TECHTRONIC INDUSTRIES CO. LTD.
創 科 實 業 有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 669)

ANNOUNCEMENT OF RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

HIGHLIGHTS

	2021 US$' million	2020 US$' million	**Changes %**
Revenue	**6,394**	4,206	**+52.0**
Gross profit margin	**38.6%**	38.0%	**+58 bps**
EBIT	**572**	363	**+57.4**
Profit attributable to Owners of the Company	**524**	332	**+57.9**
EPS (US cents)	**28.62**	18.14	**+57.8**
Interim dividend per share (approx. US cents)	**10.94**	6.82	**+60.4**

- Exceptional sales growth of 52.0%
- Sales growth of 71.5% over two years, compared to the first half of 2019
- Strong sales growth across all businesses and geographies
- Gross margin improved for the 13th consecutive first half to 38.6%, up 58 basis points
- Net profit growth of 57.9% to US$524 million

The board of directors (the "Directors" or the "Board") of Techtronic Industries Company Limited ("TTI" or the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six-month period ended June 30, 2021 together with the comparative figures in 2020.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK85.00 cents (approximately US10.94 cents) (2020: HK53.00 cents (approximately US6.82 cents)) per share for the six-month period ended June 30, 2021. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 3, 2021. It is expected that the interim dividend will be paid on or about September 17, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

We are pleased to announce that TTI delivered extraordinary results for the first half of 2021, growing sales by 52.0% to US$6.4 billion. Gross margin improved for the 13th consecutive first half to 38.6%, and the growth in EBIT, net profit, and earnings per share all outpaced sales growth. EBIT increased 57.4% to US$572 million, net profit rose 57.9% to US$524 million, and earnings per share increased 57.8% to approximately US28.62 cents per share.

Working capital as a percent of sales finished at 18.3%, below our goal of 20.0% or less. We continue to strategically build inventory to support our exceptional above market growth, to serve our customers with consistently high service levels, and to insulate us from potential critical component shortages.

Every one of our geographic regions and business units delivered impressive sales growth in the first half. North America grew 50.2%, Europe grew 62.3% and Rest-of-World grew 50.0%.

The TTI logistics team has done a fantastic job managing through the surge in demand across all targeted geographic markets. Our long term relationships with key suppliers have enabled us to navigate through global supply challenges.

The first half capital expenditure spending of US$245 million reflects our strategy of making bold investments in our future. We continue investing in manufacturing, distribution and productivity throughout our worldwide operations. These strategic investments will allow us to continue to deliver strong growth in the future while accelerating the pace of new product development.

We have focused on building out a world-class e-commerce capability that is flourishing and delivering exceptional results. We have worked closely with our customers, augmenting our powerful physical store distribution network with well-choreographed direct fulfilment support, online engagement, and new media content. E-commerce is an essential strategic element of our go-to-market strategy and we are committed to further developing this area with our business partners.

Our first half results clearly demonstrate our leadership position, momentum, and future potential. The onslaught of innovative, demonstrably better, technologically advanced new products we are bringing to market allow us to achieve sales levels in excess of our competition. Our high-speed new product machine allows us to expand the market and capture market share while we continue to improve gross margin to record levels. We continue to improve gross margin year after year, allowing us to self-fund strategic SG&A investments to drive even more growth. These SG&A investments resulted in a strong first half, but more importantly, position our company for continued long-term success.

BUSINESS REVIEW

POWER EQUIPMENT

The TTI Power Equipment segment delivered sales growth of 55.3% to US$5.8 billion. All geographies and business units contributed to this stellar performance.

MILWAUKEE

Our flagship Milwaukee business delivered an astounding 64.1% growth globally in the first half of 2021. This record growth was propelled by a wave of innovative new product launches, combined with our focus on end user conversions and strong commercial execution. The growth momentum of this business has never been stronger, and we are excited to bring a continuous stream of new product innovations to market in the second half and beyond.

We expanded our MILWAUKEE M18 and M12 cordless leadership platforms with exciting new-to-world and next-generation products in the first half. With the addition of the M18 FUEL Small Angle Grinder, Rivet Tool, and SAWZALL reciprocating saw with ONE-KEY, the M18 platform now contains 216 products. We also expanded the M12 system's leadership position in the sub-compact market to 129 tools with the addition of the 23 Gage Pin Nailer, High-Speed Tire Buffer and Underbody Light.

The breakthrough MILWAUKEE MX FUEL Equipment system continues to convert industrial users to our clean cordless technology from traditional gas, pneumatic and corded power sources. With the introduction of the MX FUEL Concrete Vibrator, this platform now contains 11 products focused on the multi-billion-dollar light equipment segment.

We are rapidly expanding the MILWAUKEE Personal Protective Equipment (PPE) range with the addition of 102 new innovative products. Our recently launched Made-In-USA hardhats and safety helmets offer increased comfort, protection, and functionality with the MILWAUKEE BOLT system accessory slots. PPE is an important strategic focus, and we will continue to expand our innovative solutions that help users stay safe and productive on the jobsite.

RYOBI/DIY

Our Consumer Power Tools business performed exceptionally well across all brands with solid double-digit growth in all categories and geographies.

RYOBI is the #1 DIY Cordless Tool brand in the world featuring 165 tools, 61 outdoor products, and 14 cleaning products in the 18V ONE+ battery platform. The RYOBI DIY Power Tool business delivered strong first half growth, powered by the launch of 13 new 18V ONE+ High-Performance (HP) brushless tools. With advanced technology, brushless motors, and powerful lithium ion batteries, the RYOBI HP tools have re-energized our DIY business. We will continue to invest heavily in expanding our global DIY leadership position with a continuous stream of innovative RYOBI cordless product.

The RYOBI Outdoor business delivered impressive growth in the first half, led by our global leadership range of battery powered mowers and handheld outdoor equipment. RYOBI is now the #1 battery powered mower brand offering a fleet of 30 individual mowers. Not only are our products leading the revolution to battery powered from gas products, but we are also leading the industry in reducing noise pollution. The negative effects of noise pollution are gaining awareness as local governments are now enacting legislation restricting the use of loud gas powered outdoor equipment. TTI is leading the charge away from noisy, polluting gas powered equipment to our WHISPER series of quiet lithium battery powered outdoor equipment.

FLOORCARE AND CLEANING

Our Floorcare & Cleaning business accounted for 9.0% of total TTI Sales, with sales increasing 25.3% to US$574 million. All geographies and business units performed well, generating US$6.8 million of operating profit, up 90.4% from the first half of 2020. We are highly encouraged by the traction we are gaining in the strategic categories of carpet washers and formulas and we are continuing to build out the high potential HOOVER and VAX cordless ONEPWR system. Clearly, the TTI Floorcare and Cleaning business is making meaningful progress, setting the stage for strong future performance.

SUSTAINABILITY

We are driving sustainability by converting the market to cordless lithium battery power sources. This transition to lithium batteries will continue to result in a product range that delivers exceptional performance while addressing the inherent issues of gas and pneumatic products, including the reduction of carbon emissions, improved safety and productivity, reduced noise, and greater convenience. Our increasingly diverse and inclusive workplace drives this sustainable transition across all business units and geographic regions. We are developing a long-term plan for sustainability with environmental targets across all offices, distribution centers and manufacturing facilities worldwide.

FINANCIAL REVIEW

Financial Results

Reported revenue for the period grew by 52.0% as compared to the same period last year, amounting to US$6,394 million. Profit attributable to Owners of the Company amounted to US$524 million as compared to US$332 million reported in the same period last year, an increase of 57.9%. Basic earnings per share was at US28.62 cents (2020: US18.14 cents), an increase of 57.8%.

EBIT amounted to US$572 million, an increase of 57.4% as compared to the US$363 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 38.6% as compared to 38.0% reported 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 together with very effective action plans to navigate global supply constraints, commodity headwinds and logistic costs increase.

Operating Expenses

Total operating expenses for the period amounted to US$1,900 million as compared to US$1,240 million reported for the same period last year, representing 29.7% of revenue (2020: 29.5%). During the period under review, R&D spent at 3.1% of revenue (2020: 2.9%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum, margin improvements and high service levels.

Net interest expenses for the period amounted to US$8.6 million as compared to US$7.0 million reported for the same period last year, representing 0.1% of revenue (2020: 0.2%). Interest cover, expressed as a multiple of EBITDA to total interest was at 30.8 times (2020: 20.9 times).

Effective tax rate for the period was at 7.0% (2020: 6.9%).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$4.3 billion, an increase of 9.3% as compared to December 31, 2020. Book value per share was US$2.33 as compared to US$2.13 at December 31, 2020, an increase of 9.4%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2021, the Group's cash and cash equivalents amounted to US$2,270 million (US$1,534 million at December 31, 2020) after the payment of US$193.5 million dividend during the period (US$136.7 million in first half 2020), of which 40.5%, 36.6%, 13.0%, and 9.9% were denominated in US$, 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, was at 14.8% as compared to 4.0% as at June 30, 2020.

Bank Borrowings

Long term borrowing accounted for 31.7% of total debts (71.4% at December 31, 2020).

The Group's major borrowings continued to be in US$. Borrowings are predominantly LIBOR based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate 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$4,471 million as compared to US$2,327 million as at June 30, 2020. Days inventory increased by 34 days from 102 days to 136 days. The higher inventory days as compared with same period last year was mainly due to the strategic decision to carry a higher level of inventory to support our service level in considering our high growth momentum. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 56 days as compared to 65 days as at June 30, 2020. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 54 days as compared to 62 days as at June 30, 2020. 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 125 days as compared to 109 days as at June 30, 2020. The Group managed to leverage the volume and order visibility for better trade terms from suppliers.

Working capital as a percentage of sales was at 18.3% as compared to 15.8% for the same period last year.

Capital Expenditures

Total capital expenditures for the period amounted to US$245 million (2020: US$117 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2021, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$267 million (2020: US$60 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 49,934 employees (34,082 employees as at June 30, 2020) in Hong Kong and overseas. Total staff cost for the period under review amounted to US$1,074 million as compared to US$668 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.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Corporate Governance Code") throughout the six-month period ended June 30, 2021, save that none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 107(A) of the Articles of Association of the Company, one-third of the Board must retire by rotation at each annual general meeting of the Company, and if eligible, offer themselves for re-election.

The Company has also voluntarily complied with a number of 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, 2021.

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).

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the Company's independent auditor, Deloitte Touche Tohmatsu, and the senior management of the Group the unaudited financial statements of the Company for the six-month period ended June 30, 2021, 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

Other than 3,600,000 shares of the Company purchased on-market for satisfying the awarded shares granted under the Company's share award scheme (details of which will be set out in the "Corporate Governance and Other Information" section to be included in the Company's 2021 Interim Report), neither the Company nor any of its subsidiaries has, during the six-month period ended June 30, 2021, purchased, sold or redeemed any listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from September 2, 2021 to September 3, 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 1, 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.ttigroup.com) and the HKExnews website (www.hkexnews.hk) of Hong Kong Exchanges and Clearing Limited. The 2021 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

OUTLOOK

At TTI, we are confident that we will continue to outperform the market in the future. We have built an exceptional world-class team and we would like to recognize our outstanding global organization for delivering strong results. We are proud of the bold, strategic decisions we have made over the past 18 months to position ourselves for a strong second half of 2021.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, August 11, 2021

As at the date of this announcement, the Board comprises five Group Executive Directors, namely Mr. Horst Julius Pudwill (Chairman), Mr. Stephan Horst Pudwill (Vice Chairman), Mr. Joseph Galli Jr. (Chief Executive Officer), Mr. Patrick Kin Wah Chan and Mr. Frank Chi Chung Chan, two Non-executive Directors, namely, Prof. Roy Chi Ping Chung GBS BBS JP and Mr. Camille Jojo and four Independent Non-executive Directors, namely, Mr. Peter David Sullivan, Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz and Ms. Virginia Davis Wilmerding.

This results announcement is published on the website of the Company (www.ttigroup.com) and the HKExnews (www.hkexnews.hk).

All trademarks and trade names listed other than RYOBI are owned by the Group.

RYOBI is a registered trademark of Ryobi Limited, and is used under license.

RESULTS SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended June 30, 2021

	Notes	**2021** **US$'000** **(Unaudited)**	2020 US$'000 (Unaudited)
Revenue	3 & 4	**6,393,749**	4,205,697
Cost of sales		**(3,928,704)**	(2,608,643)
Gross profit		**2,465,045**	1,597,054
Other income		**6,386**	5,373
Interest income		**16,416**	19,508
Selling, distribution and advertising expenses		**(1,030,525)**	(670,555)
Administrative expenses		**(673,420)**	(448,067)
Research and development costs		**(196,133)**	(120,897)
Finance costs		**(24,995)**	(26,479)
Profit before share of results of associates and taxation		**562,774**	355,937
Share of results of associates		**346**	292
Profit before taxation		**563,120**	356,229
Taxation charge	5	**(39,418)**	(24,586)
Profit for the period	6	**523,702**	331,643
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		**-**	(1,011)
Items that may be reclassified subsequently to profit or loss net of related income tax:			
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting		**75,467**	14,109
Exchange differences on translation of foreign operations		**(9,813)**	(17,131)
Other comprehensive income (loss) for the period		**65,654**	(4,033)
Total comprehensive income for the period		**589,356**	327,610
Profit for the period attributable to:			
Owners of the Company		**523,604**	331,573
Non-controlling interests		**98**	70
		523,702	331,643
Total comprehensive income attributable to:			
Owners of the Company		**589,258**	327,540
Non-controlling interests		**98**	70
		589,356	327,610
Earnings per share (US cents)	8		
Basic		**28.62**	18.14
Diluted		**28.48**	18.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at June 30, 2021

	Notes	**June 30 2021 US$'000 (Unaudited)**	December 31 2020 US$'000 (Audited)
Non-current assets			
Property, plant and equipment	9 & 16	**1,473,201**	1,332,960
Right of use assets	9	**425,927**	383,718
Goodwill		**577,940**	578,461
Intangible assets	9	**726,690**	663,674
Interests in associates		**2,367**	2,021
Financial assets at fair value through profit or loss		**4,973**	6,535
Derivative financial instruments		**8,494**	8,494
Deferred tax assets		**72,910**	74,501
		3,292,502	3,050,364
Current assets			
Inventories		**4,471,258**	3,223,748
Right to returned goods asset		**5,962**	9,266
Trade and other receivables	10	**1,939,701**	1,367,286
Deposits and prepayments		**162,600**	139,677
Bills receivable	10	**9,401**	7,660
Tax recoverable		**46,983**	27,181
Trade receivables from associates	11	**3,181**	4,240
Derivative financial instruments		**39,350**	9,341
Financial assets at fair value through profit or loss		**25,822**	17,763
Bank balances, deposits and cash		**2,270,349**	1,533,876
		8,974,607	6,340,038
Current liabilities			
Trade and other payables	12	**4,108,243**	3,247,808
Bills payable	12	**77,893**	61,791
Warranty provision		**166,939**	156,671
Tax payable		**50,871**	32,336
Derivative financial instruments		**48,375**	96,135
Lease liabilities		**91,358**	73,331
Discounted bills with recourse		**1,702**	1,436
Unsecured borrowings - due within one year	13	**2,054,602**	385,214
Refund liabilities from right of return		**20,942**	26,713
		6,620,925	4,081,435
Net current assets		**2,353,682**	2,258,603
Total assets less current liabilities		**5,646,184**	5,308,967

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) - continued
As at June 30, 2021

	Notes	**June 30 2021 US$'000 (Unaudited)**	December 31 2020 US$'000 (Audited)
Capital and reserves			
Share capital	14	**677,497**	673,141
Reserves		**3,588,079**	3,229,864
Equity attributable to Owners of the Company		**4,265,576**	3,903,005
Non-controlling interests		**-**	(98)
Total equity		**4,265,576**	3,902,907
Non-current liabilities			
Lease liabilities		**330,530**	301,076
Unsecured borrowings - due after one year	13	**918,712**	940,220
Retirement benefit obligations		**88,048**	92,318
Other payables	12	**29,396**	58,524
Deferred tax liabilities		**13,922**	13,922
		1,380,608	1,406,060
Total equity and non-current liabilities		**5,646,184**	5,308,967

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 ("HKICPA") 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 financial information relating to the year ended December 31, 2020 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, 2020 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.

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, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard ("HKFRS"), the accounting policies and method of computation used in the condensed consolidated financial statements for the six-month ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

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

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

2. Significant accounting policies (continued)

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

2.1 Accounting policies

<u>Financial instruments</u>

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

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

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

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

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 *Financial Instrument* on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Hedge accounting

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

2. **Significant accounting policies** (continued)

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2" (continued)

2.1 Accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flows hedges

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

2.2 Transition and summary of effects

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

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

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

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for unsecured borrowings measured at amortized cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending December 31, 2021. The management is in the progress to negotiate with the banks for the transition to alternative benchmark rates.

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, 2021

	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Eliminations US$'000**	**Consolidated US$'000**
Segment revenue				
External sales	**5,819,509**	**574,240**	**-**	**6,393,749**
Inter-segment sales	**-**	**5,376**	**(5,376)**	**-**
Total segment revenue	**5,819,509**	**579,616**	**(5,376)**	**6,393,749**

For the period ended June 30, 2020

	Power Equipment US$'000	Floorcare & Cleaning US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	3,747,549	458,148	-	4,205,697
Inter-segment sales	-	86	(86)	-
Total segment revenue	3,747,549	458,234	(86)	4,205,697

Inter-segment sales are charged at prevailing market rates.

	Six-month period ended June 30					
	2021			2020		
	Power Equipment US$'000	**Floorcare & Cleaning US$'000**	**Consolidated US$'000**	Power Equipment US$'000	Floorcare & Cleaning US$'000	Consolidated US$'000
Segment results	**564,807**	**6,794**	**571,601**	359,562	3,568	363,130
Interest income			**16,416**			19,508
Finance costs			**(24,995)**			(26,479)
Profit before tax			**563,022**			356,159

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. Revenue

An analysis of the Group's revenue is as follows:

	Six-month period ended June 30	
	2021	2020
	US$'000	US$'000
Sales of goods	**6,388,877**	4,200,751
Commission and royalty income	**4,872**	4,946
	6,393,749	4,205,697

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

The Group's revenue from external customers by geographical location, determined based on the location of the customer is as follows:

	Six-month period ended June 30	
	2021	2020
	US$'000	US$'000
North America	**4,885,809**	3,251,878
Europe	**1,018,637**	627,536
Other countries	**489,303**	326,283
	6,393,749	4,205,697

5. Taxation charge

	Six-month period ended June 30	
	2021	2020
	US$'000	US$'000
Current tax:		
Hong Kong Tax	**(324)**	(98)
Overseas Tax	**(38,320)**	(26,851)
Deferred Tax	**(774)**	2,363
	(39,418)	(24,586)

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.

6. Profit for the period

	Six-month period ended June 30	
	2021	2020
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Amortization of intangible assets	**42,894**	56,895
Depreciation of property, plant and equipment	**88,024**	79,041
Depreciation of right of use assets	**50,316**	35,606
Total depreciation and amortization	**181,234**	171,542
Fair value (gain) loss on listed equity securities	**(4,758)**	9,456
Impairment loss on trade receivables under expected credit loss model	**9,892**	4,227
Net exchange gain	**(13,336)**	(1,713)
Write down of inventories	**48,144**	5,716
Staff costs	**1,074,459**	667,906

7. Dividends

A dividend of HK82.00 cents (approximately US10.55 cents) per share with a total of approximately US$193,488,000 (2020: HK58.00 cents (approximately US7.46 cents) per share with a total of approximately US$136,688,000) was paid to shareholders as the final dividend for 2020 (2020: final dividend for 2019) on June 18, 2021.

The Directors have determined that an interim dividend of HK85.00 cents (approximately US10.94 cents) per share with a total of approximately US$200,567,000 (2020: HK53.00 cents (approximately US6.82 cents) per share with a total of approximately US$124,949,000) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 3, 2021.

8. 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	
	2021	2020
	US$'000	US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to Owners of the Company	**523,604**	331,573
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,829,504,825**	1,828,155,414
Effect of dilutive potential ordinary shares:		
Share options	**6,308,946**	4,170,615
Share awards	**2,579,580**	1,495,400
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,838,393,351**	1,833,821,429

9. Additions to property, plant and equipment/intangible assets/right of use assets

During the period, the Group spent approximately US$245 million (for the six-month ended June 30, 2020: US$117 million) and US$130 million (for the six-month ended June 30, 2020: US$78 million) on the acquisition of property, plant and equipment and intangible assets respectively.

During the period, the Group entered into certain new lease agreements for the use of land and buildings, office equipment, furniture and fixtures, plant and machinery and motor vehicles. The Group is required to make periodic payments. On lease commencement, the Group recognized US$97,240,000 (for the six-month ended June 30, 2020: US$78,453,000) of right of use assets and US$97,240,000 (for the six-month ended June 30, 2020: US$78,453,000) lease liabilities.

10. 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 credit losses, presented on the basis of the revenue recognition date, which is usually the invoice date, at the end of the reporting period is as follows:

Age	**June 30 2021 US$'000**	December 31 2020 US$'000
0 to 60 days	**1,545,544**	1,016,581
61 to 120 days	**228,991**	232,640
121 days or above	**62,592**	57,835
Total trade receivables	**1,837,127**	1,307,056
Other receivables	**102,574**	60,230
	1,939,701	1,367,286

All the Group's bills receivable at June 30, 2021 are aged within 120 days.

11. Trade receivables from associates

The trade receivables from associates are aged within 120 days.

12. Trade and other payables/Bills payable

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

Age	**June 30 2021 US$'000**	December 31 2020 US$'000
0 to 60 days	**1,456,599**	1,315,379
61 to 120 days	**808,983**	389,775
121 days or above	**48,099**	17,988
Total trade payables	**2,313,681**	1,723,142
Other payables	**1,823,958**	1,583,190
Total trade and other payables	**4,137,639**	3,306,332
Non-current portion of other payables	**(29,396)**	(58,524)
	4,108,243	3,247,808

All the Group's bills payable at June 30, 2021 are aged within 120 days based on invoice date.

The other payables mainly represents accruals of various selling, general and administrative expenses of US$1,601,270,000 (At December 31, 2020: US$1,385,793,000) and non-trading nature payables to vendors US$193,292,000 (At December 31, 2020: US$138,873,000). The non-current other payables mainly represents accruals of long-term incentive benefits offered to certain management executives of the Group.

13. Unsecured borrowings

During the period, the Group obtained new unsecured borrowings of US$3,566 million (2020: US$2,322 million) which mainly carry interest at LIBOR. The Group also repaid unsecured borrowings of US$1,917 million (2020: US$1,875 million).

14. Share capital

	Number of shares		**Share capital**	
	June 30 2021	December 31 2020	**June 30 2021 US$'000**	December 31 2020 US$'000
Ordinary shares				
Authorized shares	**2,400,000,000**	2,400,000,000	**N/A**	N/A
Issued and fully paid:				
At the beginning of the period	**1,832,620,441**	1,830,006,941	**673,141**	662,379
Issue of shares upon exercise of share options	**797,000**	2,613,500	**4,356**	10,762
At the end of the period	**1,833,417,441**	1,832,620,441	**677,497**	673,141

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 categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and key inputs**
	June 30, 2021	December 31, 2020		
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the consolidated statement of financial position	**Acquisition right of certain property, plant and equipment: US$8,494,000**	Acquisition right of certain property, plant and equipment: US$8,494,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by third party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Assets – US$39,350,000; and Liabilities – US$29,798,000**	Assets – US$9,341,000; and Liabilities – US$67,858,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates and yield curves at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as financial assets at fair value through profit or loss ("FVTPL") in the consolidated statement of financial position	**Listed shares: US$25,822,000**	Listed shares: US$17,763,000	Level 1	Quoted bid prices in an active market.
4) Other financial assets classified as financial assets at FVTPL in the consolidated statement of financial position	**Club membership debentures: US$4,928,000**	Club membership debentures: US$3,189,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
	Unlisted equity securities: Nil	Unlisted equity securities: US$3,301,000	Level 2	The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.
	Other: US$45,000	Other: US$45,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
5) Cross-currency interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	**Liabilities: US$18,577,000**	Liabilities: US$28,277,000	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period.

15. Fair value measurements of financial instruments (continued)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values. During the period, there was a transfer of financial asset of US$3,301,000 from level 2 to level 1 for one equity investment. The reason for the transfer was that the shares of the invested company has started being actively traded and reliable quoted price can be obtained in the market.

16. Capital commitments

	June 30 2021 US$'000	December 31 2020 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**267,180**	103,957