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, 2020

HIGHLIGHTS

	2020 US$' million	2019 US$' million	**Changes %**
Revenue	**4,206**	3,728	**+12.8**
Gross profit margin	**38.0%**	37.6%	**+40 bps**
EBIT	**363**	314	**+15.6**
Profit attributable to Owners of the Company	**332**	285	**+16.3**
EPS (US cents)	**18.14**	15.61	**+16.2**
Interim dividend per share (approx. US cents)	**6.82**	5.79	**+17.8**

- **Exceptional first half 2020 results with sales up 12.8% to US$4.2 billion, 14.0% in local currency**
- **Strong Power Equipment sales growth of 14.0% in local currency**
- **Strong Floor Care sales increase of 13.6% in local currency**
- **Gross margin improved for the twelfth consecutive first half to 38.0%, up 40 basis points**
- **Net profit increased 16.3% to US$332 million**
- **Working capital percent of sales improved from 18.4% to 15.8%**

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, 2020 together with the comparative figures in 2019.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK53.00 cents (approximately US6.82 cents) (2019: HK45.00 cents (approximately US5.79 cents)) per share for the six-month period ended June 30, 2020. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 4, 2020. It is expected that the interim dividend will be paid on or about September 18, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

Impressive Results

We are pleased to announce that TTI delivered exceptional results for the first half of 2020. We grew sales 12.8% to US$4.2 billion in reported currency or 14.0% in local currency. Our gross margin improved an additional 40 basis points to 38.0%. EBIT grew 15.6% to US$363 million. Net profit and earnings per share increased 16.3% and 16.2% respectively, to US$332 million and approximately US18.14 cents per share. In addition, we improved working capital percent of sales from 18.4% to 15.8%.

When the coronavirus emerged, we immediately implemented world class safety protocols throughout all manufacturing operations, distribution centers, R&D centers, headquarter offices, and sales force networks. By complying carefully with local authorities around the world, we were able to quickly resume full scale production and supply chain capabilities. We identified an opportunity to support our customers and capture market share early in the second quarter, so we made the bold decision to increase production, accelerate new product development and expand sales coverage globally. Due to our efficient execution of coronavirus safety protocols and our aggressive initiatives, we were not only able to support our customers' requirements for inventory and store level sales support, but we also outgrew the market and captured significant market share.

We are pleased to report that all our geographic regions delivered impressive local currency sales growth in the first half, in the face of challenging coronavirus headwinds. North America delivered outstanding growth of 14.5%. Europe grew 8.2%, despite being hard hit by the coronavirus. Rest-of-World, including Australia, New Zealand and Asia delivered exciting overall sales growth of 21.0%.

We worked closely with our retail partners to develop and fortify the e-commerce channel. We were highly successful not only in e-commerce but "Buy Online Pickup In Store". Clearly, e-commerce is a growing and crucial part of our future and we are now well positioned to further capitalize on this element of our business model in the second half and beyond.

TTI continued to successfully deploy our long-term strategic initiatives in the first half. We launched a wave of exciting new products, accelerated future product development, expanded our global sales network, improved manufacturing productivity and strengthened our supply chain. Throughout the past months, our management team rapidly pivoted to an environment of virtual management and training. Additionally, we hired hundreds of new college graduates, both in engineering and sales and marketing positions to fuel additional growth. The result of these investments was that we not only delivered a strong first half, but importantly, we have positioned our company for long-term success in our served markets.

BUSINESS REVIEW

Power Equipment

The core Power Equipment segment delivered 14.0% growth in local currency, reaching sales of over US$3.7 billion. All elements of Power Equipment delivered strong results.

Professional and Industrial Solutions

Our MILWAUKEE professional business grew 13.3%, driven by a growing stream of exciting breakthrough new products. In the first half, we successfully introduced our revolutionary MX FUEL Equipment System, a series of new M18 and M12 cordless products, an expanded line of PACKOUT, a new line of Personal Protective Equipment (PPE) safety products, and a series of high-performance power tool accessories. These new product introductions enabled us to offset global headwinds and perpetuate the growth momentum in this flagship business.

The launch of the MILWAUKEE MX FUEL Equipment System allows us to enter the multi-billion dollar light equipment segment. With disruptive cordless breakthrough technology that replaces traditional gas and corded power sources, the MX FUEL Equipment range has been well received by industrial users all over the world.

We are focused on expanding our MILWAUKEE PPE lineup that currently offers over 225 products in the categories of hard hats, eye protection, hearing protection, high visibility vests, respirators, and work gloves. The latest additions are two new ranges of work gloves with innovative features that offer protection from cut, impact, abrasion, or other jobsite applications users may encounter.

We are expanding the revolutionary MILWAUKEE PACKOUT system to meet the professional's growing tool storage needs. Now with 22 unique products, PACKOUT is the largest professional storage system in the world. New innovations to the system include the PACKOUT Compact Tool Box, the PACKOUT 16QT cooler, and the 106-piece Ratchet and Socket PACKOUT Organizer.

Consumer Power Tools & Outdoor Products

Today RYOBI is the number one brand of DIY cordless products in the world with over 175 items in the ONE+ platform. We are excited to announce the new generation of RYOBI ONE+ HP high-performance brushless power tools that will further strengthen our position in the growing global DIY arena. This initial launch of six subcompact high-performance tools will set a new standard of performance for the DIYer, with additional innovations to come. We also rolled out the new RYOBI ONE+ cleaning system featuring a series of innovative cordless cleaning products and accessories.

The RYOBI Outdoor business delivered impressive double-digit growth in the first half, led by our global leadership range of cordless mowers. With environmentally friendly products capable of replacing gas powered alternatives, the RYOBI 40V cordless platform continues to expand while pioneering innovations like the breakthrough WHISPER series blowers. These WHISPER series blowers deliver all the power without the noise of a gas-powered product.

A key strength of the RYOBI business is the overarching range of cordless products that span from power tools to outdoor, and many other categories.

Floor Care and Appliances

We have worked hard to successfully transform our global Floor Care business with an exciting range of new products and a streamlined business model. The global Floor Care business grew 13.6% in local currency for the first half of 2020 with sales of over US$458 million. North America, UK, and Australia all delivered a strong performance. This growth was driven by the rollout of the ONEPWR cordless system and by the introduction of a series of new carpet cleaning products. We enter the second half of 2020 with strong momentum in global floor care.

OUTLOOK

We are well positioned to deliver a strong second half, and importantly a strong future. Our expanding global manufacturing network continues to deliver consistent, outstanding productivity gains and we are working hard to offset and minimize the impact of challenging headwinds.

Our bold decision to increase investments in expanding manufacturing capacity, inventory, new product development, sales coverage and geographic expansion led to significant market share gains in the first half. We continue to focus on things we can control, such as rigorously managing non-strategic SG&A spend. New product development is a core strength of TTI, and our new product flow continues to accelerate. We continue to aggressively invest in this high-speed, world class process so that we can bring to market a stream of high margin new products with cutting edge technology. In summary, we are well positioned to deliver a strong second half and excellent financial performance in the years ahead.

FINANCIAL REVIEW

Financial Results

Reported revenue for the period grew by 12.8% as compared to the same period last year, amounting to US$4,206 million. Profit attributable to Owners of the Company amounted to US$332 million as compared to US$285 million reported in the same period last year, an increase of 16.3%. Basic earnings per share was at US18.14 cents (2019: US15.61 cents), an increase of 16.2%.

EBIT amounted to US$363 million, an increase of 15.6% as compared to the US$314 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 38.0% as compared to 37.6% 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 mitigate the tariffs impact.

Operating Expenses

Total operating expenses for the period amounted to US$1,240 million as compared to US$1,093 million reported for the same period last year, representing 29.5% of revenue (2019: 29.3%). During the period under review, R&D spent remains at 2.9% of revenue (2019: 2.9%). The increase in 20 bps mainly due to our investments in strategic SG&A while leveraging on savings from non-strategic administrative spent.

Net interest expenses for the period amounted to US$7 million as compared to US$7 million reported for the same period last year, representing 0.2% of revenue (2019: 0.2%). Interest cover, expressed as a multiple of EBITDA to total interest was at 20.9 times (2019: 19.3 times).

Effective tax rate for the period was at 6.9% (2019: 7.1%).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$3.6 billion, an increase of 5.7% as compared to December 31, 2019. Book value per share was US$1.96 as compared to US$1.85 at December 31, 2019, an increase of 5.9%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2020, the Group's cash and cash equivalents amounted to US$1,715 million (US$1,412 million at December 31, 2019) after the payment of US$136.7 million dividend during the period (US$117.6 million in first half 2019), of which 50.0%, 28.2%, 13.0%, and 8.8% were denominated in US$, 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 4.0% as compared to 13.1% as at June 30, 2019. The Group remains confident that gearing will further improve by end of the year.

Bank Borrowings

Long term borrowing accounted for 50.1% of total debts (52.9% at December 31, 2019).

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$2,327 million as compared to US$1,961 million as at June 30, 2019. Days inventory increased by 8 days from 94 days to 102 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 65 days as compared to 63 days as at June 30, 2019. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 62 days as compared to 61 days as at June 30, 2019. 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 109 days as compared to 91 days as at June 30, 2019. The Group been able to leverage on the volume, order visibility and financial strength to further enhance over trade terms with suppliers.

Working capital as a percentage of sales was at 15.8% as compared to 18.4% for the same period last year.

Capital Expenditures

Total capital expenditures for the period amounted to US$117 million (2019: US$253 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2020, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$60 million (2019: US$34 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 34,082 employees (29,536 employees as at June 30, 2019) in Hong Kong and overseas. Total staff cost for the period under review amounted to US$668 million as compared to US$625 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, 2020, 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, 2020.

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, 2020, 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 850,000 shares of the Company purchased on-market for satisfying the awarded shares granted under the Company's share award schemes (details of which will be set out in the "Corporate Governance and Other Information" section to be included in the Company's 2020 Interim Report), neither the Company nor any of its subsidiaries has, during the period, 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 3, 2020 to September 4, 2020, 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 2, 2020.

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 2020 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.

By order of the Board
Horst Julius Pudwill
Chairman

Hong Kong, August 12, 2020

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 five Independent Non-executive Directors, namely, Mr. Christopher Patrick Langley OBE, Mr. Peter David Sullivan, Mr. Vincent Ting Kau Cheung, Mr. Johannes-Gerhard Hesse and Mr. Robert Hinman Getz.

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 AEG and RYOBI are owned by the Group.

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

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, 2020

	Notes	**2020 US$'000 (Unaudited)**	2019 US$'000 (Unaudited)
Revenue	3 & 4	**4,205,697**	3,728,247
Cost of sales		**(2,608,643)**	(2,325,499)
Gross profit		**1,597,054**	1,402,748
Other income		**5,373**	4,372
Interest income		**19,508**	17,817
Selling, distribution and advertising expenses		**(670,555)**	(581,768)
Administrative expenses		**(448,067)**	(402,688)
Research and development costs		**(120,897)**	(108,592)
Finance costs		**(26,479)**	(25,166)
Profit before share of results of associates and taxation		**355,937**	306,723
Share of results of associates		**292**	27
Profit before taxation		**356,229**	306,750
Taxation charge	5	**(24,586)**	(21,687)
Profit for the period	6	**331,643**	285,063
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)**	(3,114)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on foreign currency forward contracts and cross-currency interest rate swap in hedge accounting		**14,109**	(994)
Exchange differences on translation of foreign operations		**(17,131)**	(2,934)
Other comprehensive loss for the period		**(4,033)**	(7,042)
Total comprehensive income for the period		**327,610**	278,021
Profit for the period attributable to:			
Owners of the Company		**331,573**	285,004
Non-controlling interests		**70**	59
		331,643	285,063
Total comprehensive income attributable to:			
Owners of the Company		**327,540**	277,962
Non-controlling interests		**70**	59
		327,610	278,021
Earnings per share (US cents)	8		
Basic		**18.14**	15.61
Diluted		**18.08**	15.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at June 30, 2020

	Notes	**June 30 2020 US$'000 (Unaudited)**	December 31 2019 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9 & 17	**1,120,073**	1,086,559
Right of use assets	9	**284,832**	247,144
Goodwill		**580,896**	580,866
Intangible assets	9	**687,626**	666,705
Interests in associates		**3,588**	3,243
Financial assets at fair value through profit or loss		**5,847**	5,796
Derivative financial instruments		**8,929**	8,929
Deferred tax assets		**76,840**	74,947
		2,768,631	2,674,189
Current assets			
Inventories		**2,326,762**	2,112,931
Right to returned goods asset		**13,985**	15,342
Trade and other receivables	10	**1,582,841**	1,228,573
Deposits and prepayments		**177,843**	169,076
Bills receivable	10	**7,640**	6,076
Tax recoverable		**39,204**	23,887
Trade receivables from associates	11	**12,709**	6,494
Derivative financial instruments		**34,624**	25,065
Financial assets at fair value through profit or loss		**16,367**	24,597
Bank balances, deposits and cash		**1,714,884**	1,411,821
		5,926,859	5,023,862
Current liabilities			
Trade and other payables	12	**2,500,700**	2,177,417
Bills payable	12	**31,961**	46,170
Warranty provision		**119,975**	115,210
Tax payable		**40,250**	19,596
Derivative financial instruments		**9,623**	17,493
Lease liabilities		**66,307**	63,878
Discounted bills with recourse		**1,135**	9,089
Unsecured borrowings – due within one year	13	**1,001,533**	732,380
Refund liabilities from right of return		**35,402**	36,474
		3,806,886	3,217,707
Net current assets		**2,119,973**	1,806,155
Total assets less current liabilities		**4,888,604**	4,480,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) - continued
As at June 30, 2020

	Notes	**June 30 2020 US$'000 (Unaudited)**	December 31 2019 US$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	14	**667,229**	662,379
Reserves		**2,920,137**	2,732,266
Equity attributable to Owners of the Company		**3,587,366**	3,394,645
Non-controlling interests		**(264)**	(334)
Total equity		**3,587,102**	3,394,311
NON-CURRENT LIABILITIES			
Lease liabilities		**210,016**	174,490
Unsecured borrowings – due after one year	13	**930,934**	754,628
Retirement benefit obligations		**106,743**	107,967
Other payables		**40,365**	35,494
Deferred tax liabilities		**13,444**	13,454
		1,301,502	1,086,033
Total equity and non-current liabilities		**4,888,604**	4,480,344

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, 2019 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, 2019 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.

Other than changes in accounting policies resulting from application of amendment on 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, 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied, the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had 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)

2.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

2.1.1 Accounting policies

Hedge accounting

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

<u>Assessment of hedging relationship and effectiveness</u>

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

<u>Cash flow hedges</u>

For the purpose of reclassifying the amount of accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

2.1.2 Transition and summary of effects

The amendments had no material impact on the condensed consolidated financial statements of the Group.

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, 2020

	Power Equipment US$'000	**Floor Care and Appliances US$'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**

For the period ended June 30, 2019

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	3,321,761	406,486	-	3,728,247
Inter-segment sales	-	112	(112)	-
Total segment revenue	3,321,761	406,598	(112)	3,728,247

Inter-segment sales are charged at prevailing market rates.

	Six-month period ended June 30					
	2020			2019		
	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	**359,340**	**3,568**	**362,908**	313,928	144	314,072
Interest income			**19,508**			17,817
Finance costs			**(26,479)**			(25,166)
Share of results of associates			**292**			27
Profit before taxation			**356,229**			306,750
Taxation charge			**(24,586)**			(21,687)
Profit for the period			**331,643**			285,063

Segment results represent the profit earned by each segment without the allocation of interest income, finance costs and shares of results of associates. 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	
	2020	2019
	US$'000	US$'000
Types of goods or services:		
Sales of goods	**4,200,751**	3,706,835
Commission and royalty income	**4,946**	21,412
	4,205,697	3,728,247

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	
	2020	2019
	US$'000	US$'000
North America	**3,251,878**	2,845,008
Europe	**627,536**	595,198
Other countries	**326,283**	288,041
	4,205,697	3,728,247

5. Taxation charge

	Six-month period ended June 30	
	2020	2019
	US$'000	US$'000
Current tax:		
Hong Kong Tax	**(98)**	(874)
Overseas Tax	**(26,851)**	(22,837)
Deferred Tax	**2,363**	2,024
	(24,586)	(21,687)

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	
	2020	2019
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Amortization of intangible assets	**56,895**	54,551
Depreciation of property, plant and equipment	**79,041**	69,611
Depreciation of right of use assets	**35,606**	30,808
Total depreciation and amortization	**171,542**	154,970
Fair value loss on listed equity securities	**9,456**	7,065
Impairment loss on trade receivables under expected credit loss model	**4,227**	8,945
Net exchange gain	**(1,713)**	(1,442)
Write down of inventories	**5,716**	19,157
Staff costs	**667,906**	624,869

7. Dividends

A dividend of HK58.00 cents (approximately US7.46 cents) per share with a total of approximately US$136,688,000 (2019: HK50.00 cents (approximately US6.44 cents) per share with a total of approximately US$117,621,000) was paid to shareholders as the final dividend for 2019 (2019: final dividend for 2018) on June 19, 2020.

The Directors have determined that an interim dividend of HK53.00 cents (approximately US6.82 cents) per share with a total of approximately US$124,905,000 (2019: HK45.00 cents (approximately US5.79 cents) per share with a total of approximately US$105,870,000) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 4, 2020.

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	
	2020	2019
	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	**331,573**	285,004
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,828,155,414**	1,825,960,944
Effect of dilutive potential ordinary shares:		
Share options	**4,170,615**	5,724,117
Share awards	**1,495,400**	687,353
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,833,821,429**	1,832,372,414

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

During the period, the Group spent approximately US$117 million (for the six-month ended June 30, 2019: US$253 million) and US$78 million (for the six-month ended June 30, 2019: US$76 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$78,453,000 (for the six-month ended June 30, 2019: US$39,141,000) of right of use asset and US$78,453,000 (for the six-month ended June 30, 2019: US$39,141,000) lease liability.

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, based on invoice date, at the end of the reporting period is as follows:

Age	**June 30 2020 US$'000**	December 31 2019 US$'000
0 to 60 days	**1,352,901**	966,306
61 to 120 days	**100,066**	137,389
121 days or above	**46,673**	57,406
Total trade receivables	**1,499,640**	1,161,101
Other receivables	**83,201**	67,472
	1,582,841	1,228,573

All the Group's bills receivable at June 30, 2020 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 is as follows:

Age	**June 30 2020 US$'000**	December 31 2019 US$'000
0 to 60 days	**934,656**	908,313
61 to 120 days	**471,878**	217,144
121 days or above	**35,130**	5,829
Total trade payables	**1,441,664**	1,131,286
Other payables	**1,059,036**	1,046,131
	2,500,700	2,177,417

All the Group's bills payable at June 30, 2020 are aged within 120 days.

13. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US$2,322 million (2019: US$1,552 million) which mainly carry interest at the London Interbank Offered Rate. The Group also repaid bank borrowings of US$1,875 million (2019: US$924 million).

14. Share capital

	Number of shares		**Share capital**	
	June 30 2020	December 31 2019	**June 30 2020 US$'000**	December 31 2019 US$'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	**1,830,006,941**	1,828,521,941	**662,379**	654,991
Issue of shares upon exercise of share options	**1,143,500**	3,835,000	**4,850**	7,388
Buy-back of shares	**-**	(2,350,000)	**-**	-
At the end of the period	**1,831,150,441**	1,830,006,941	**667,229**	662,379

15. Contingent liabilities

	June 30 2020 US$'000	December 31 2019 US$'000
Guarantees given to banks in respect of credit facilities utilized by associates	**8,877**	8,877

16. 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 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, 2020	December 31, 2019		
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$8,929,000**	Acquisition right of certain property, plant and equipment: US$8,929,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3rd 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$34,624,000; and Liabilities – US$2,110,000**	Assets – US$25,065,000; and Liabilities – US$15,068,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position	**Listed shares: US$16,367,000**	Listed shares: US$24,597,000	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$2,501,000**	Club membership debentures: US$2,450,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
	Unlisted equity securities: US$3,301,000	Unlisted equity securities: US$3,301,000	Level 3	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 swap classified as derivative financial instruments in the consolidated statement of financial position	**Liabilities: US$7,513,000**	Liabilities: US$2,425,000	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between US$ and EUR, which is observable at the end of the reporting period.

16. 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. There were no transfers between different levels in both periods.

17. Capital commitments

	June 30 2020 US$'000	December 31 2019 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**60,163**	58,380