP67 rating for working in the toughest construction environments. Building on the successful launch of ULTRAVIEW, EMPIRE introduced the em95.10 ULTRAVIEW LED Torpedo level for best vial viewing in any light condition. This addition to the line is driving the lighted level category to take significant market share.

#### **Consumer and Professional Tools**

In the first half, the Consumer and Professional Tools business continued the sales growth momentum with the exciting flow of innovative products focusing on the construction and home improvement segments of the market. Marketing campaigns tied with end user relationship programs such as RYOBI Nation in North America continued to strengthen loyalty bonds with consumers and professionals alike, invigorating Ryobi's market leading position.

Sales of the RYOBI ONE+ 18V cordless system grew double-digit by expanding the product range with technology advancements in brushless tools and LED lighting. Along with the powerful next generation brushless drills, the RYOBI brand launched the first-to-market cordless brushless belt sander. The range additions of the brushless 7 ¼" circular saw, brushless 5" angle grinder, trim router and belt sander brought the RYOBI ONE+ system to over 100 integrated tools. The RYOBI brand is leading the home improvement industry in lithium ion battery technology.

Sales for the professional trade AEG brand power tools were up led by the AEG 18V system expansion and excellent growth in AEG accessories. The AEG impact-rated bits saw significant market acceptance establishing a platform for future growth. Partnerships with leading retailers are providing the distribution footprint as the business continues supporting new product development and investment in marketing initiatives aimed at the professional trade user.

### Outdoor Products

Outdoor Products delivered a robust first half with solid growth in cordless tools, electric and gas pressure washers, inverter generators, gas chain saws and gas blowers. The leading RYOBI ONE+ cordless lawn and garden product line generated double-digit growth along with the RYOBI 40V cordless program led by the innovative 20" brushless mower. The business is applying cordless technology to everyday end user needs to deliver industry-first products such as the RYOBI 48V, 38" riding mower that has a run time of two hours, covering two acres per charge. Other significant launches included the RYOBI ONE+ cordless trimmer, AEG 58V jet fan blower, and AEG 18V outdoor range.

TTI is leading the cordless technology revolution in outdoor equipment for homeowners and professional trades by eliminating the need for power cords and gas from worksites. The growth is being supported with targeted marketing and advertising programs. This ongoing focus on innovation, quality and customer satisfaction will continue to deliver exceptional results.

### Floor Care and Appliances

The Floor Care and Appliance segment sales declined by 13.8% in the first half as the business transitioned from old generation corded products to new technology and cordless platforms. The UK, being a substantial market for the Floor Care business in Europe, was negatively impacted by the combination of weak currency, the impact of Brexit and general softening of the UK retail appliance market. Another impact was the exit of a significant amount of non-strategic OEM shredder business in North America that resulted in no sales in the first half of 2017.

Consistent with the strategy, Floor Care has been streamlining operations by reducing legacy overhead, focusing to win in cordless, highly selective technically advanced corded products and commercial cleaning.

Encouragingly, two key markets, Canada and ANZ, grew impressively in the first half which bodes well for the new Floor Care strategy worldwide. Another highlight was the strong performance of the revitalized Dirt Devil business and the strong cordless stick vac POS for both Hoover and Dirt Devil in the US. The strong POS is not fully reflected in the North American results, but instills confidence that the new products will drive growth.

Floor Care is deploying a strategic plan designed to transform and revitalize the business into a global cordless leader. The market for cordless floor care products is growing dramatically and the business intends to be positioned in the vanguard of this generational transition. In fact, Floor Care cordless sales were up in the first half. The global floor care market is experiencing dramatic growth in cordless. The business looks forward to the continued launch of new products in the second half of this year and into 2018.

### Outlook

After delivering another record first half performance, TTI enters the second half with continued strong momentum. The MILWAUKEE industrial business is gaining penetration into core end user groups through the constant flow of innovative technologies in FUEL, M12 and M18 cordless systems, accessories, and hand tools. The Consumer and Professional Tools and Outdoor Products businesses are expanding user demand under the highly-respected RYOBI and AEG brands through leading cordless platforms like the RYOBI ONE+ system. The Floor Care business, with its strong brand portfolio, is seeing encouraging progress with the rollout of the revitalized strategic product plan. TTI's high speed new product development system will continue to deliver product innovations.

The strategy of driving cordless products and relentless geographic expansion is yielding exciting results. TTI has the brands, people, and business processes in place to take it to the next level. The unrelenting focus on the TTI strategic foundation of powerful brands, innovative products, operational excellence, and exceptional people will continue delivering growth and driving profitability in the second half and years to come.

### Recent Developments

No important events affecting the Group have occurred since June 30, 2017 that are material or otherwise require disclosure or commentary.

## Financial Review

### Financial Results

Reported revenue for the period grew by 7.3% as compared to the same period last year, amounting to US\$2,882 million, with negative currency headwind. Excluding the negative currency effect, revenue increased by 8.1% as compared to the same period last year. Profit attributable to Owners of the Company amounted to US\$204 million as compared to US\$177 million reported last year, an increase of 15.5%. Basic earnings per share was at US11.17 cents (2016: US9.69 cents).

EBITDA amounted to US\$333 million, an increase of 13.7% as compared to the US\$293 million reported in the same period last year.

EBIT amounted to US\$233 million, an increase of 15.4% as compared to the US\$201 million reported in the same period last year.

### Result Analysis

#### Gross Margin

Gross margin improved to 36.6% as compared to 36.1% in the same period last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity.

#### Operating Expenses

Total operating expenses for the period amounted to US\$826 million as compared to US\$770 million reported for the same period last year, representing 28.7% of revenue (2016: 28.7%). The increase was mainly due to the strategic spend on advertising and promotion on new products.

Investment in product design and development amounted to US\$77 million (2016: US\$71 million), representing 2.7% of revenue (2016: 2.6%), reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad based end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the period amounted to US\$9.1 million as compared to US\$8.0 million reported for the same period last year, representing 0.3% of revenue (2016: 0.3%). Interest cover, expressed as a multiple of EBITDA to total interest was at 26.6 times (2016: 24.5 times).

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

### Liquidity and Financial Resources

#### Shareholders' Funds

Total shareholders' funds amounted to US\$2.5 billion, an increase of 5.5% as compared to December 31, 2016. Book value per share was US\$1.38 as compared to US\$1.31 at December 31, 2016, an increase of 5.3%.

#### Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2017, the Group's cash and cash equivalents amounted to US\$816 million (US\$803 million at December 31, 2016) after the payment of US\$70.8 million dividend during the period (US\$54.9 million in first half 2016), of which 50.0%, 23.4%, 13.7%, and 12.9% were denominated in US\$, RMB, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 8.8% as compared to 16.0% as at June 30, 2016. The gearing improvement is the result of very disciplined and focused management over working capital and healthy cash flow generation. The Group remains confident that gearing will remain low going forward.

### Bank Borrowings

Long term borrowing accounted for 52.1% of total debts (52.8% at December 31, 2016).

The Group's major borrowings continued to be in US\$ and HK\$. 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.

### Working Capital

Total inventory was at US\$1,415 million as compared to US\$1,341 million as at June 30, 2016. The number of days inventory was at 88 days as compared to 91 days for same period last year. Inventory at the end of the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year and to maintain the high service quality level to customers having taken into consideration of our sales momentum. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 69 days as compared to 64 days as at June 30, 2016. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 65 days as compared to 60 days as at June 30, 2016. The increase in days were mainly because of the timing of the shipments and is not related to the quality of the receivables. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 87 days as compared to 86 days as at June 30, 2016.

Working capital as a percentage of sales was at 19.1% as compared to 18.8% for the same period of last year.

### Capital Expenditures

Total capital expenditures for the period amounted to US\$72 million (2016: US\$81 million).

### Capital Commitments and Contingent Liabilities

As at June 30, 2017, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$28 million (2016: US\$37 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 21,857 employees (21,288 employees as at June 30, 2016) in Hong Kong and overseas. Total staff cost for the period under review amounted to US\$465 million as compared to US\$408 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 HK27.75 cents (approximately US3.57 cents) (2016: HK20.00 cents (approximately US2.57 cents)) per share for the six-month period ended June 30, 2017. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 8, 2017. It is expected that the interim dividend will be paid on or about September 22, 2017.

### Closure of Register of Members

The register of members of the Company will be closed from September 7, 2017 to September 8, 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 6, 2017.

# Report on Review of Condensed Consolidated Financial Statements

# Deloitte.

# 德勤

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

## Introduction

We have reviewed the condensed consolidated financial statements of Techtronic Industries Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 10 to 20, which comprise the condensed consolidated statement of financial position as of June 30, 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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, 2017

# Condensed Consolidated Financial Statements

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

For the six-month period ended June 30, 2017

	Notes	2017 US\$'000 (Unaudited)	2016 US\$'000 (Unaudited)
Revenue	3	<b>2,881,620</b>	2,685,662
Cost of sales		<b>(1,825,797)</b>	(1,716,909)
Gross profit		<b>1,055,823</b>	968,753
Other income		<b>2,271</b>	2,151
Interest income		<b>3,561</b>	4,095
Selling, distribution and advertising expenses		<b>(430,307)</b>	(399,396)
Administrative expenses		<b>(318,131)</b>	(299,112)
Research and development costs		<b>(77,181)</b>	(71,041)
Finance costs		<b>(12,653)</b>	(12,094)
Profit before taxation		<b>223,383</b>	193,356
Taxation charge	4	<b>(18,988)</b>	(16,428)
Profit for the period	5	<b>204,395</b>	176,928
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		<b>(193)</b>	(107)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on foreign currency forward contracts in hedge accounting		<b>(30,082)</b>	2,151
Exchange differences on translation of foreign operations		<b>31,997</b>	(50,051)
Other comprehensive income (loss) for the period		<b>1,722</b>	(48,007)
Total comprehensive income for the period		<b>206,117</b>	128,921
Profit for the period attributable to:			
Owners of the Company		<b>204,433</b>	177,033
Non-controlling interests		<b>(38)</b>	(105)
		<b>204,395</b>	176,928
Total comprehensive income attributable to:			
Owners of the Company		<b>206,155</b>	129,026
Non-controlling interests		<b>(38)</b>	(105)
		<b>206,117</b>	128,921
Earnings per share (US cents)	7		
Basic		<b>11.17</b>	9.69
Diluted		<b>11.14</b>	9.65

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2017

	Notes	June 30 2017 US\$'000 (Unaudited)	December 31 2016 US\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8 & 16	624,710	601,230
Lease prepayments		30,186	29,581
Goodwill		554,508	553,194
Intangible assets	8	565,527	546,636
Interests in associates		3,217	3,667
Available-for-sale investments		756	613
Derivative financial instruments		9,986	9,986
Deferred tax assets		154,235	178,191
		<b>1,943,125</b>	1,923,098
<b>Current assets</b>			
Inventories		1,414,682	1,296,425
Trade and other receivables	9	1,129,410	950,882
Deposits and prepayments		102,120	98,638
Bills receivable	9	5,788	11,190
Tax recoverable		8,449	11,694
Trade receivables from an associate	10	1,470	3,540
Derivative financial instruments		1,240	20,199
Bank balances, deposits and cash		818,142	804,741
		<b>3,481,301</b>	3,197,309
<b>Current liabilities</b>			
Trade and other payables	11	1,402,753	1,330,807
Bills payable	11	43,722	54,137
Warranty provision		84,998	80,088
Tax payable		78,813	100,164
Derivative financial instruments		19,902	2,175
Obligations under finance leases – due within one year		3,071	2,982
Discounted bills with recourse		104,636	93,897
Unsecured borrowings – due within one year	12	447,073	403,825
Bank overdrafts		2,205	1,656
		<b>2,187,173</b>	2,069,731
Net current assets		<b>1,294,128</b>	1,127,578
Total assets less current liabilities		<b>3,237,253</b>	3,050,676

## Condensed Consolidated Financial Statements

### Condensed Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2017

	Notes	June 30 2017 US\$'000 (Unaudited)	December 31 2016 US\$'000 (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	13	650,633	649,214
Reserves		1,881,934	1,750,324
Equity attributable to Owners of the Company		2,532,567	2,399,538
Non-controlling interests		(644)	(606)
Total equity		2,531,923	2,398,932
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases – due after one year		9,413	10,760
Unsecured borrowings – due after one year	12	542,453	490,452
Retirement benefit obligations		111,133	108,167
Deferred tax liabilities		42,331	42,365
		705,330	651,744
Total equity and non-current liabilities		3,237,253	3,050,676

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended June 30, 2017

	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, 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
Profit (loss) for the period	—	—	—	—	—	—	231,949	231,949	(90)	231,859
Remeasurement of defined benefit obligations	—	—	—	—	(9,861)	—	—	(9,861)	—	(9,861)
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	27,188	—	27,188	—	27,188
Deferred tax liability on remeasurement of defined benefit obligations	—	—	—	—	2,905	—	—	2,905	—	2,905
Exchange differences on translation of foreign operations	—	—	(31,949)	—	—	—	—	(31,949)	—	(31,949)
Other comprehensive (loss) income for the period	—	—	(31,949)	—	(6,956)	27,188	—	(11,717)	—	(11,717)
Total comprehensive income (loss) for the period	—	—	(31,949)	—	(6,956)	27,188	231,949	220,232	(90)	220,142
Shares issued at premium on exercise of options	1,680	—	—	(320)	—	—	—	1,360	—	1,360
Buy-back of shares	—	—	—	—	—	—	(5,425)	(5,425)	—	(5,425)
Vesting of awarded shares	—	8,087	—	(8,087)	—	—	—	—	—	—
Shares for share award scheme	—	(8,520)	—	—	—	—	—	(8,520)	—	(8,520)
Recognition of equity-settled share-based payments	—	—	—	6,034	—	—	—	6,034	—	6,034
Interim dividend - 2016	—	—	—	—	—	—	(47,240)	(47,240)	—	(47,240)
At December 31, 2016 and January 1, 2017 (audited)	649,214	(10,476)	(156,729)	7,010	(13,096)	18,152	1,905,463	2,399,538	(606)	2,398,932
Profit (loss) for the period	—	—	—	—	—	—	204,433	204,433	(38)	204,395
Remeasurement of defined benefit obligations	—	—	—	—	(193)	—	—	(193)	—	(193)
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	(30,082)	—	(30,082)	—	(30,082)
Exchange differences on translation of foreign operations	—	—	31,997	—	—	—	—	31,997	—	31,997
Other comprehensive income (loss) for the period	—	—	31,997	—	(193)	(30,082)	—	1,722	—	1,722
Total comprehensive income (loss) for the period	—	—	31,997	—	(193)	(30,082)	204,433	206,155	(38)	206,117
Shares issued at premium on exercise of options	1,419	—	—	(277)	—	—	—	1,142	—	1,142
Buy-back of shares	—	—	—	—	—	—	(5,388)	(5,388)	—	(5,388)
Vesting of awarded shares	—	45	—	(45)	—	—	—	—	—	—
Recognition of equity-settled share-based payments	—	—	—	1,898	—	—	—	1,898	—	1,898
Final dividend – 2016	—	—	—	—	—	—	(70,778)	(70,778)	—	(70,778)
At June 30, 2017 (unaudited)	650,633	(10,431)	(124,732)	8,586	(13,289)	(11,930)	2,033,730	2,532,567	(644)	2,531,923

# Condensed Consolidated Financial Statements

## Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six-month period ended June 30, 2017

	<b>June 30 2017 US\$'000 (Unaudited)</b>	June 30 2016 US\$'000 (Unaudited)
Net cash from operating activities	<b>104,625</b>	125,313
Net cash used in investing activities	<b>(134,134)</b>	(127,588)
Net cash from (used in) financing activities	<b>29,114</b>	(20,728)
Net decrease in cash and cash equivalents	<b>(395)</b>	(23,003)
Cash and cash equivalents at January 1	<b>803,085</b>	770,771
Effect of foreign exchange rate changes	<b>13,247</b>	(3,930)
Cash and cash equivalents at June 30	<b>815,937</b>	743,838
Analysis of the balances of cash and cash equivalents Represented by:		
Bank balances, deposits and cash	<b>818,142</b>	743,838
Bank overdrafts	<b>(2,205)</b>	—
	<b>815,937</b>	743,838

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Unaudited)

### 1. Basis of preparation

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, 2016 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, 2016 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 have been 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-month ended June 30, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2016.

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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

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

### 3. Segment information

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

#### For the period ended June 30, 2017

	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Eliminations US\$'000	Consolidated US\$'000
Segment revenue				
External sales	2,466,589	415,031	—	2,881,620
Inter-segment sales	—	991	(991)	—
Total segment revenue	2,466,589	416,022	(991)	2,881,620

#### 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

Inter-segment sales are charged at prevailing market rates.

#### Six-month period ended June 30

	2017			2016		
	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	232,113	362	232,475	184,860	16,495	201,355
Interest income			3,561			4,095
Finance costs			(12,653)			(12,094)
Profit before taxation			223,383			193,356
Taxation charge			(18,988)			(16,428)
Profit for the period			204,395			176,928

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-month period ended June 30	
	2017 US\$'000	2016 US\$'000
Current tax:		
Hong Kong	2,821	2,003
Overseas Tax	(8,561)	31,893
Deferred Tax	24,728	(17,468)
	<b>18,988</b>	16,428

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-month period ended June 30	
	2017 US\$'000	2016 US\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	54,933	48,988
Amortisation of lease prepayments	174	179
Amortisation of intangible assets	45,298	42,097
Total depreciation and amortisation	<b>100,405</b>	91,264
Net exchange loss (gain)	5,285	(6,034)
Staff costs	464,697	408,095
Fair value loss on held-for-trading investments	—	141

#### 6. Dividends

A dividend of HK30.00 cents (approximately US3.86 cents) per share with a total of approximately US\$70,778,000 (2016: HK23.25 cents (approximately US2.99 cents) per share with a total of approximately US\$54,881,000) was paid to shareholders as the final dividend for 2016 on June 23, 2017.

The Directors have determined that an interim dividend of HK27.75 cents (approximately US3.57 cents) per share with a total of approximately US\$65,478,000 (2016: HK20.00 cents (approximately US2.57 cents) per share) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 8, 2017.

## 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-month period ended June 30	
	2017 US\$'000	2016 US\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to Owners of the Company	<b>204,433</b>	177,033
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,829,895,206</b>	1,827,745,438
Effect of dilutive potential ordinary shares:		
Share options	<b>5,141,103</b>	6,408,796
Share award	<b>719,597</b>	839,723
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,835,755,906</b>	1,834,993,957

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

During the period, the Group spent approximately US\$72 million (for the six-month ended June 30, 2016: US\$81 million) and US\$66 million (for the six-month ended June 30, 2016: US\$54 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 2017 US\$'000	December 31 2016 US\$'000
	0 to 60 days	<b>888,401</b>
61 to 120 days	<b>171,170</b>	141,223
121 days or above	<b>47,983</b>	33,925
Total trade receivables	<b>1,107,554</b>	934,850
Other receivables	<b>21,856</b>	16,032
	<b>1,129,410</b>	950,882

All the Group's bills receivable at June 30, 2017 are due within 120 days.

## 10. Trade receivables from an associate

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

## 11. Trade and other payables/Bills payable

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

Age	June 30	December 31
	2017	2016
	US\$'000	US\$'000
0 to 60 days	599,410	561,148
61 to 120 days	175,580	142,404
121 days or above	10,737	7,878
Total trade payables	785,727	711,430
Other payables	617,026	619,377
	1,402,753	1,330,807

All the Group's bills payable at June 30, 2017 were aged and are due within 120 days.

## 12. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US\$1,089 million (2016: US\$817 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\$994 million (2016: US\$809 million).

## 13. Share capital

	Number of shares		Share capital	
	June 30 2017	December 31 2016	June 30 2017 US\$'000	December 31 2016 US\$'000
<b>Ordinary shares</b>				
Authorised shares	2,400,000,000	2,400,000,000	N/A	N/A
Issued and fully paid:				
At the beginning of the period	1,833,896,941	1,833,736,941	649,214	647,109
Issue of shares upon exercise of share options	995,000	1,660,000	1,419	2,105
Buy-back of shares	(1,500,000)	(1,500,000)	—	—
At the end of the period	1,833,391,941	1,833,896,941	650,633	649,214

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

Month of cancellation	No. of ordinary shares	Price per share		Aggregate consideration paid US\$'000
		Highest HK\$	Lowest HK\$	
January 2017	1,500,000	28.15	27.50	5,388

The shares bought back in December 2016 were settled and cancelled during the period. The consideration paid on the buy-back of the shares of approximately US\$5,388,000 was charged to retained profits.

## 14. Contingent liabilities

	<b>June 30 2017 US\$'000</b>	December 31 2016 US\$'000
Guarantees given to banks in respect of credit facilities utilised by associates	<b>9,917</b>	9,545

## 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).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	June 30, 2017	December 31, 2016		
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the condensed consolidated statement of financial position	<b>Acquisition right of certain property, plant and equipment: US\$9,986,000</b>	Acquisition right of certain property, plant and equipment: US\$9,986,000	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 <sup>rd</sup> 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	<b>Assets – US\$1,240,000; and Liabilities – US\$19,902,000</b>	Assets – US\$20,199,000; and Liabilities – US\$2,175,000	Level 2	Quoted forward exchange rates matching maturities of the contracts.

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

	<b>June 30 2017 US\$'000</b>	December 31 2016 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	<b>27,747</b>	32,828

# Corporate Governance and Other Information

## Directors' and Chief Executive's Interests

As at June 30, 2017, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of directors	Capacity/ Nature of interests	Interests in shares (other than pursuant to equity derivatives) <sup>(1)</sup>	Interests in underlying shares pursuant to equity derivatives <sup>(1)</sup>	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	149,843,500 <sup>(2)</sup>	553,500	367,316,794	20.03%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	216,159,794 <sup>(3)</sup>	—		
Mr Stephan Horst Pudwill	Beneficial owner	4,959,500	2,750,000	41,717,000	2.28%
	Beneficiary of a trust	34,007,500 <sup>(4)</sup>	—		
Mr Joseph Galli Jr	Beneficial owner	3,183,000 <sup>(5)</sup>	1,000,000	4,183,000	0.23%
Mr Kin Wah Chan	Beneficial owner	100,000	1,750,000	1,850,000	0.10%
Mr Chi Chung Chan	Beneficial owner	400,000	1,750,000	2,150,000	0.12%
Prof Roy Chi Ping Chung GBS JP	Beneficial owner	49,005,948	300,000	86,380,978	4.71%
	Interests of controlled corporation	37,075,030 <sup>(6)</sup>	—		
Mr Camille Jojo	Beneficial owner	11,500	250,000	261,500	0.01%
Mr Christopher Patrick Langley OBE	Beneficial owner	200,000	250,000	450,000	0.02%
Mr Manfred Kuhlmann	Beneficial owner	50,000	500,000	550,000	0.03%
Mr Peter David Sullivan	Beneficial owner	—	950,000	950,000	0.05%
Mr Vincent Ting Kau Cheung	Beneficial owner	3,770,000	300,000	4,070,000	0.22%
Mr Johannes-Gerhard Hesse	Beneficial owner	—	135,000	135,000	0.01%

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

Notes:

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

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

- (2) These included Mr Horst Julius Pudwill's interests in 1,324,000 awarded shares, of which 725,000 awarded shares remained unvested under the Share Award Scheme as of June 30, 2017. Details of Mr Horst Julius Pudwill's awarded shares are set out in the section headed "Share Award Scheme" below.
- (3) These shares were held by the following companies in which Mr Horst Julius Pudwill has a beneficial interest:

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

- (4) These shares were held by a trust of which Mr Stephan Horst Pudwill is one of the beneficiaries.
- (5) These included Mr Joseph Galli Jr's interests in 2,300,000 awarded shares, of which 600,000 awarded shares remained unvested under the Share Award Scheme as of June 30, 2017. Details of Mr Joseph Galli Jr's awarded shares are set out in the section headed "Share Award Scheme" below.
- (6) These shares were held by Cordless Industries Company Limited\* in which Prof Roy Chi Ping Chung GBS 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 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, 2017.

## Share Options

The following tables disclose movements in the Company's share options during the six-month period ended June 30, 2017:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
<b>Directors</b>									
Mr Horst Julius Pudwill	20.3.2014	D	230,000	—	—	—	230,000	21.600	20.3.2015 - 19.3.2024
	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
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	—	—	1,000,000	8.742	21.5.2013 - 20.5.2022
	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
Mr Joseph Galli Jr	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2010 - 15.11.2019
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
Mr Chi Chung 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
Prof Roy Chi Ping Chung <small>GBS JP</small>	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
Mr Camille Jojo	17.3.2017	D	—	250,000	—	—	250,000	32.100	17.3.2018 - 16.3.2027
Mr Christopher Patrick Langley <small>OBE</small>	11.9.2015	D	150,000	—	(50,000)	—	100,000	29.650	11.9.2016 - 10.9.2025
	17.3.2017	D	—	150,000	—	—	150,000	32.100	17.3.2018 - 16.3.2027
Mr Manfred Kuhlmann	21.5.2012	D	250,000	—	(50,000)	—	200,000	8.742	21.5.2013 - 20.5.2022
	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
Mr Peter David Sullivan	16.11.2009	D	200,000	—	—	—	200,000	6.770	16.11.2010 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2012 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2013 - 20.5.2022
	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
Mr Vincent Ting Kau Cheung	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
Mr Johannes-Gerhard Hesse	19.6.2017	E	—	135,000	—	—	135,000	36.300	19.6.2018 - 18.6.2027
<b>Total for directors</b>			<b>7,798,000</b>	<b>2,790,500</b>	<b>(100,000)</b>	<b>—</b>	<b>10,488,500</b>		

## Share Options (continued)

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period	Subscription price HK\$	Exercise period
Employees	24.8.2007	D	670,000	—	(420,000)	—	250,000	8.390	24.8.2008 - 23.8.2017
	16.10.2007	D	15,000	—	(15,000)	—	—	8.810	16.10.2008 - 15.10.2017
	14.1.2008	D	430,000	—	(230,000)	—	200,000	7.566	14.1.2009 - 13.1.2018
	17.4.2008	D	250,000	—	—	—	250,000	7.780	17.4.2009 - 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2009 - 13.5.2018
	16.11.2009	D	1,420,000	—	(230,000)	—	1,190,000	6.770	16.11.2010 - 15.11.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2010 - 27.12.2019
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2012 - 16.1.2021
	23.3.2017	D	—	200,000	—	—	200,000	32.150	23.3.2018 - 22.3.2027
19.6.2017	E	—	350,000	—	—	350,000	36.300	19.6.2018 - 18.6.2027	
<b>Total for employees</b>			<b>2,875,000</b>	<b>550,000</b>	<b>(895,000)</b>	<b>—</b>	<b>2,530,000</b>		
<b>Total for all categories</b>			<b>10,673,000</b>	<b>3,340,500</b>	<b>(995,000)</b>	<b>—</b>	<b>13,018,500</b>		

Notes:

- Scheme D was the share option scheme adopted by the Company on May 29, 2007 and expired on May 28, 2017. The Company adopted Scheme E on May 19, 2017.
- No option was cancelled during the period.
- 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 period ended June 30, 2017					
17.3.2017	32.100	3 years	39%	1.207%	1.5%
23.3.2017	32.150	3 years	39%	1.057%	1.5%
19.6.2017	36.300	3 years	38%	0.778%	1.5%

The share options are vested in parts over 2 years from the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing prices of the Company's shares immediately before the various dates on which the share options were granted was HK\$32.42.

The closing prices of the Company's shares immediately before the various dates on which the share options were granted ranged from HK\$31.80 to HK\$36.00.

The weighted average closing price of the Company's shares immediately before various dates on which the share options were exercised was HK\$32.98.

The fair values of the share options granted in the period measured at various dates on which the share options were granted ranged from HK\$7.98 to HK\$8.68. The weighted average fair value of the share options granted in the period was HK\$8.11 per option.

- The Group recognised a total expense of US\$851,000 for the six-month period ended June 30, 2017 in relation to the share options granted by the Company.
- The Company had 13,018,500 share options outstanding, which represented approximately 0.71% of the issued shares of the Company as at June 30, 2017.
- Total securities available for issue under Scheme D is 150,505,065 shares, which represented approximately 8.21% of the issued shares of the Company as at June 30, 2017. Total securities available for issue under Scheme E is 183,299,194 shares, which represented approximately 10.00% of the issued shares of the Company as at June 30, 2017.

## **Arrangements to Purchase Shares or Debentures**

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award scheme (details of which are set out in this Interim Report), 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.

## **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 period or at any time during the period.

## **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 period.

## **Equity-linked Agreements**

During the period, the Group has not entered into any equity-linked agreements.

## **Share Award Scheme**

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

The Board may, from time to time, at their absolute discretion select any Eligible Person for participation in the Scheme as a selected grantee (the "Selected Grantee") and determine the number of shares to be awarded or make reference to a nominal amount. The relevant number of shares awarded will be purchased by the trustee of the Scheme 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 of the Scheme will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the Selected Grantee.

### Share Award Scheme (continued)

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

Since the Adoption Date and up to June 30, 2017, a total of 3,935,500 shares had been awarded under the Scheme, representing 0.26% of the issued share capital of the Company as at the Adoption Date.

Recognition of share-based payment expenses under the Scheme during the period was US\$1,047,000. During the period ended June 30, 2017, a total of 311,500 shares have been awarded under the Scheme, representing 0.02% of the issued share capital of the Company as at the Adoption Date, to two Directors of the Company. The total payout, including related expenses, amounted to US\$1,236,000. During the period ended June 30, 2017, 11,500 shares were transferred to the Selected Grantees upon vesting.

As at June 30, 2017, details of the awarded shares under the Scheme were as follows:

Name of Directors	Date of Award	Number of awarded shares	Number of shares					As at June 30, 2017	Vesting Period	Closing price at the Date of Award
			As at January 1, 2017	Awarded during the period	Vested during the period	Lapsed during the period	As at June 30, 2017			
Mr Horst Julius Pudwill	18.9.2014	350,000	117,000	—	—	—	117,000	18.9.2015 - 18.9.2017	HK\$22.50	
	26.9.2014	174,000	58,000	—	—	—	58,000	26.9.2015 - 26.9.2017	HK\$22.10	
	15.10.2015	500,000	250,000	—	—	—	250,000	15.10.2016 - 15.10.2017	HK\$27.10	
	23.3.2017	300,000	—	300,000	—	—	300,000	23.3.2018 - 23.3.2019	HK\$32.15	
Mr Stephan Horst Pudwill	15.10.2015	100,000	—	—	—	—	—	15.10.2016	HK\$27.10	
Mr Joseph Galli Jr	17.12.2014	300,000	100,000	—	—	—	100,000	17.12.2015 - 17.12.2017	HK\$25.85	
	15.10.2015	1,000,000	500,000	—	—	—	500,000	15.10.2016 - 15.10.2017	HK\$27.10	
	19.8.2016	1,000,000	—	—	—	—	—	31.8.2016	HK\$30.50	
Mr Kin Wah Chan	15.10.2015	100,000	—	—	—	—	—	15.10.2016	HK\$27.10	
Mr Chi Chung Chan	15.10.2015	100,000	—	—	—	—	—	15.10.2016	HK\$27.10	
Mr Camille Jojo	4.1.2017	11,500	—	11,500	(11,500)	—	—	4.1.2017	HK\$28.00	
<b>Total</b>		<b>3,935,500</b>	<b>1,025,000</b>	<b>311,500</b>	<b>(11,500)</b>	<b>—</b>	<b>1,325,000</b>			

Notes:

- (1) All the awarded shares were purchased from the market.
- (2) At the end of the period, the average fair value per share is HK\$30.82. The average fair value of the awarded shares is based on the average purchase cost.
- (3) During the reporting period, no shares were purchased for the Scheme.

## Substantial Shareholders' Interests

As at June 30, 2017, 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		Approximate aggregate percentage of interests
	in shares	(L/S/LP)*	
FIL Limited <sup>(1)</sup>	128,267,587	(L)	7.00%
FMR LLC <sup>(2)</sup>	109,823,882	(L)	5.99%
JPMorgan Chase & Co. <sup>(3)</sup>	127,616,224	(L)	6.96%
	1,332,000	(S)	0.07%
	80,413,989	(LP)	4.39%
Schroders Plc <sup>(4)</sup>	127,628,261	(L)	6.96%

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

Notes:

(1) The following is a breakdown of the interests in shares in the Company held by FIL Limited:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	
FIL Limited	(1a)	—	—	128,267,587	(L)	7.00%
FIL Asia Holdings Pte Limited	(1b)	—	—	49,899,350	(L)	2.72%
FIL Japan Holdings (Singapore) Pte Limited	(1b)	—	—	231,350	(L)	0.01%
FIL Japan Holdings KK	(1b)	—	—	231,350	(L)	0.01%
FIL INVESTMENTS (JAPAN) LTD	(1b)	—	—	231,350	(L)	0.01%
FIL Responsible Entity (Australia) Ltd	(1b)	—	—	21,000	(L)	0.00%
FIL Investment Management (Hong Kong) Limited	(1b)	—	—	4,389,500	(L)	0.24%
	(1b)	16,100,500	(L)	—	—	0.88%
FIL Investment Management (Singapore) Limited	(1b)	—	—	307,000	(L)	0.02%
	(1b)	33,135,500	(L)	—	—	1.81%
FIL Fund Management Limited	(1b)	—	—	66,243,500	(L)	3.61%
FIL Genesis Limited	(1b)	—	—	17,500	(L)	0.00%
FIL Holdings (Luxembourg) S.A.	(1b)	—	—	65,818,000	(L)	3.59%
FIL Investment Management (Luxembourg) S.A.	(1b)	—	—	65,818,000	(L)	3.59%
FIL Holdings (UK) Limited	(1b)	—	—	68,534,900	(L)	3.74%
FIL Investment Services (UK) Limited	(1b)	—	—	14,125,000	(L)	0.77%
FIL Investments International	(1b)	—	—	441,000	(L)	0.02%
	(1b)	63,567,000	(L)	—	—	3.47%
FIL PENSIONS MANAGEMENT	(1b)	—	—	5,325,900	(L)	0.29%
483A Bay Street Holdings LP	(1b)	—	—	11,924,562	(L)	0.65%
BlueJay Lux 1 S.a.r.l.	(1b)	—	—	11,924,562	(L)	0.65%
FIC Holdings ULC	(1b)	—	—	11,924,562	(L)	0.65%
FIDELITY INVESTMENTS CANADA ULC	(1b)	—	—	11,924,562	(L)	0.65%

Remarks:

(1a) The capacity of FIL Limited in holding the 128,267,587 shares of long position was as controlled corporation.

(1b) FIL Asia Holdings Pte Limited, FIL Japan Holdings (Singapore) Pte Limited, FIL Japan Holdings KK, FIL INVESTMENTS (JAPAN) LTD, FIL Responsible Entity (Australia) Ltd, FIL Investment Management (Hong Kong) Limited, FIL Investment Management (Singapore) Limited, FIL Fund Management Limited, FIL Genesis Limited, FIL Holdings (Luxembourg) S.A., FIL Investment Management (Luxembourg) S.A., FIL Holdings (UK) Limited, FIL Investment Services (UK) Limited, FIL Investments International, FIL PENSIONS MANAGEMENT, 483A Bay Street Holdings LP, BlueJay Lux 1 S.a.r.l., FIC Holdings ULC and FIDELITY INVESTMENTS CANADA ULC were all directly or indirectly owned by FIL Limited and by virtue of the SFO, FIL Limited was deemed to be interested in the shares held by these subsidiaries.

**Substantial Shareholders' Interests** (continued)

Notes: (continued)

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

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	
FMR LLC	(2a)	—	—	109,823,882	(L)	5.99%
Fidelity Management & Research Company	(2b)	—	—	57,012,315	(L)	3.11%
FMR CO., INC	(2b)	—	—	15,880,000	(L)	0.87%
Fidelity Management & Research (U.K.) Inc.	(2b)	—	—	11,224,400	(L)	0.61%
FIAM Holdings Corp.	(2b)	—	—	50,602,372	(L)	2.76%
Fidelity Institutional Asset Management Trust Company	(2b)	—	—	1,000	(L)	0.00%
FIAM Institutional Funds Manager, Inc.	(2b)	—	—	882,157	(L)	0.05%
FIDELITY INVESTMENTS MONEY MANAGEMENT, INC.	(2b)	—	—	36,879	(L)	0.00%
FIMM, LLC	(2b)	—	—	15,406	(L)	0.00%
FIDELITY MANAGEMENT TRUST COMPANY	(2b)	—	—	2,030,500	(L)	0.11%
FIDELITY SELECTCO, LLC	(2b)	—	—	4,752,408	(L)	0.26%
STRATEGIC ADVISERS, INC.	(2b)	—	—	2,747,000	(L)	0.15%
Fidelity Canada Investors LLC	(2b)	—	—	10,736,189	(L)	0.59%
483A Bay Street Holdings LP	(2b)	—	—	10,736,189	(L)	0.59%
BlueJay Lux 1 S.a.r.l.	(2b)	—	—	10,736,189	(L)	0.59%
FIC Holdings ULC	(2b)	—	—	10,736,189	(L)	0.59%
FIDELITY INVESTMENTS CANADA ULC	(2b)	—	—	10,736,189	(L)	0.59%
FIAM LLC	(2b)	23,758,891	(L)	—	—	1.30%
Fidelity Institutional Asset Management Trust Company	(2b)	26,842,481	(L)	—	—	1.46%
FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED	(2b)	4,934,500	(L)	—	—	0.27%
FIDELITY MANAGEMENT & RESEARCH (JAPAN) LIMITED	(2b)	2,151,000	(L)	—	—	0.12%
FIDELITY MANAGEMENT & RESEARCH COMPANY	(2b)	5,500	(L)	—	—	0.00%
FMR CO., INC	(2b)	35,456,381	(L)	—	—	1.93%
FMR INVESTMENT MANAGEMENT (UK) LIMITED	(2b)	11,224,400	(L)	—	—	0.61%
STRATEGIC ADVISERS, INC.	(2b)	195	(L)	—	—	0.00%

Remarks:

- (2a) The capacity of FMR LLC in holding the 109,823,882 shares of long position was as controlled corporation.
- (2b) Fidelity Management & Research Company, FMR CO., INC, Fidelity Management & Research (U.K.) Inc., FIAM Holdings Corp., Fidelity Institutional Asset Management Trust Company, FIAM Institutional Funds Manager, Inc., FIDELITY INVESTMENTS MONEY MANAGEMENT, INC., FIMM, LLC, FIDELITY MANAGEMENT TRUST COMPANY, FIDELITY SELECTCO, LLC, STRATEGIC ADVISERS, INC., Fidelity Canada Investors LLC, 483A Bay Street Holdings LP, BlueJay Lux 1 S.a.r.l., FIC Holdings ULC, FIDELITY INVESTMENTS CANADA ULC, FIAM LLC, Fidelity Institutional Asset Management Trust Company, FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, FIDELITY MANAGEMENT & RESEARCH (JAPAN) LIMITED, FIDELITY MANAGEMENT & RESEARCH COMPANY, FMR CO., INC, FMR INVESTMENT MANAGEMENT (UK) LIMITED and STRATEGIC ADVISERS, INC. were all directly or indirectly owned by FMR LLC and by virtue of the SFO, FMR LLC was deemed to be interested in the shares held by these subsidiaries.

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

Total interests in shares						
Name	Remarks	Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	Approximate percentage of interests
JPMorgan Chase & Co.	(3a)	—	—	127,616,224	(L)	6.96%
		—	—	1,332,000	(S)	0.07%
		—	—	80,413,989	(LP)	4.39%
J.P. Morgan Securities LLC	(3b)	573,640	(L)	—	—	0.03%
		15,500	(S)	—	—	0.00%
JF International Management Inc.	(3b)	951,000	(L)	—	—	0.05%
JF Asset Management Limited	(3b)	11,678,000	(L)	—	—	0.64%
JPMorgan Asset Management (Japan) Limited	(3b)	1,251,000	(L)	—	—	0.07%
JPMorgan Asset Management (Taiwan) Limited	(3b)	929,000	(L)	—	—	0.05%
J.P. Morgan Investment Management Inc.	(3b)	21,246,000	(L)	—	—	1.16%
J.P. Morgan Trust Company of Delaware	(3b)	22,735	(L)	—	—	0.00%
J.P. Morgan Whitefriars Inc.	(3b)	1,265,207	(L)	—	—	0.07%
		1,210,000	(S)	—	—	0.07%
Bank One International Holdings Corporation	(3b)	—	—	3,406,133	(L)	0.19%
		—	—	1,423,000	(S)	0.08%
J.P. Morgan International Inc.	(3b)	—	—	3,406,133	(L)	0.19%
		—	—	1,423,000	(S)	0.08%
J.P. Morgan Chase International Holdings	(3b)	—	—	1,070,463	(L)	0.06%
		—	—	106,500	(S)	0.01%
J.P. Morgan Securities plc	(3b)	1,070,463	(L)	—	—	0.06%
		106,500	(S)	—	—	0.01%
JPMorgan Chase Bank, N.A.	(3b)	81,577,979	(L)	—	—	4.45%
JPMorgan Asset Management (UK) Limited	(3b)	7,051,200	(L)	—	—	0.38%
J.P. Morgan Capital Financing Limited	(3b)	—	—	1,070,463	(L)	0.06%
		—	—	106,500	(S)	0.01%
J.P. Morgan Broker-Dealer Holdings Inc	(3b)	—	—	573,640	(L)	0.03%
		—	—	15,500	(S)	0.00%
J.P. Morgan Capital Holdings Limited	(3b)	—	—	1,070,463	(L)	0.06%
		—	—	106,500	(S)	0.01%
JPMorgan Asset Management Holdings Inc	(3b)	—	—	43,106,200	(L)	2.35%
JPMorgan Asset Management (Asia) Inc.	(3b)	—	—	14,809,000	(L)	0.81%
J.P. Morgan Chase (UK) Holdings Limited	(3b)	—	—	1,070,463	(L)	0.06%
		—	—	106,500	(S)	0.01%
JPMorgan Asset Management Holdings (UK) Limited	(3b)	—	—	7,051,200	(L)	0.38%
J.P. Morgan Overseas Capital Corporation	(3b)	—	—	2,335,670	(L)	0.13%
		—	—	1,316,500	(S)	0.07%
JPMorgan Asset Management International Limited	(3b)	—	—	7,051,200	(L)	0.38%
JPMorgan Chase Bank, N.A.	(3b)	—	—	3,406,133	(L)	0.19%
		—	—	1,423,000	(S)	0.08%
J.P. Morgan Equity Holdings, Inc.	(3b)	—	—	22,735	(L)	0.00%
J.P. Morgan International Finance Limited	(3b)	—	—	3,406,133	(L)	0.19%
		—	—	1,423,000	(S)	0.08%

## Substantial Shareholders' Interests (continued)

Notes: (continued)

Remarks:

- (3a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 127,616,224 shares of long position, 1,332,000 shares of short position and 80,413,989 shares of lending pool respectively was as controlled corporation.
- (3b) J.P. Morgan Securities LLC, JF International Management Inc., JF Asset Management Limited, JPMorgan Asset Management (Japan) Limited, JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Trust Company of Delaware, J.P. Morgan Whitefriars Inc., Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., JPMorgan Asset Management (UK) Limited, J.P. Morgan Capital Financing Limited, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, JPMorgan Asset Management Holdings (UK) Limited, J.P. Morgan Overseas Capital Corporation, JPMorgan Asset Management International Limited, JPMorgan Chase Bank, N.A., J.P. Morgan Equity Holdings, Inc. and J.P. Morgan International Finance 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.
- (4) The following is a breakdown of the interests in shares in the Company held by Schroders Plc:

Name	Remarks	Total interests in shares				Approximate percentage of interests
		Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	
Schroders Plc	(4a)	—	—	127,628,261	(L)	6.96%
Schroder Administration Limited	(4b)	—	—	127,628,261	(L)	6.96%
Schroder International Holdings Limited	(4b)	—	—	111,200,500	(L)	6.07%
Schroder Investment Management Limited	(4b)	7,523,000	(L)	—	—	0.41%
	(4b)	—	—	7,885,878	(L)	0.43%
Schroder Investment Management North America Limited	(4b)	7,885,878	(L)	—	—	0.43%
Schroder Investment Management (Hong Kong) Limited	(4b)	47,164,500	(L)	—	—	2.57%
Schroder Wealth Holdings Limited	(4b)	—	—	1,018,883	(L)	0.06%
Schroder & Co. Limited	(4b)	—	—	886,383	(L)	0.05%
Schroder & Co. (Asia) Limited	(4b)	886,383	(L)	—	—	0.05%
Schroder & Co Bank AG	(4b)	132,500	(L)	—	—	0.01%
Schroder Investment Management (Singapore) Limited	(4b)	64,036,000	(L)	—	—	3.49%

Remarks:

- (4a) Schroders Plc is listed on London Stock Exchange. The capacity of Schroders Plc in holding the 127,628,261 shares of long position was as investment manager.
- (4b) Schroder Administration Limited, Schroder International Holdings Limited, Schroder Investment Management Limited, Schroder Investment Management North America Limited, Schroder Investment Management (Hong Kong) Limited, Schroder Wealth Holdings Limited, Schroder & Co. Limited, Schroder & Co. (Asia) Limited, Schroder & Co Bank AG and Schroder Investment Management (Singapore) Limited were all directly or indirectly owned by Schroders Plc and by virtue of the SFO, Schroders Plc was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at June 30, 2017.

## Compliance with the Corporate Governance Code of the Listing Rules

The Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the “Corporate Governance Code”) throughout the six-month period ended June 30, 2017, 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 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 its shareholders as a whole.

## Compliance with the Model Code of the Listing Rules

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the six-month period ended June 30, 2017.

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

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

## Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors as notified to the Company subsequent to the date of the 2016 Annual Report of the Company are Prof Roy Chi Ping Chung GBS JP (a Non-executive Director of the Company) was appointed as an Independent Non-executive Director of Vitasoy International Holdings Limited, which is listed on the Stock Exchange of Hong Kong Limited, on June 24, 2017 and was awarded Gold Bauhinia Star (GBS) by the Chief Executive of Hong Kong SAR Government on June 30, 2017.

## Review of Accounts

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

## Purchase, Sales or Redemption of Securities

A total of 1,500,000 ordinary shares (those bought back by the Company during 2016 at prices ranging from HK\$27.50 to HK\$28.15 per share) were settled and cancelled by the Company during the period. The aggregate amount paid by the Company for such buy-backs cancelled during the period amounting to US\$5,388,000 was charged to the retained earnings.

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

The buy-backs of the Company’s shares during the period were effected by the Directors pursuant to the mandate granted by shareholders at the previous annual general meeting of the Company, 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, 2017

# 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 JP  
Mr Camille Jojo

### Independent Non-executive Directors

Mr Christopher Patrick Langley MBE  
Mr Manfred Kuhlmann  
Mr Peter David Sullivan  
Mr Vincent Ting Kau Cheung  
Mr Johannes-Gerhard Hesse

## Financial Calendar 2017

June 23 : Final dividend payment for 2016  
June 30 : Six-month interim period end  
August 16 : Announcement of 2017 interim results  
September 6 : Last day to register for 2017 interim dividend  
September 7-8 : Book closure for 2017 interim dividend  
September 22 : Interim dividend payment for 2017  
December 31 : Financial year end

## Investor Relations Contact

Investor Relations and Communications  
Techtronic Industries Co. Ltd.  
29/F, Tower 2  
Kowloon Commerce Centre  
51 Kwai Cheong Road  
Kwai Chung, N.T.  
Hong Kong  
email: [ir@tti.com.hk](mailto:ir@tti.com.hk)

## Website

[www.ttigroup.com](http://www.ttigroup.com)  
Earnings results, annual/interim reports are available online.

## Listing Information

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

## Share Registrar and Transfer Office

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

## ADR Depositary

The Bank of New York

## Principal Bankers

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

## Solicitors

Vincent T. K. Cheung, Yap & Co.

## Auditor

Deloitte Touche Tohmatsu

## Company Secretary

Ms Veronica Ka Po Ng

## Trademarks

*All Trademarks and Trade names listed other than AEG and RYOBI are owned by the Group.*

*AEG is a registered trademark of AB Electrolux (publ.), and is used under license.*

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