

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1. Basis of preparation and accounting policies

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

### 2. Significant accounting policies

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

Except as described below, the accounting policies and method of computations used in the condensed consolidated financial statements for the six months ended June 30, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2012.

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

The impact of the application of these standards is set out below.

#### **HKFRS 13 Fair Value Measurement**

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 14.

#### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

### Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not regularly review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

Except as described above, the application of the other new or revised standards and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. Segment information

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

For the period ended June 30, 2013

	Power Equipment USD' 000	Floor Care and Appliances USD' 000	Eliminations USD' 000	Consolidated USD' 000
Turnover				
External sales	1,519,190	523,197	—	2,042,387
Inter-segment sales	5,124	470	(5,594)	—
Total segment turnover	1,524,314	523,667	(5,594)	2,042,387

For the period ended June 30, 2012

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

Inter-segment sales are charged at prevailing market rates.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information *(continued)*

	Six months period ended June 30					
	Power Equipment USD' 000	2013 Floor Care and Appliances USD' 000	Consolidated USD' 000	Power Equipment USD' 000	2012 Floor Care and Appliances USD' 000	Consolidated USD' 000
Segment results	128,272	18,891	147,163	114,801	15,982	130,783
Finance costs			(19,698)			(26,483)
Profit before taxation			127,465			104,300
Taxation charge			(10,197)			(7,916)
Profit for the period			117,268			96,384

Segment profit represents the profit earned by each segment without allocation of finance costs. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource 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 maker for review.

## 4. Taxation charge

	Six months period ended June 30	
	2013 USD' 000	2012 USD' 000
Current tax:		
Hong Kong	1,231	569
Overseas Tax	10,281	6,219
Deferred Tax	(1,315)	1,128
	10,197	7,916

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

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

## 5. Profit for the period

	Six months period ended June 30	
	2013 USD' 000	2012 USD' 000
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	<b>37,369</b>	36,172
Amortisation of lease prepayments	<b>185</b>	163
Amortisation of intangible assets	<b>28,274</b>	24,773
Total depreciation and amortisation	<b>65,828</b>	61,108
Exchange (gain) loss	<b>(15,972)</b>	4,942
Staff costs	<b>289,708</b>	263,391
Fair value loss on held-for-trading investments	<b>1,993</b>	1,228

## 6. Dividends

A dividend of HK10.75 cents (approximately US1.38 cents) per share (2012: HK7.75 cents (approximately US1.00 cent) per share) was paid to shareholders as the final dividend for 2012 on June 28, 2013.

The Directors have determined that an interim dividend of HK10.00 cents (approximately US1.29 cents) per share (2012: HK6.75 cents (approximately US0.87 cent) per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on September 13, 2013.

## 7. Earnings per share

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

	Six months period ended June 30	
	2013 USD' 000	2012 USD' 000
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to Owners of the Company	<b>117,564</b>	96,362
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds (net of tax)	—	4,457
Earnings for the purpose of diluted earnings per share	<b>117,564</b>	100,819
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,829,371,737</b>	1,694,876,782
Effect of dilutive potential ordinary shares:		
Share options	<b>7,132,521</b>	5,430,285
Convertible bonds	—	129,688,975
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,836,504,258</b>	1,829,996,042

The computation of diluted earnings per share for the six months ended June 30, 2013 and June 30, 2012 does not assume the exercise of certain of the Company's outstanding share options if the exercise price of these options is higher than the average market price for the Company's shares.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

During the period, the Group spent approximately USD47 million (for the six months ended June 30, 2012: USD37 million) and USD47 million (for the six months ended June 30, 2012: USD45 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 from 60 days to 120 days. The aged 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:

	<b>June 30 2013 USD'000</b>	December 31 2012 USD'000
0 to 60 days	<b>739,948</b>	604,671
61 to 120 days	<b>28,236</b>	24,127
121 days or above	<b>19,774</b>	16,144
Total trade receivables	<b>787,958</b>	644,942
Other receivables	<b>38,239</b>	43,981
	<b>826,197</b>	688,923

All the Group's bills receivable at June 30, 2013 are due within 120 days.

**10. Trade and other payables/Bills payable**

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

	<b>June 30 2013 USD'000</b>	December 31 2012 USD'000
0 to 60 days	<b>452,406</b>	309,719
61 to 120 days	<b>106,746</b>	80,517
121 days or above	<b>3,462</b>	1,557
Total trade payables	<b>562,614</b>	391,793
Other payables	<b>298,523</b>	318,698
	<b>861,137</b>	710,491

All the Group's bills payable at June 30, 2013 are due within 120 days.

**11. Unsecured borrowings**

During the period, the Group obtained new bank borrowings in the amount of USD552 million (2012: USD353 million) which are London Interbank Offered Rate, Euro Interbank Offered Rate or Hong Kong best lending rates based. The Group repaid the existing bank borrowings in the amount of USD613 million (2012: USD332 million).

## 12. Share capital

	Number of shares		Share capital	
	June 30 2013	December 31 2012	June 30 2013 USD'000	December 31 2012 USD'000
Ordinary shares of HKD0.10 each Authorised	<b>2,400,000,000</b>	2,400,000,000	<b>30,769</b>	30,769
Issued and fully paid:				
At the beginning of the period	<b>1,829,080,941</b>	1,601,564,252	<b>23,461</b>	20,533
Issue of shares upon exercise of share options	<b>3,811,000</b>	8,289,000	<b>48</b>	107
Repurchase and cancellation of shares	<b>(1,300,000)</b>	(4,330,000)	<b>(16)</b>	(56)
Conversion of convertible bonds	—	223,557,689	—	2,877
At the end of the period	<b>1,831,591,941</b>	1,829,080,941	<b>23,493</b>	23,461

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

Month of cancellation	No. of ordinary shares at HKD0.10 each	Price per share		Aggregate consideration paid USD'000
		Highest HKD	Lowest HKD	
January 2013	<b>1,300,000</b>	<b>14.68</b>	<b>14.34</b>	<b>2,429</b>

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of USD16,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately USD2,429,000 was charged to retained profits.

## 13. Contingent liabilities

	June 30 2013 USD'000	December 31 2012 USD'000
Guarantees given to banks in respect of credit facilities utilised by associates	<b>9,790</b>	12,691

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## 14. 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 market 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	Significant unobservable input	Relationship of unobservable inputs to fair value
	June 30, 2013	December 31, 2012				
1) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets – USD17,896,000; and Liabilities – USD2,705,000	Assets – USD5,706,000; and Liabilities – USD7,030,000	Level 2	Quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.	N/A	N/A
2) Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities (not designated for hedging) – USD3,627,000	Liabilities (not designated for hedging) – USD4,667,000	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.	N/A	N/A
3) Held-for-trading non-derivative financial assets classified as held-for-trading investments in the condensed consolidated statement of financial position	Listed equity securities in US: – Technology industry – USD3,987,000	Listed equity securities in US: – Technology industry – USD5,980,000	Level 1	Quoted bid prices in an active market.	N/A	N/A

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.

## 15. Capital commitments

	June 30 2013 USD'000	December 31 2012 USD'000
Capital expenditure in respect of the purchase of property, plant and equipment:		
Contracted for but not provided	14,474	16,669
Authorised but not contracted for	3,514	1,297