Techtronic Industries

Annual Report **2020**

RYOBI 18V ONE+ HP Compact Brushless Cut-Off Tool

Joining the 18V ONE+ HP Compact Brushless lineup, all new cut-off tool delivers power and versatility in a compact size. The combination of the high-performance brushless motor, advanced technology, and lithium-ion battery technology deliver performance in a compact size ideal for cramped spaces. It cuts through metal, drywall, cement board, tile, plastics and more. One-handed operation and a wire depth gauge allow for increased stability, accuracy, and ultimately cleaner cuts. No wonder it's become the go-to cutting tool for both DIYers and pros.

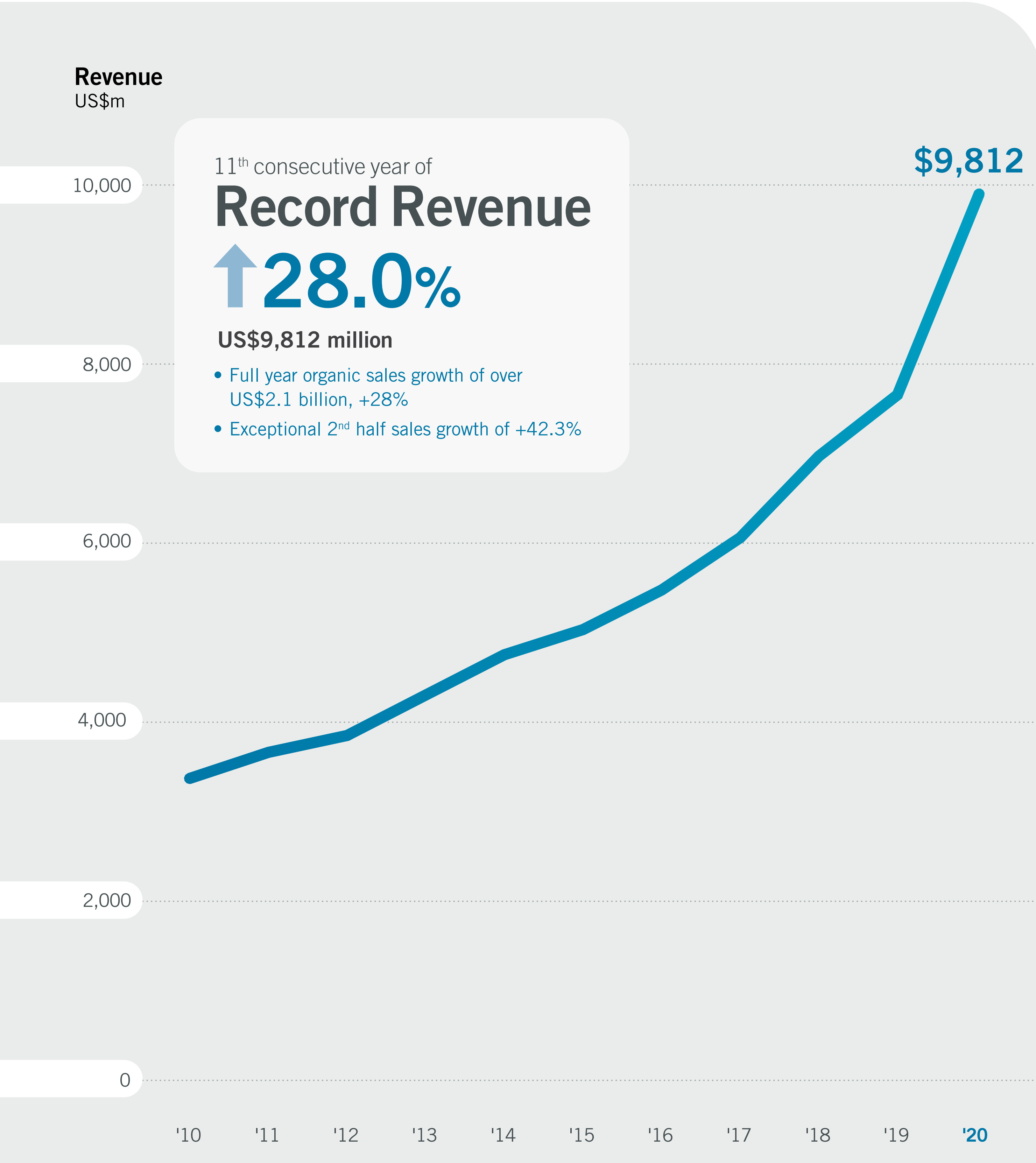
Contents

Company Profile

Techtronic Industries Company Limited (the “Company”, the “Group” or “TTI”) is a fast-growing world leader in Power Tools, Accessories, Hand Tools, Outdoor Power Equipment, and Floorcare for Do-It-Yourself (DIY), professional and industrial users in the home improvement, repair, maintenance, construction and infrastructure industries. The Company is committed to accelerating the transformation of these industries through superior environmentally friendly cordless technology. The TTI brands like MILWAUKEE, RYOBI and HOOVER are recognized worldwide for their deep heritage and cordless product platforms of superior quality, outstanding performance, safety, productivity and compelling innovation.

Founded in 1985 and listed on the Stock Exchange of Hong Kong (“SEHK”) in 1990, TTI is included in the Hang Seng Index as one of their constituent stocks. The Company maintains a powerful brand portfolio, global manufacturing and product development footprint, healthy financial position with record 2020 worldwide sales of US$9.8 billion and over 48,000 employees.

Financial Highlights



For the year ended December 31, 2020

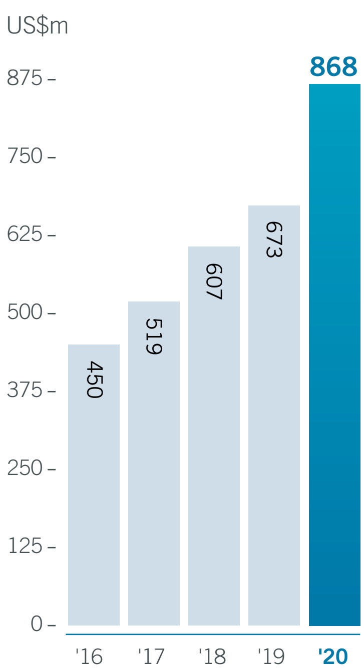
	2020 US$' million	2019 US$' million	Changes
Revenue	**9,812**	7,667	**+28.0%**
Gross profit margin	**38.3%**	37.7%	**+52 bps**
EBIT	**868**	673	**+29.0%**
Profit attributable to Owners of the Company	**801**	615	**+30.2%**
Basic earnings per share (US cents)	**43.80**	33.67	**+30.1%**
Dividend per share (approx. US cents)	**17.37**	13.26	**+31.1%**

EBIT

29.0%

US$868 million

An increase of 29.0% as compared to US$673 million in 2019

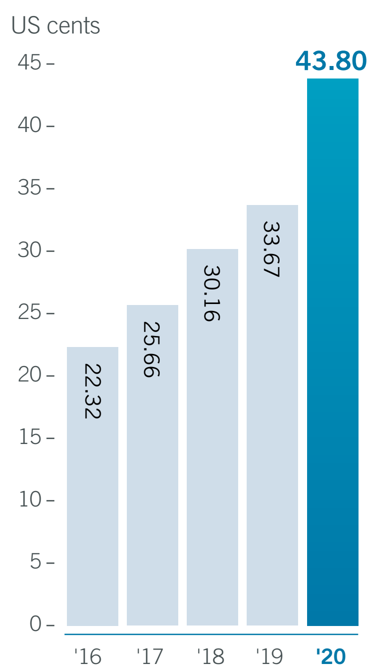


Basic earnings per share

30.1%

US43.80 cents

Delivered the thirteenth consecutive year of record basic EPS

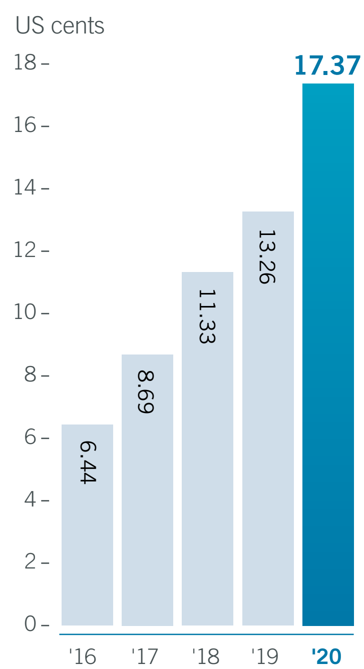


Dividend per share

31.1%

US17.37 cents

The final dividend is US10.55 cents per share



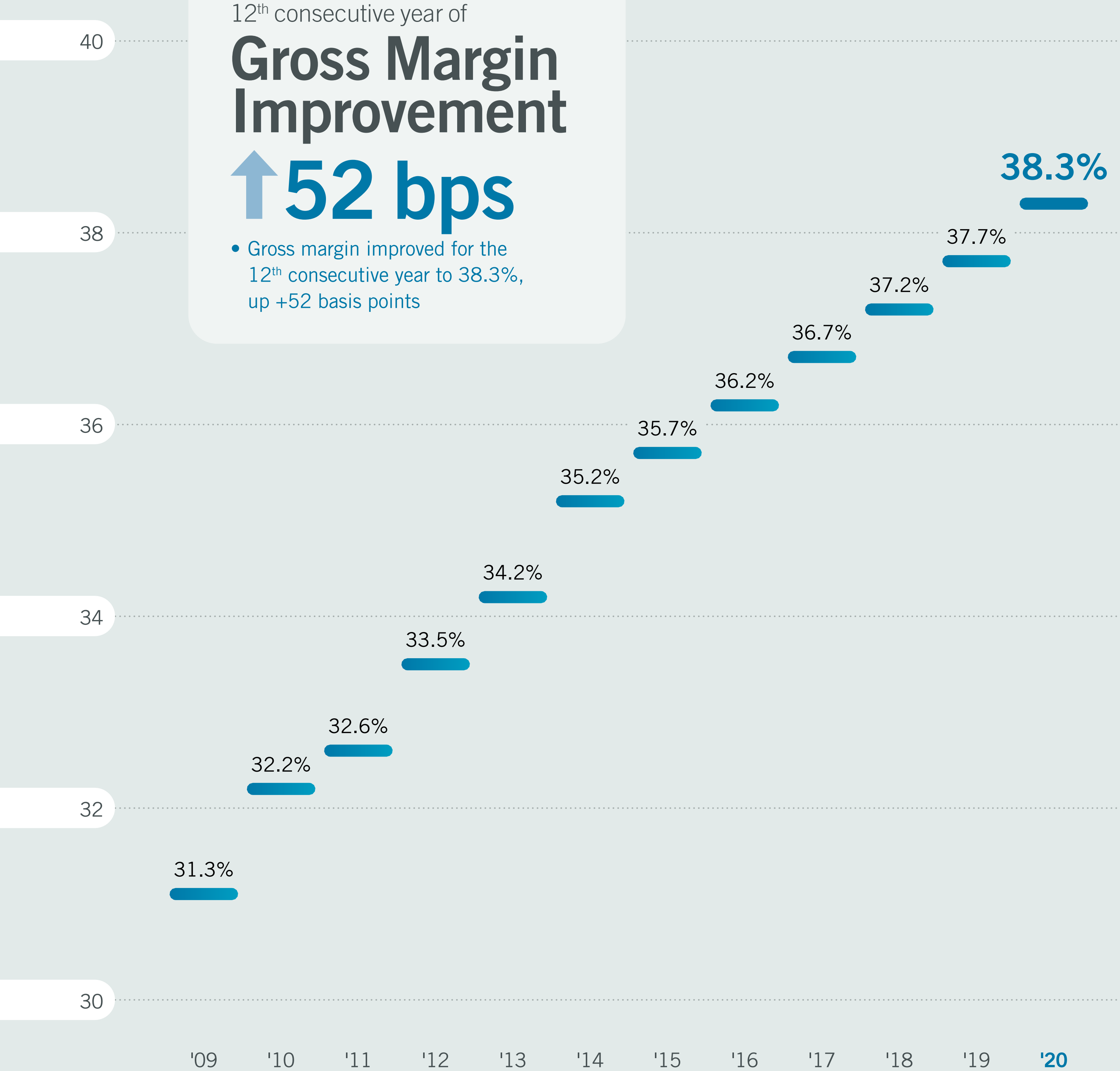
Gross Profit Margin
%

12th consecutive year of

Gross Margin Improvement

↑52 bps

- Gross margin improved for the 12th consecutive year to 38.3%, up +52 basis points



For the year ended December 31, 2020

Net Profit
US$m

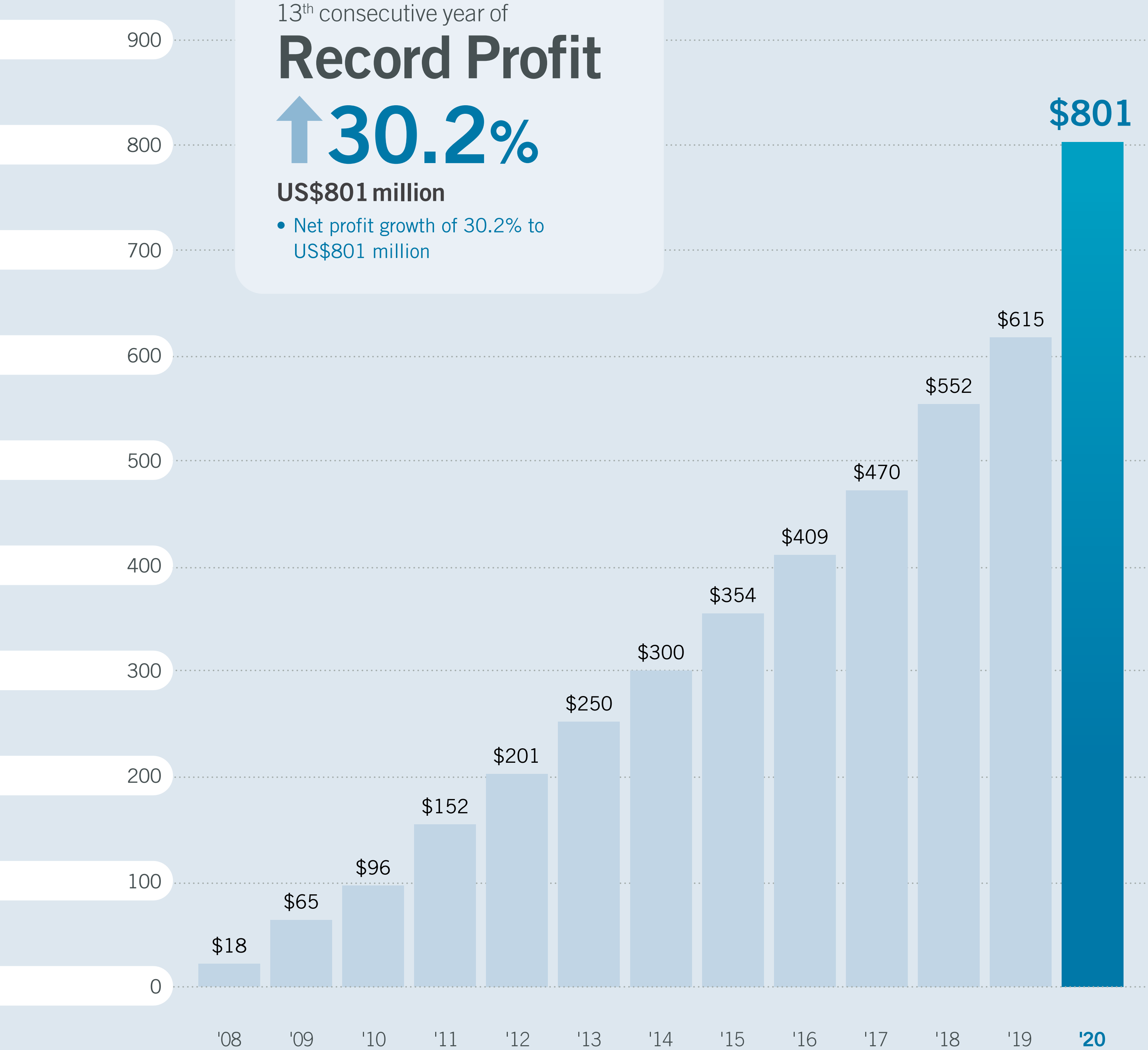
13th consecutive year of

Record Profit

30.2%

US$801 million

- Net profit growth of 30.2% to US$801 million



For the year ended December 31, 2020

Chairman's Statement

"We are positioned to capitalize on the many growth opportunities we have identified in the months and years ahead."

I am pleased to announce that 2020 was an outstanding year for TTI with exceptional revenue and profit growth.

We reported sales of US$9.8 billion, an increase of 28.0%. Our second half sales grew an exceptional 42.3%, outpacing the market. Increased strategic investment in new product, manufacturing capacity, geographic expansion, and our in-field marketing initiatives is the driving force behind our industry leading extraordinary growth.

TTI continued to strengthen its global leadership position with robust sales growth in every business unit and in all geographic regions. North America delivered growth of 29.5%, EMEA grew 19.1% and ROW grew 30.6%. Our Power Equipment business, representing 89.0% of total sales, grew 28.5% to US$8.7 billion. Our MILWAUKEE Professional, the RYOBI DIY, and the RYOBI Outdoor businesses all delivered double-digit growth. Our Floorcare business produced sales growth of 23.6% to US$1.1 billion.

Gross margin improved for the 12th consecutive year, from 37.7% in 2019 to 38.3% in 2020. This gross margin improvement is a direct result of the launching of high margin new product, disciplined mix management, exceptional productivity gains and volume leverage. Additionally, our relentless focus on operational excellence improved productivity throughout our operations.

A major strategic initiative for TTI is our commitment to building out a world class e-commerce capability. We achieved fantastic traction with e-commerce and Buy Online Pickup In Store (BOPIS). We have worked closely with our customers, capitalizing on the accelerated shift to online and BOPIS. An example of our world class leadership in e-commerce is The Home Depot presenting us with their Omnichannel Interconnected Partner of the Year award in 2020.

Our Response to COVID

When it became clear that the coronavirus was a global issue, our immediate priority was to focus on the safety of our employees, their families, our customers and end users. We are incredibly proud of the way our global team managed throughout this pandemic, staying safe while supporting our customers.

Starting in April 2020, we made a bold decision to further accelerate investment in additional sales/field marketing specialists, engineers, new product development resources and geographic expansion to seize market share and drive above market growth. We also made the bold decision to aggressively expand manufacturing capacity in China, Vietnam, Mexico, and North America and we invested in higher levels of inventory to better serve our customers.

Financial Performance

EBIT increased 29.0% to US$868 million, with the EBIT margin improving by 10 basis points to 8.9%. Net Profit rose 30.2% to US$801 million, with earnings per share increasing 30.1% over 2019 to US43.80 cents. We invested in inventory to support our above market growth levels, while working capital management remained best-in-class at 14.0% of sales.

Outlook

We are well positioned to continue outperforming the market, with a strong balance sheet and a disciplined fixed and working capital management process. We are positioned to capitalize on the many growth opportunities we have identified in the months and years ahead.

I would like to thank our customers, end users, suppliers, shareholders, Board and entire TTI organization for another outstanding year. Our dedicated, skilled and passionate teams across the globe are enabling us to achieve outstanding results. It is our unrelenting bold vision, customer focus and business momentum that will make 2021 another successful year and position TTI with exciting opportunities in the decade to come.

Horst Julius Pudwill
Chairman
March 3, 2021

Chief Executive Officer's Message

"To achieve growth and global expansion like ours is a testament to the quality of our team, strength of our culture and the crystal-clear focus of our strategy."

2020 was clearly a breakout year for TTI. In just twelve months, we grew sales organically by US$2.1 billion, while improving gross margin and net profit. This extraordinary performance was driven by our unwavering strategic focus on cordless technology.

We are leading the revolution from traditional power sources to cordless in power tools, light equipment, outdoor products and cleaning. Our technologically advanced cordless products drive our sales and gross margin improvement, which funds additional strategic SG&A investments in R&D, new product development and in-field marketing specialists, creating a virtuous cycle of growth. It is through our bold strategic direction, operational excellence, and exceptional team that TTI has consistently delivered on our financial goals of outgrowing the market, driving gross margin improvement, and growing profit faster than sales.

Cordless Leadership

We are obsessively focused on developing advanced, demonstrably better, technologically superior cordless products. In 2020, our MILWAUKEE brand became the fastest growing and #1 Professional Tool Brand in the world, while RYOBI extended its leadership position as the largest global DIY Tool Brand. Our drive for advancing cordless technology continues to intensify. When one version of a product launches in the market, we immediately focus on the engineering of the next generation with improved run-time, power, speed, life, compactness and other breakthrough features. Examples of these advancements include our recently launched next generation RYOBI High Performance (HP) Brushless series, our next generation MILWAUKEE M18 FUEL SAWZALL, the revolutionary MILWAUKEE MX FUEL Light Equipment System, and our leadership range of RYOBI cordless mowers.

In addition to our relentless focus on advancing cordless technology, we also continue to deploy our geographic expansion strategy. When we enter a new strategic market, we enter aggressively with a strong team to rapidly develop the market. Our geographic expansion efforts are an ongoing success at TTI.

Hiring the Best

We viewed 2020 as an opportunity to bolster our talent pool and recruit the very best off of college campuses across the globe. Our top focus was hiring newly minted engineers. We've built out a vastly superior global engineering capability with R&D Centers located around the US, Europe, Australia, Vietnam and China. In 2020, we augmented our engineering powerhouse with over six hundred newly recruited engineers who drive technological advancements and accelerate the pace of our new product launches. These high potential electrical engineers, software development engineers and other technical engineering specialists have joined TTI from over 100 college campuses around the world.

In addition, while other companies pulled back on recruiting in 2020, we accelerated and hired 1,208 high-potential college graduates into our Leadership Development Program (LDP). Since its beginning thirteen years ago, the program has supported our growth by creating a pipeline of future leaders across the sales, marketing, engineering, purchasing, supply-chain, manufacturing, and finance disciplines. Today, some of these LDP graduates hold roles with increasing levels of responsibility up to vice presidents and presidents. We are committed to developing even more LDPs into meaningful leadership roles throughout the organization in 2021 and beyond.

Winning Culture

Our vision is to be number one in the industries we serve, and this drives a high-performance culture across all levels and functions of our organization. Our unique high-speed decision-making process supports our maniacal focus on developing superior cordless products and meeting high customer service level expectations. We view our winning culture as a competitive advantage that powers our growth.

This year, our team performed admirably through the challenges presented by the coronavirus pandemic while keeping the safety of our employees, their families, our customers and end users as the priority. I am incredibly proud of the way our team has adhered to all safety protocols, while engaging with customers and end users all over the globe.

Strategic Capacity Investments

In 2020, we made the bold decision to build out additional manufacturing capacity in support of our future growth. We invested in our world-class facility in China, while expanding operations in Vietnam, Mexico, Europe, and across the United States. Construction is currently underway on new greenfield manufacturing sites in Wisconsin and South Carolina that will further increase the agility of our operations network.

Our expanding global manufacturing footprint gives us the ability to produce high quality products with the flexibility to quickly react to changing geopolitical and environmental factors. All sites across the globe adhere to the TTI OPEX philosophy of driving productivity, delivering world class quality, and maintaining best-in-class service levels for our customers.

Sustainability

Our mission is to lead our industry in replacing high-polluting, fossil-fueled products with our environmentally friendly, clean cordless powered technology. We are reshaping sustainability into a core competency by embracing best Environmental, Social and Governance (ESG) practices. Our global organization understands that economic, social and environmental aims are all interrelated and firmly believes that our ability to grow and innovate is linked to our ESG performance.

A Bold Vision for the Future

In 2020, we dramatically outpaced the market. To achieve growth and global expansion like ours is a testament to the quality of our team, strength of our culture and the crystal-clear focus of our strategy. Our bold investments in new product development, manufacturing, geographic expansion and in-field marketing initiatives drove our growth and our position as industry leaders. We continued to strengthen our global leadership position with tremendous sales growth in every business unit and all geographic regions. Once again, we are thrilled with our 2020 performance, however we believe the next five years will be an amazing period for the company's sales and profit growth.

I feel incredibly fortunate for the partnership and alignment I share with our Chairman, Horst Pudwill, and Vice Chairman, Stephan Pudwill. It is a powerful competitive advantage to share the leadership responsibilities with these bold leaders, and we are all relentlessly focused on winning in cordless. I'd like to thank them both for their tremendous teamwork in 2020 and look forward to many more years of partnership ahead. Together, we share a vision for an incredible future, and we are confident the best is yet to come.

Joseph Galli Jr
Chief Executive Officer
March 3, 2021

A Bold Vision for the Future

It is through our bold strategic direction, operational excellence, and exceptional team that TTI has consistently delivered on our financial goals of outgrowing the market, driving gross margin improvement, and growing profit faster than sales.

Cordless Leadership

- MILWAUKEE brand became the fastest growing and #1 Professional Tool brand in the world
- RYOBI is the #1 DIY Tool brand in the world
- RYOBI is the #1 Cordless Lawn & Garden brand in the world
- Expanding the HOOVER and VAX ONEPWR cordless families

Hiring the Best

- 600 newly recruited engineers from top 100 college campuses worldwide
- LDP recruits 1,208 high potential graduates in 2020
- 5,292 LDP hired since 2007

Winning Culture

- Our vision is to be number one in the industries we serve
- High-speed decision making
- Maniacal focus on developing superior cordless products

Strategic Capacity Investments

- We further invested in our world-class facility in China
- Expanding operations in Vietnam, Mexico, Europe, and the United States
- TTI OPEX philosophy – drive productivity, delivers world class quality, maintains best-in-class service levels

Sustainability

- To lead our industry in replacing high-polluting, fossil-fueled products with clean-air lithium cordless products
- Sustainability strategy monitors activities and ESG performance against our goals
- Set environmental requirements for the design, construction and renovation of new buildings and plants

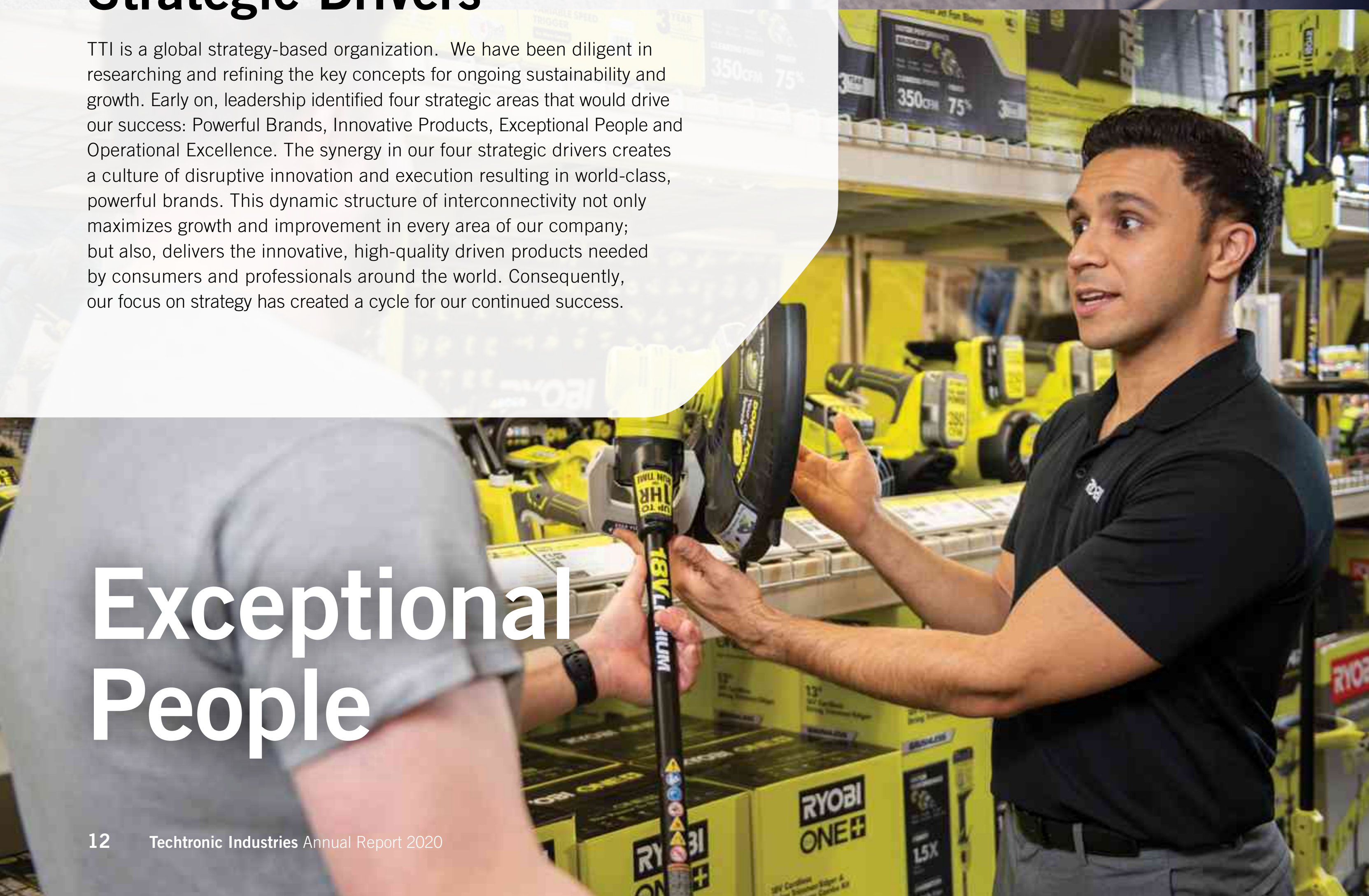
A Bold Vision for the Future

- Strong balance sheet and a disciplined fixed and working capital management process
- Tremendous sales growth in every business unit and all geographical regions
- Bold investments in new product development, manufacturing, geographic expansion and in-field marketing initiatives

Powerful Brands

Strategic Drivers

TTI is a global strategy-based organization. We have been diligent in researching and refining the key concepts for ongoing sustainability and growth. Early on, leadership identified four strategic areas that would drive our success: Powerful Brands, Innovative Products, Exceptional People and Operational Excellence. The synergy in our four strategic drivers creates a culture of disruptive innovation and execution resulting in world-class, powerful brands. This dynamic structure of interconnectivity not only maximizes growth and improvement in every area of our company; but also, delivers the innovative, high-quality driven products needed by consumers and professionals around the world. Consequently, our focus on strategy has created a cycle for our continued success.



Exceptional People

Innovative Products

Operational Excellence

TRADE VERTICAL INNOVATION:
DIVERSIFIED AND DISRUPTIVE

It all starts with the user. We don't make assumptions. Instead, we set out to deliver disruptive innovation by getting out on the jobsite, alongside trade professionals, to understand their challenges – the frustrations, needs, and previous limitations. We set out to completely rethink a solution with new-to-world technology and unparalleled levels of design and engineering. Whether it's bringing cordless power to traditionally corded or gas products and manual activities, or advances to fundamental tools and equipment, MILWAUKEE's focus is on working directly with users to help improve their productivity and safety.

PORTABLE PRODUCTIVITY
TRADE FOCUSED
SYSTEM WIDE

PERFORMANCE DRIVEN
TRADE FOCUSED
SYSTEM WIDE

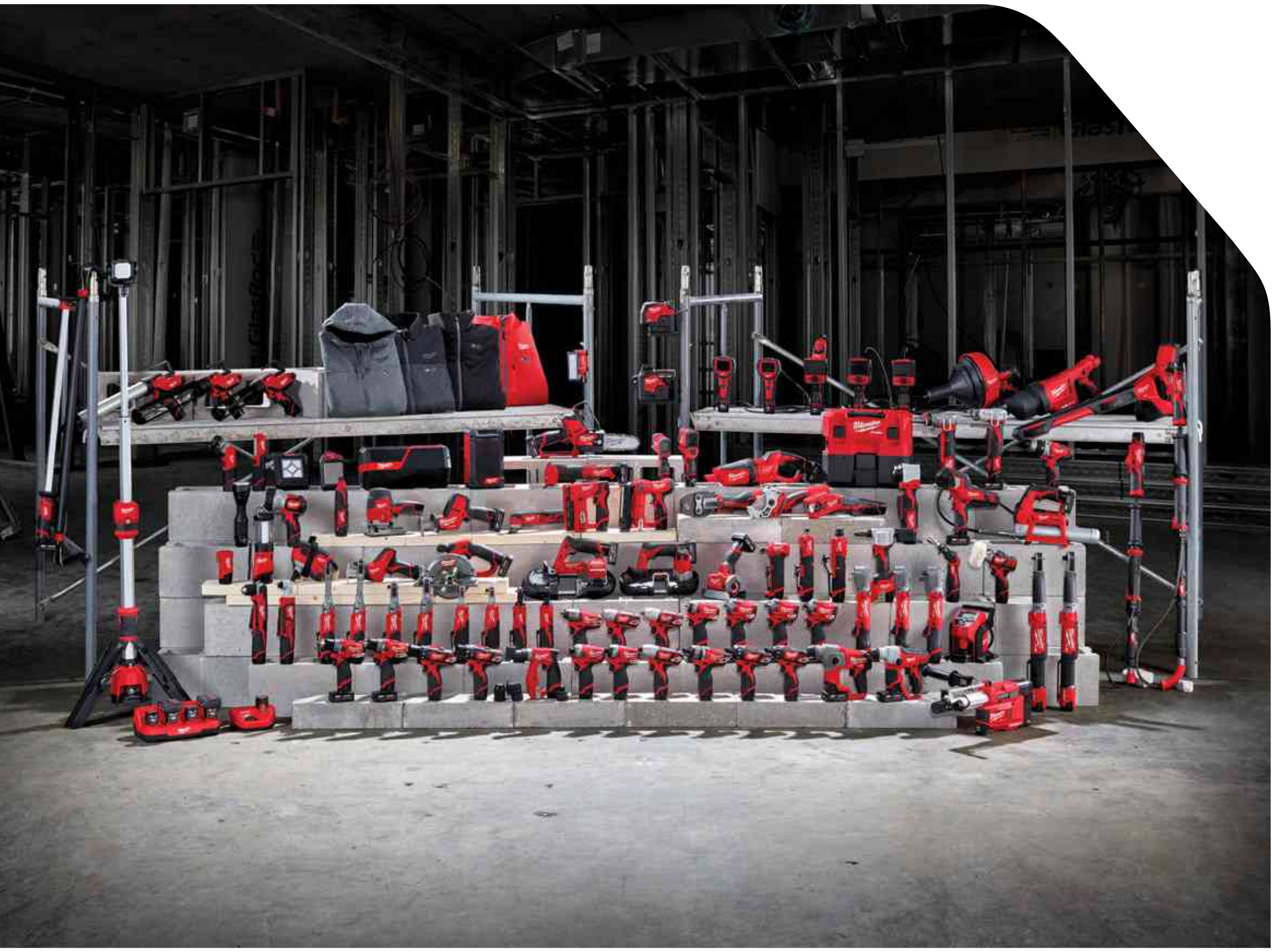
EQUIPMENT REDEFINED
TRADE FOCUSED
SYSTEM WIDE

PACKOUT™
MODULAR STORAGE SYSTEM

STAY SAFE.
STAY PRODUCTIVE.™


Plumbing
Electrician
Mechanical
HVACR
Power Utility
General Contractor
Residential Construction
Remodeler
MRO
AUTOMOTIVE • DIESEL • TIRE
Transportation Maintenance
AVIATION • MARINE • MASS TRANSIT

M12 CORDLESS SYSTEM



M12

PORTABLE PRODUCTIVITY
TRADE FOCUSED
SYSTEM WIDE
125 SOLUTIONS

The MILWAUKEE M12 System continues to introduce innovative solutions that deliver portable productivity and performance. For example, the newly launched M12 FUEL HATCHET 6" Pruning Saw delivers unmatched control, power, and versatility while meeting the demands of landscape maintenance professionals.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM batteries deliver more work over the life of the battery, no matter what the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package.

An advanced combination of hardware and software, REDLINK intelligence enables full-circle communication between our batteries and tools, allowing for unmatched levels of performance, protection and productivity.

M12 FUEL

1 POWERSTATE BRUSHLESS MOTOR

- MILWAUKEE designed and built brushless motor
- Outperforms all leading competitors

2 REDLINK PLUS INTELLIGENCE

- Most advanced electronic system on the market for maximum performance
- Total system communication with overload protection increases tool life
- Built-in fuel gauge displays remaining charge

3 REDLITHIUM CP2.0 & XC4.0 BATTERY PACKS

FITS M12 TOOLS

- Up to 2X run-time
- 20% more power
- Up to 2X more recharges than leading competitor
- Operates below -18ºC/0ºF

New Products

M12 FUEL
ProPEX® Expander Kit
w/ ½" – 1" RAPID SEAL
ProPEX® Expander Heads

M12 FUEL
High Speed Ratchet Kits

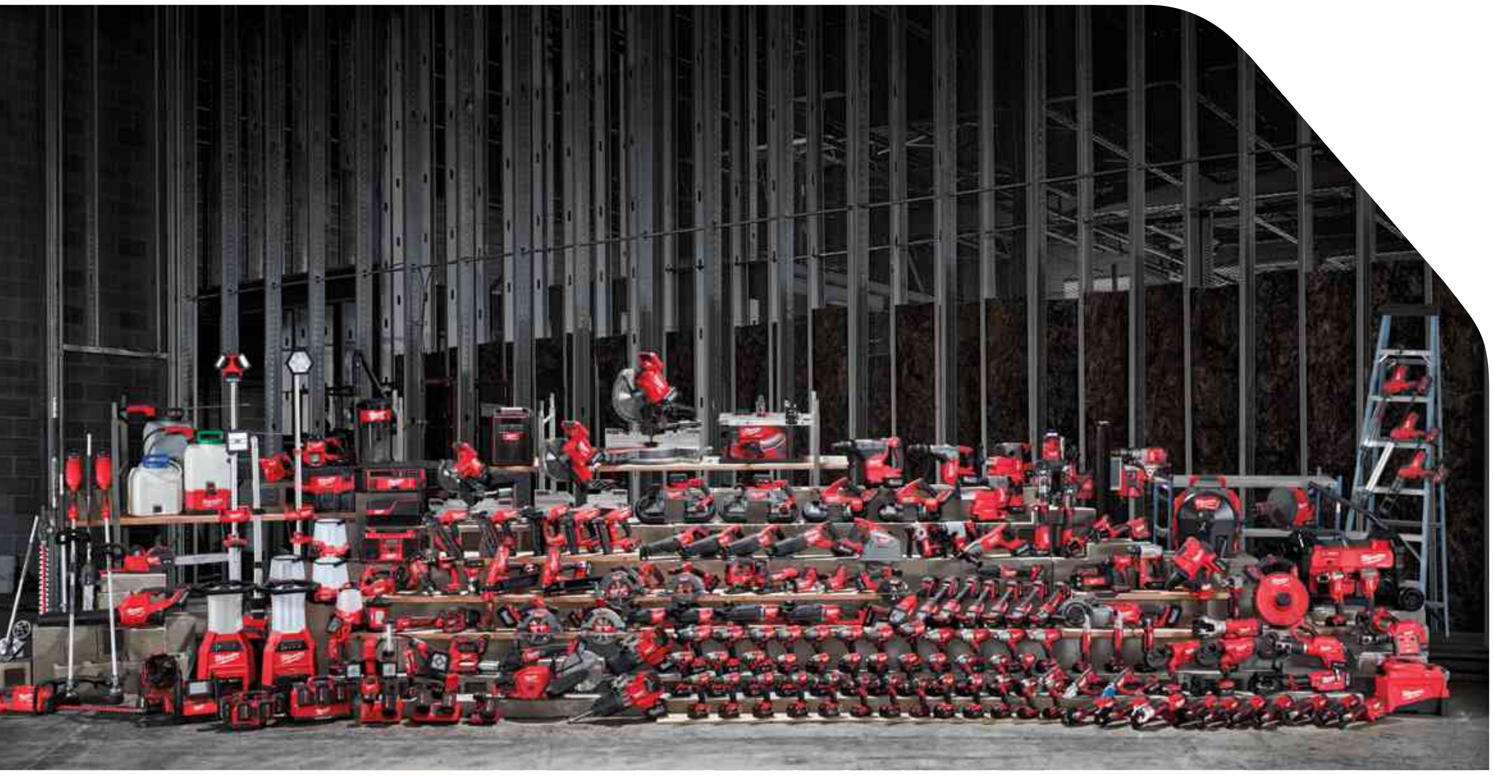
M12 FUEL
Low Speed Tire Buffer Kit

M12 FUEL
Compact Band Saw Kit

M12 FUEL
HATCHET 6" Pruning Saw Kit

M12
23 Gauge Pin Nailer Kit

M18 CORDLESS SYSTEM



M18 FUEL
21 Degree Framing Nailer Kit

M18 FUEL
SAWZALL Reciprocating
Saw Kit w/ ONE-KEY

M18 FUEL
30 Degree Framing Nailer Kit

M18™

PERFORMANCE DRIVEN
TRADE FOCUSED
SYSTEM WIDE
215 SOLUTIONS

The MILWAUKEE M18 Platform continued to grow with the launch of several best-in-class additions. In the cordless nailing category, our new M18 FUEL 30 and 21 Degree Framing Nailers and 18ga ¼" Narrow Crown Stapler all deliver powerful pneumatic performance professionals expect without the hassle of a compressor, hose or gas cartridge. We also launched the quietest cordless compressor on the market with our M18 FUEL 2 Gallon Compact Quiet Compressor. In addition to expanding into new product categories, we introduced next generation innovation to our legendary M18 FUEL SAWZALL Reciprocating Saw.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM batteries deliver more work over the life of the battery, no matter what the job.

Technology

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M18 FUEL

1 POWERSTATE BRUSHLESS MOTOR

- MILWAUKEE designed and built brushless motor
- Outperforms all leading competitors

2 REDLINK PLUS INTELLIGENCE

- Most advanced electronic system on the market for maximum performance
- Total system communication with overload protection increases tool life

3 REDLITHIUM XC5.0 BATTERY PACK
FITS M18 TOOLS

- Most durable pack on the market
- Over 2X more recharges than leading competitor
- Fuel gauge displays remaining charge
- Operates below -18℃/0℉

New Products

M18 FUEL
¼" Blind Rivet Tool
w/ ONE-KEY Kit

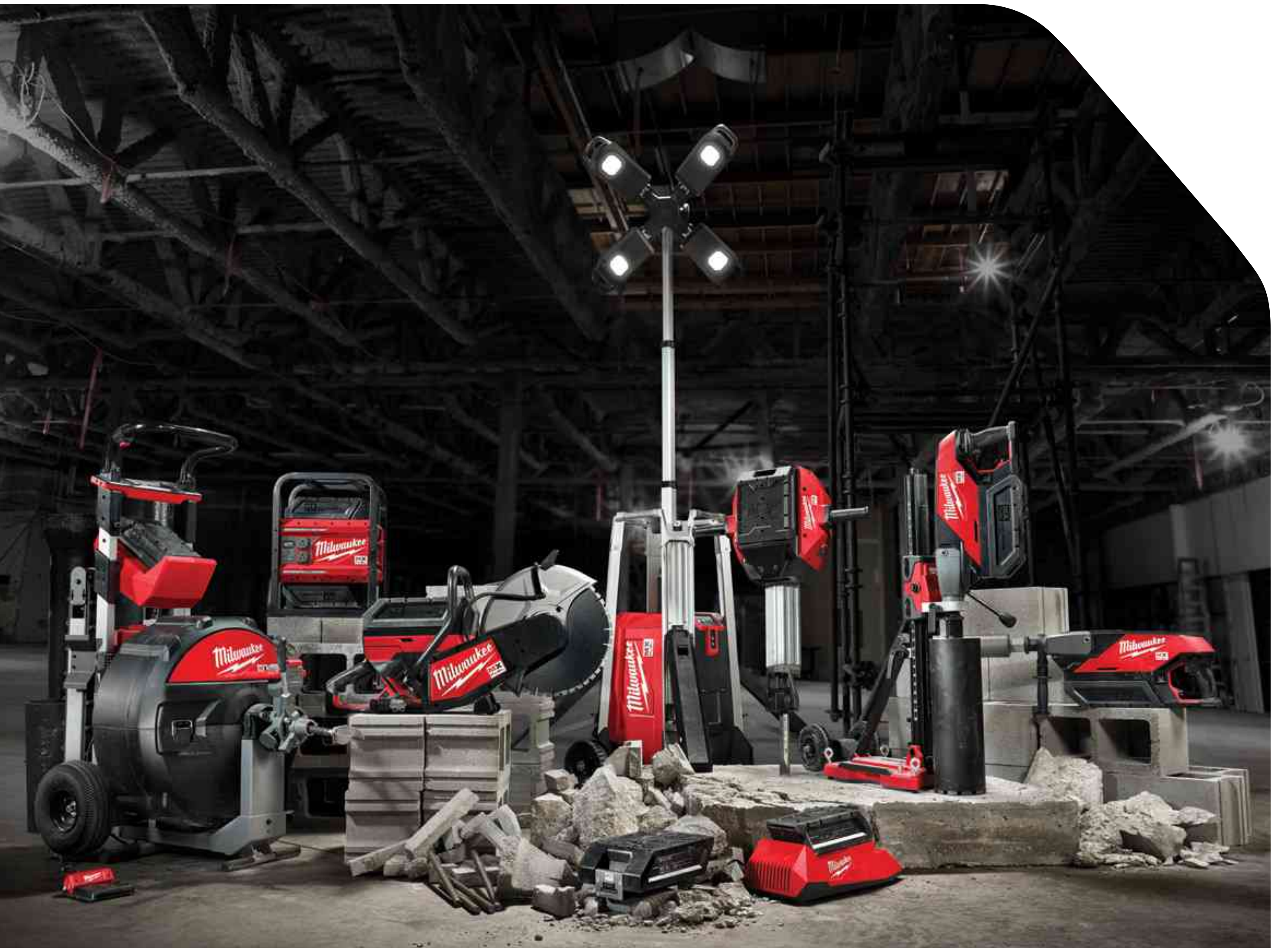
M18 FUEL
4-½" / 5" Grinder Slide
Switch, Lock-On Kit

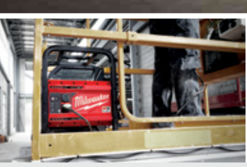
M18 FUEL
SAWZALL Reciprocating Saw
w/ ONE-KEY

M18 FUEL
1" SDS Plus Rotary Hammer
w/ ONE-KEY Kit

M18 FUEL
1" SDS Plus Rotary Hammer
w/ ONE-KEY & HAMMERVAC
Dedicated Dust Extractor Kit

MX FUEL CORDLESS SYSTEM





MX FUEL

EQUIPMENT REDEFINED TRADE FOCUSED SYSTEM WIDE

With the launch of the industrial MILWAUKEE MX FUEL Equipment System, we entered the multi-billion-dollar light equipment space. This platform's disruptive cordless technology replaces traditional gas and corded power sources and has been well received by industrial users all over the world.

Cordless Platforms

They last longer, think faster and work harder than all other professional lithium-ion batteries. Built to withstand even the harshest environments, REDLITHIUM batteries deliver more work over the life of the battery, no matter what the job.

Technology

Highly advanced motor technology boosts efficiency, generating more power from a compact power source. That means the ultimate performance, durability and run-time comes in a smaller, lighter package.

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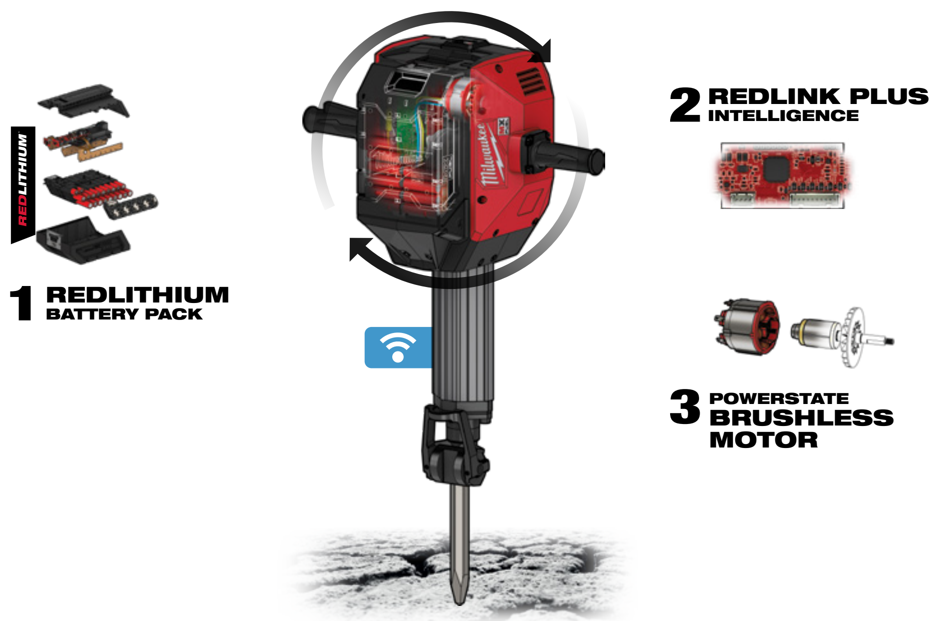


New Products

MX FUEL
14" Cut-Off Saw Kit

MX FUEL Handheld Core Drill Kit

MX FUEL
Breaker Kit

MX FUEL
CARRY-ON 3600W/1800W
Power Supply Kit

MX FUEL
Sewer Drum Machine
w/ POWERTREDZ Kit for
⅝" – ¾" Cables

MX FUEL
Sewer Drum Machine
Kit for ⅝" – ¾" Cables

MX FUEL
ROCKET Tower
Light/Charger Kit

STORAGE AND SAFETY

Storage

The revolutionary MILWAUKEE PACKOUT Storage System continues to expand to meet the professional's growing tool storage, transportation and organizational needs. New innovations to the system of over 36 interchangeable products include the PACKOUT Customizable Work Surface, PACKOUT 16QT Cooler, M18 PACKOUT Light/Charger and PACKOUT 2-Wheeled Cart.

New Products

PACKOUT
2-Drawer Tool Box

PACKOUT
3-Drawer Tool Box

PACKOUT
Racking Kit

Safety

MILWAUKEE is committed to keeping professionals safe on the job by offering over 500 solutions in the categories of hard hats, eye protection, hearing protection, high visibility vests, respirators, and work gloves. Each PPE solution has been developed with a deep understanding of user's needs, allowing us to introduce needed innovations like fog-free safety glasses, impact rated gloves and many more.

New Products

Red 2-Layer Face Mask

3-Layer Performance Face Mask

LASERS AND ACCESSORIES

M12 and REDLITHIUM USB Laser

MILWAUKEE continues to drive layout innovation with the introduction of M12 and REDLITHIUM USB Lasers. M12 Lasers deliver all-day run-time, best visibility, and faster set-up. The USB Rechargeable solutions are designed to tackle frustrations with current alkaline-powered solutions, eliminating the dependency on disposable batteries. All MILWAUKEE lasers are engineered with a focus on power, visibility, and set-up in order to increase productivity on the jobsite.

New Products

M12
Green Laser Kit –
Cross Line & Plumb Points

M12
Green Laser Kit –
360 Degree 3-Plane

USB Rechargeable
Green Laser – 3-Point

USB Rechargeable
Green Laser – Cross Line

USB Rechargeable
Green Laser – Cross Line
& Plumb Points

SHOCKWAVE IMPACT DUTY Sockets

The new SHOCKWAVE IMPACT DUTY 6 Point Socket Lineup is available in ¼", ⅜", ½", ¾", and 1" drives. The SHOCKWAVE IMPACT DUTY Sockets provide maximum wear resistance with stamped and ink-filled size markings, making it easier for users to select the right socket for their application throughout the entire life of the socket. Constructed with high-strength forged steel, these sockets deliver optimized performance in heavy-duty applications, and a non-slip hex geometry prevents socket and fastener rounding. For easy socket attachment and removal, the sockets are complete with a dual-hole design and ring groove.

New Products

12 Pc SHOCKWAVE
IMPACT DUTY ⅜" Drive SAE
6 Point Standard Socket Kit

19 Pc SHOCKWAVE IMPACT
DUTY ½" Drive SAE
6 Point Deep Socket Kit

29 Pc SHOCKWAVE
IMPACT DUTY ½" Drive Metric
6 Point Deep Socket Kit

RYOBI

SETTING THE BAR HIGH

RYOBI specializes in making pro-featured power tools and outdoor products truly affordable. We're the brand of choice for millions of homeowners and DIYers. Using cordless lithium-ion technology, RYOBI's 18V ONE+ Cordless System powers through almost anything to meet our consumers' needs. With 175 ONE+ tools including the new line of HP tools, RYOBI is continually innovating our products and finding their way into workshops and jobsites.

As the #1 Cordless Mower brand, RYOBI is an industry leader in the Outdoor Power Equipment category. Superior 40V tools exceed consumer's expectations by delivering GAS-LIKE POWER along with fade-free, long-lasting performance. Part of the 40V Cordless System, the new 40V HP tools and batteries are compatible with 50+ RYOBI 40V tools.

18V ONE+

18V ONE+ HP

175 18V ONE+ TOOLS

40V

40V HP

POWERS 50+ 40V PRODUCTS

Remodel

Hobby & Craft

Lifestyle

Pro

Maintenance
& Repair

Home Additions
& Improvements

Automotive

Fastening

Outdoor Tools

Plumbing

Electrical

Lighting

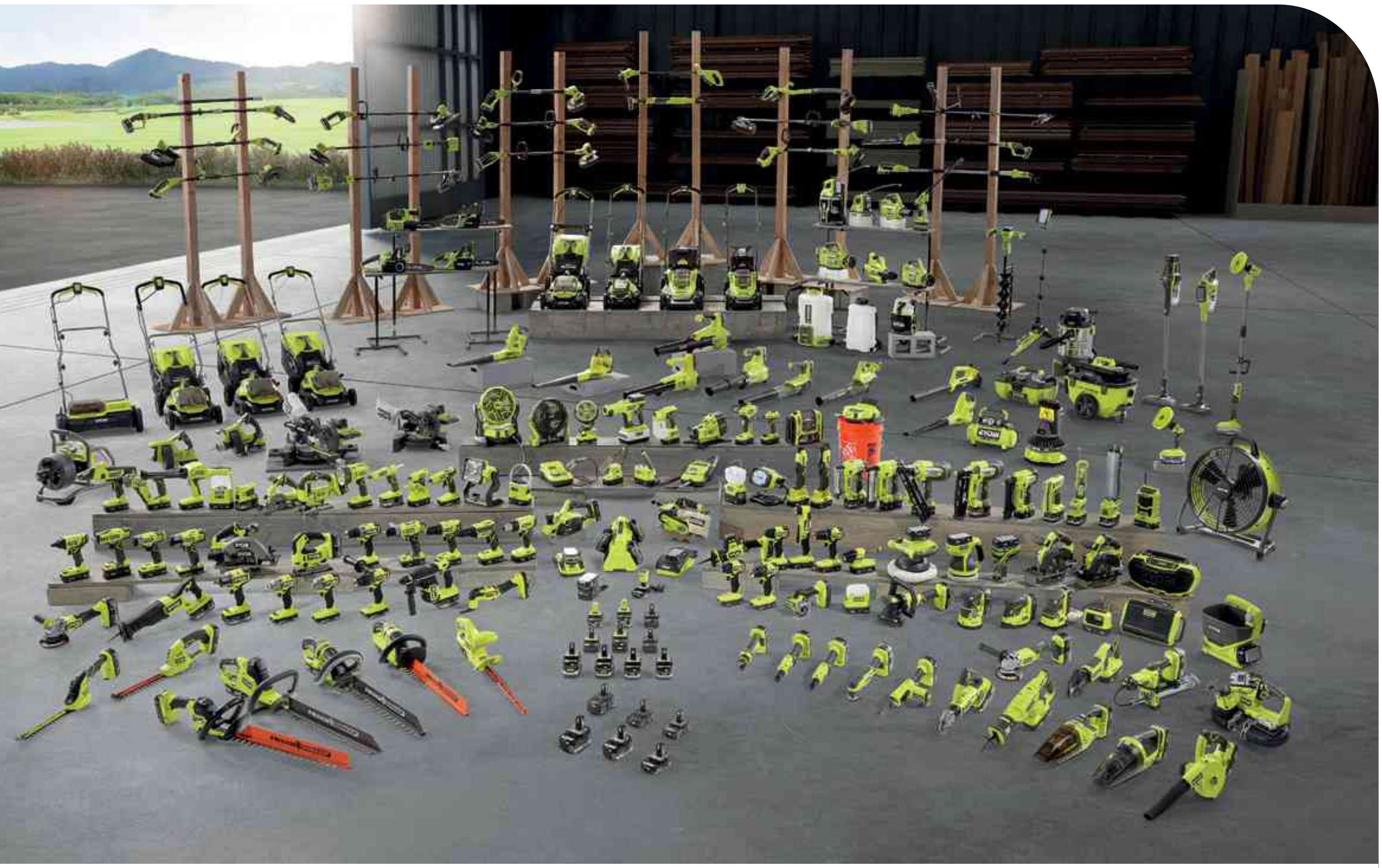
Paint Prep

Cleaning

Floorcare

Audio

RYOBI 18V ONE+ Cordless System



18V ONE+

The Power To Do More.

Today, RYOBI 18V ONE+ is the #1 Consumer Power Tool brand in the world. Featuring 175 innovative product solutions, RYOBI provides the ultimate in versatility and selection to get the job done. Millions of DIY enthusiasts and pros worldwide look to ONE+ to power through almost anything – from the home to the jobsite to out in the yard or on the go, RYOBI ONE+ is the system that gives users "The Power To Do More".

Cordless Platforms

The RYOBI 18V ONE+ System features 175 innovative product solutions, giving you the ultimate in versatility and selection to get the job done. With cordless lithium-ion technology, RYOBI powers through almost anything.

From drilling, driving, cutting and fastening to lighting, plumbing, cooling and cleaning to trimming, edging, mowing and clearing, RYOBI ONE+ is the system users can rely on.

Technology

RYOBI delivers meaningful innovation through a product development process focused on meeting unmet user needs at a best-in-class value.

Quality components, motors, and lithium-ion batteries increase productivity, performance, and run-time across the expansive 18V ONE+ lineup.

End Users

- Remodel
- Hobby & Craft
- Lifestyle
- Pro
- Maintenance & Repair
- Home Additions & Improvements
- Automotive
- Fastening
- Outdoor Tools
- Plumbing
- Electrical
- Lighting
- Paint Prep
- Cleaning
- Floorcare
- Audio

New Products

18V ONE+ HP Compact Brushless ½" Hammer Drill

18V ONE+ ⅜" Ratchet

18V ONE+ Handheld Sprayer

18V ONE+ Bluetooth Speaker

18V ONE+ EZClean Power Cleaner

18V ONE+ Precision Rotary Tool

18V ONE+ 5" Variable Speed Dual Action Polisher

18V ONE+ HP 6" Brushless Auger

RYOBI 40V Cordless Outdoor System

40V

GAS-LIKE PERFORMANCE. CORDLESS CONVENIENCE.

From the #1 Cordless Lawn & Garden Brand in the world, RYOBI's 40V lineup sets the bar for performance and innovation. Our 40V Lithium tools deliver superior run-time and performance, providing consumers freedom from gas-powered outdoor equipment. Today, there are 50 innovative products in the system that can be powered by any RYOBI 40V lithium-ion battery. Our 40V system makes it convenient to transition from gas to cordless to handle all consumers' lawn and garden needs.

Cordless Platforms

The RYOBI 40V System puts the power in your hands to tackle yardwork and more demanding jobs without having to plug-in or fill-up. With 50 innovative tools and counting, each product is engineered to deliver GAS-LIKE POWER for superior performance and fade-free run-time – from first cut to last. What's more, our 40V lithium-ion battery fits every charger and powers every RYOBI 40V tool. It's what you would expect from RYOBI.

POWERS 50+ 40V PRODUCTS

Technology

RYOBI takes cordless technology to the next level with the new 40V lithium-ion and 40V HP Outdoor Series. These lithium-ion battery tools are easier to use, more environmentally friendly, and have the power and run-time of gas to help our consumers complete all their outdoor projects.

End Users

- Do-It-Yourself Homeowners
- Garden Enthusiasts

New Products

40V HP

40V HP Brushless 21" Cross Cut Self-Propelled Mower

40V HP

40V HP Brushless 18" Chainsaw

40V HP

40V HP Brushless Carbon Fiber Attachment Capable String Trimmer

40V 1800 Watt Power Station

40V Brushless 21" Snow Blower

40V Brushless Backpack Blower

RYOBI 18V ONE+ & 40V Cordless Mowers

18V ONE+ 40V

As the industry's #1 Cordless Mower Brand, RYOBI has built upon our impressive product offering. We continue to invest in brushless technology – where power and performance meet cordless convenience in this next generation of mowers.

Cordless Platforms

The RYOBI 18V ONE+ & 40V System Mowers use cordless lithium-ion technology and brushless technology, which enables our users to power through their lawn care projects on a single charge.

Technology

Our new 18V ONE+ HP Brushless and 40V HP Brushless Mowers utilize advanced cordless technology and superior ergonomics to deliver high-performance equipment and a premium user experience like never before. With brushless motor technology, our consumers achieve GAS-LIKE POWER to tackle all their lawn care needs.

RYOBI #1 CORDLESS MOWER BRAND

18V ONE+
13" Push Mower

ONE+ HP

18V ONE+ HP Brushless
16" Push Mower

40V Brushless 20"
Push Mower

40V HP Brushless
20" Self-Propelled Mower

40V Brushless
21" Self-Propelled Mower

40V HP

40V HP Brushless
21" Cross Cut SmartTrek
Self-Propelled Mower

RYOBI 18V ONE+ HP & 40V HP Platforms

18V ONE+ HP 40V HP

High Performance. Advanced Technology.™

RYOBI set the standard for power, performance, and innovation in its class with the introduction of the 18V ONE+ HP Brushless and 40V HP Brushless products. The High Performance (HP) tools are optimized to deliver longer run-time and more work per charge, with an ergonomic design for comfort during extended use without compromising on performance. In parallel, we harnessed the same technology to elevate our high voltage 40V lineup of products with the introduction of the 40V HP Brushless tools. The 40V HP Brushless Tools harness GAS-LIKE POWER and deliver maximum run-times without the hassle of a traditional gas unit.

18V ONE+ HP Brushless
½" Hammer Drill

18V ONE+ HP Brushless
4-Mode ½" Impact Wrench

18V ONE+ HP Brushless
1" SDS-Plus Rotary Hammer

18V ONE+ HP Compact
Brushless Cut-Off Tool

18V ONE+ HP Compact
Brushless ⅜" Right Angle Drill

18V ONE+ HP Compact
Brushless One-Handed
Reciprocating Saw

18V ONE+ HP Brushless
Blower

18V ONE+ HP Brushless
16" Mower

40V HP Brushless
Carbon Fiber String Trimmer

40V HP Brushless
18" Chainsaw

40V HP Brushless
21" Cross Cut SmartTrek
Self-Propelled Mower

RYOBI 18V ONE+ HP & 40V HP Technology

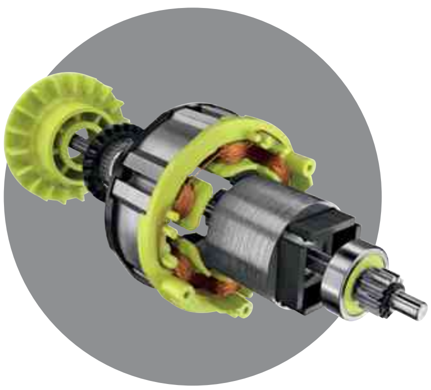
18V ONE+ HP 40V HP

High Performance. Advanced Technology.™

The 18V ONE+ HP and 40V HP platforms combine high-performance brushless motors, advanced technologies, and superior ergonomics to deliver a best-in-class user experience. In other words, RYOBI's 18V ONE+ HP and 40V HP products enable DIYers, weekend warriors, homeowners, and pros alike to make more cuts and drive more screws on a single charge than ever before. The 40V HP Brushless products allow users to tackle yardwork and lawn maintenance without having to plug-in or fill-up.

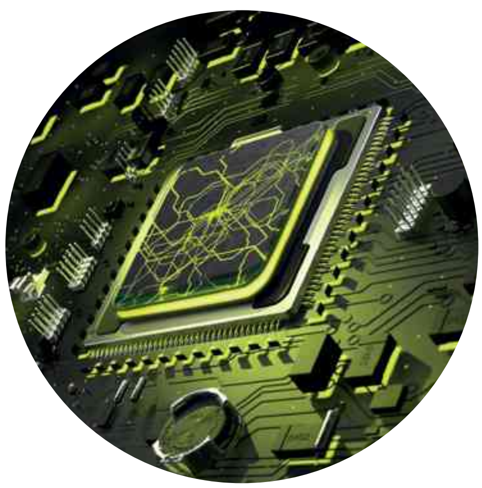
Technology

RYOBI 18V ONE+ HP and 40V HP Brushless products deliver a premium user experience through the combination of powerful brushless motors, advanced electronics, and high-performance lithium-ion battery technology. This powerful combination allows users to get more work done per charge with increased performance.



Brushless Motor Technology

More power, longer run-time, and longer motor life. Our brushless motors give you increased performance and a premium user experience. Brushless motors not only deliver more power, they are lighter and more compact than brushed motors, allowing users to work longer and more efficiently.



Advanced Electronics

The advanced electronics in our 18V ONE+ HP tools and 18V Lithium High Performance Batteries allow users to maximize performance in all applications.

Superior Ergonomics

RYOBI designed these tools for best-in-class ergonomics, without compromising on performance.

High Performance Lithium-Ion Battery Technology

RYOBI 18V Lithium High Performance Batteries provide up to 4X run-time and 30% more power, in a lighter weight and more ergonomic design than previous generations of RYOBI 18V ONE+ batteries.

Cordless Cleaning






HOOVER Cordless Cleaning

In 2020, HOOVER expanded its successful ONEPWR compatible cordless line with several accessory products and two core hero products.

The HOOVER EVOLVE Cordless Vacuum blends the power and capacity of a full-size upright with the lightweight convenience of a stick vacuum in a free-standing form.

The HOOVER Cordless HEPA Bagged Upright is the first cordless bagged vacuum. With its sealed bagged system, it captures and contains dirt, dust and irritants for safe and convenient disposal.

Leading the Cordless Cleaning Charge

The HOOVER brand boasts a cordless system of innovative high-performance cleaning products that all work with the same powerful lithium-ion ONEPWR battery.

In 2020, HOOVER continued to lead the world's cordless cleaning market by developing more powerful and effective cord-free cleaning tools for use in and around the home.

Technology

The ONEPWR battery allows the HOOVER brand to power a full lineup of cleaning tools with a single removable, replaceable lithium-ion battery.

vax®

Cordless Cleaning

The powerful ONEPWR battery powers a variety of VAX cordless cleaning products. The system is led by the VAX BLADE 4 range which represents VAX's best performing cordless stick vac, boasting up to 90 minutes of run-time and is proven to clean carpets better than the UK's top 3 best-selling cordless vacuums.

Carpet Washing

HOOVER Carpet Washing

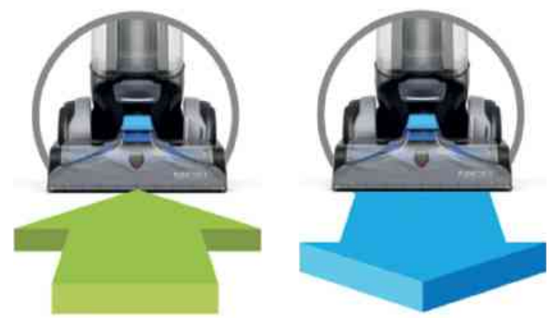
HOOVER continues to change the landscape of carpet washing to address the various needs of consumers. The iconic brand offers compact carpet cleaners for quick, high-traffic carpet cleaning, full-size carpet washers for larger areas and spot cleaners for spills, spots and stains.

In 2020, HOOVER built on the success of the SMARTWASH platform by adding a pet-specific model with a detachable pre-treat wand for spots and stains.

Technology

Automatic Carpet Washers

HOOVER was first-to-market with automatic, motion-sensing carpet washers. The SMARTWASH and SMARTWASH PET carpet cleaners dispense water and cleaning formula going forward. And they suction and dry as they're pulled back. It's as easy as vacuuming.



Push forward to wash **Pull back to dry**

Proprietary Cleaning Formulas

For the ultimate in cleaning performance, HOOVER carpet cleaning formulas have been specially developed to work with HOOVER Carpet and Spot Cleaners. HOOVER offers an extensive line for a variety of consumer use cases.

Carpet Washing

VAX is the UK's number one name in carpet washing. 2020 saw the launch of the new VAX PLATINUM SMARTWASH, VAX's best ever carpet washer which kills over 99% of bacteria and with next generation motion sense technology, it's effortlessly simple to use.

Review of Operations

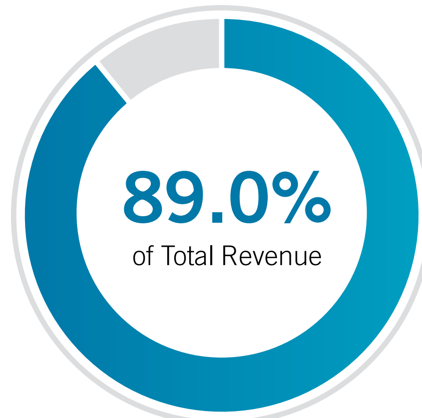
Power Equipment

MILWAUKEE M18 FUEL SAWZALL Reciprocating Saw w/ ONE-KEY

Our Power Equipment segment delivered sales growth of 28.5% to US$8.7 billion. During the period, we seized on the opportunity to aggressively invest in our business and grew operating profit 27.3% to US$844 million.

Sales in Power Equipment

US$8.7 billion



All geographies and all business units contributed to this tremendous performance. Based on our bold and aggressive investments, we believe MILWAUKEE is the #1 global Professional Tool brand and RYOBI is now the #1 DIY Tool brand worldwide.

MILWAUKEE Professional Business

The 25.8% growth in our flagship MILWAUKEE Professional business was propelled by our innovative new products. In 2020, we expanded our industry leading M18 and M12 cordless product platforms while introducing the breakthrough cordless MX FUEL Equipment System. We also expanded our existing line up of power tool accessories, PACKOUT storage solutions, Personal Protective Equipment (PPE) and mechanics hand tools. These new product introductions, combined with our focus on end user conversions and strong commercial execution, drive the exciting growth momentum of this business.

MILWAUKEE Personal Protective Equipment

MILWAUKEE MX FUEL Handheld Core Drill allows you to core with more confidence than ever before. A patented clutch and AUTOSTOP technology deliver a safer handheld coring experience. They provide you with maximum control and prevent over-rotation in case the core drilling machine gets bound up.

Power Tools

Our MILWAUKEE Professional business continued to convert users from traditional power sources including corded, pneumatic, hydraulic and petrol tools to our lithium cordless battery technology. Leading the way is the MILWAUKEE M18 system with 213 tools on the platform, the M12 system with 125 tools and the MX FUEL range with 10 products.

The MILWAUKEE M18 platform continued to launch a series of best in class additions. For example, in the cordless nailing category, our new M18 FUEL Framing Nailers and Staplers all deliver powerful performance, eliminating compressors, hoses and gas cartridges. In addition to expanding into new product categories, we introduced our next generation M18 FUEL SAWZALL Reciprocating Saw.

We also expanded the MILWAUKEE M12 subcompact cordless platform with a series of innovative tools. One of the most successful innovative new products for the company was the exciting M12 FUEL HATCHET 6" Pruning Saw that is widely accepted in the professional landscaping industry.

MILWAUKEE M18 FUEL 21 Degree Framing Nailer

MILWAUKEE M12 FUEL HATCHET 6" Pruning Saw delivers unmatched control and access, has the power to cut 3" hardwoods, and delivers up to 120 cuts per charge. This electric pruning saw is designed to meet the ergonomic, performance, and durability needs of landscape maintenance professionals.

Storage

The MILWAUKEE PACKOUT storage system continues to expand to meet the professional's growing tool storage, transportation, and organizational needs. New innovations to the system of over 36 interchangeable products include the PACKOUT Customizable Work Surface, PACKOUT 16QT Cooler, M18 PACKOUT Light/Charger and PACKOUT 2-Wheeled Cart.


MILWAUKEE PACKOUT Modular Storage System with M18 PACKOUT Light / Charger

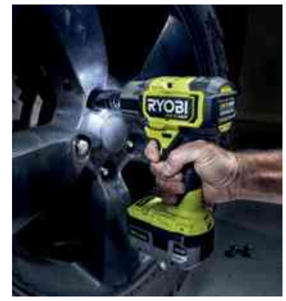
RYOBI

RYOBI is the #1 DIY Tool brand in the world featuring 123 tools, 44 outdoor products, and 15 cleaning products in the ONE+ battery system alone. In 2020, the RYOBI business delivered double-digit growth driven by a stream of new product launches featuring the next generation RYOBI ONE+ HP brushless series. The subcompact design and exceptional performance of these HP brushless tools have enhanced the entire global RYOBI DIY platform. With 18 new ONE+ HP and 7 new 40V HP products launching in early 2021, our RYOBI HP new product pipeline is extremely exciting. We will continue to invest heavily in expanding our global DIY leadership position with these high-end HP brushless products and expect that it will catalyze growth in the DIY arena for years to come.

RYOBI ONE+ HP Family

The RYOBI Outdoor business delivered another year of outstanding results, led by our global leadership of cordless mowers and cordless handheld outdoor equipment. Our range of 19 cordless RYOBI mowers is leading the revolution from the legacy petrol market to our environmentally friendly lithium cordless technology. In 2020, we began building a state-of-the-art manufacturing operation in the USA to produce cordless mowers and support the extensive growth of the RYOBI Outdoor cordless platforms. The RYOBI 40V system now contains 52 innovative products that deliver petrol-like power, from the quiet WHISPER series blowers, to string trimmers, hedge trimmers, chain saws, sprayers, edgers, and many more.

RYOBI 40V HP 8" Brushless Auger



RYOBI 18V ONE+ HP Brushless 4-MODE ½" Impact Wrench

With over 600-ft-lbs. of breakaway torque and an innovative 4-mode speed control, this tool provides users with the power and flexibility needed from the automotive shop to the jobsite.

RYOBI 18V ONE+ Brushless WHISPER SERIES JET FAN BLOWER

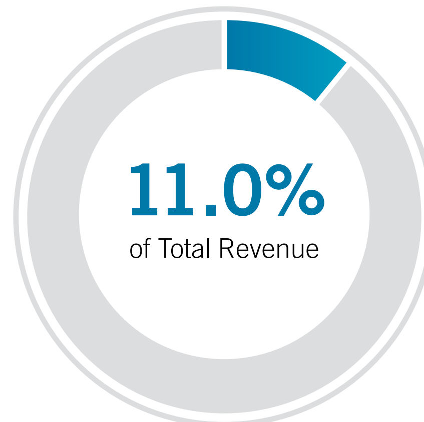
All the power with a fraction of the noise. This blower is winning over consumers as the industries quietest blower – all while generating power and performance that rivals gas units.

Floorcare

HOOVER ONEPWR HEPA+ Cordless Upright Vacuum

Sales in Floorcare

US$1.1 billion



Our Floorcare business accounted for 11.0% of TTI total sales, with sales increasing 23.6% to US$1.1 billion, while generating US$24.6 million of operating profit, up 138.0% from 2019.

These results reflect our disciplined efforts to transition our floorcare business from legacy products to our key strategic categories of cordless and carpet washing. In addition, our exit from underperforming geographies and expansion of in-house manufacturing contributed to our strong performance.

We delivered double-digit growth in carpet washing led by the success of our HOOVER POWERDASH, HOOVER SMARTWASH and VAX PLATINUM carpet cleaning product lines. Our success in carpet washing is also driving excellent sales growth in our after-market carpet cleaning formula ranges.

In 2020, our cordless ONEPWR system gained encouraging traction in both the HOOVER and VAX brands. The ONEPWR cordless family now includes 13 products on the same universal battery platform.

The Global Floorcare business is now well positioned to deliver consistently improving sales and financial performance in the future.

VAX PLATINUM SMARTWASH Carpet Cleaner is the UK's first carpet washer with Motion Sense technology; there is no trigger, it automatically washes and dispenses clean water and VAX Antibacterial solution when you push forward and dries when you pull back, effortlessly easy to use.

VAX PLATINUM SMARTWASH Carpet Cleaner

Financial Review

Financial Results

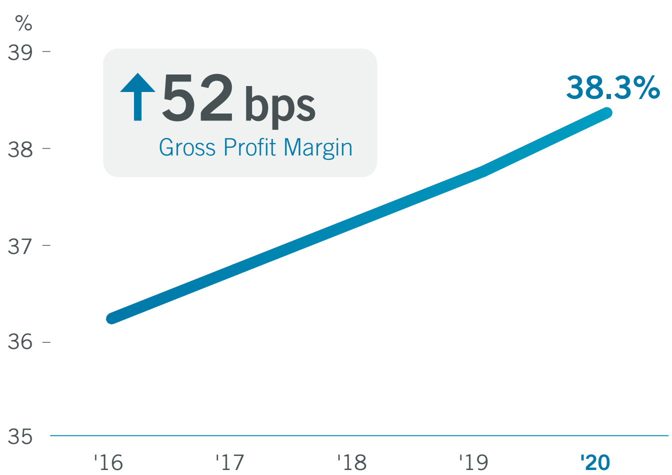
Result Analysis

The Group's revenue for the year amounted to US$9.8 billion, an increase of 28.0% as compared to US$7.7 billion in 2019. Profit attributable to Owners of the Company amounted to US$801 million as compared to US$615 million in 2019, an increase of 30.2%. Basic earnings per share for the year improved to US43.80 cents as compared to US33.67 cents in 2019.

EBIT amounted to US$868 million, an increase of 29.0% as compared to US$673 million in 2019.

Gross Margin

Gross margin improved to 38.3% as compared to 37.7% 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 global pandemic environment.



Operating Expenses

Total operating expenses for the year amounted to US$2,896 million as compared to US$2,230 million in 2019, representing 29.5% of turnover (2019: 29.1%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum and continual margin improvements.

Investments in product design and development amounted to US$317 million, representing 3.2% of turnover (2019: 3.0%) reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the year amounted to US$7 million as compared to US$12 million in 2019, a reduction of US$5 million or 38.6%. Interest coverage, expressed as a multiple of EBITDA to total interest was 28.5 times (2019: 19.8 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.0% (2019: 7.0%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$3.9 billion as compared to US$3.4 billion in 2019. Book value per share was at US$2.13 as compared to US$1.85 last year, an increase of 15.1%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2020, the Group's cash and cash equivalents amounted to US$1,534 million (2019: US$1,412 million), of which 54.9%, 21.9%, 7.8%, and 15.4% were denominated in US$, EUR, AUD and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, was at net cash in 2020.

Bank Borrowings

Long term borrowings accounted for 71.4% of total debts (2019: 52.9%).

The Group's major borrowings continued to be in US Dollars. 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 exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Amongst the bank borrowings, fixed rate debts account for 35.6% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US$3,224 million as compared to US$2,113 million in 2019. Days inventory increased by 19 days from 101 days to 120 days. The higher inventory days as compared to past years was mainly due to the strategic decision to carry a higher level of inventory to support our service level, considering our high growth momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 48 days as compared to 55 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 47 days as compared to 52 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were 117 days as compared to 104 days in 2019 as 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 14.0% as compared to 14.3% in 2019.

Capital Expenditure

Total capital expenditures for the year amounted to US$459 million (2019: US$457 million).

Capital Commitments and Guarantees

As at December 31, 2020, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$104 million (2019: US$58 million), and there were no material guarantees or off balance sheet obligations.

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2020

(i) the Group's largest customer and five largest customers accounted for approximately 48.9% and 58.3% respectively of the Group's total revenue; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 7.9% and 20.4% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

Human Resources

The Group employed a total of 48,028 employees as at December 31, 2020 (2019: 33,177) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$1,584 million (2019: US$1,337 million).

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improving 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 and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Corporate Strategy and Business Model

The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floorcare for consumers, professional and industrial users in the home improvement, infrastructure and construction industries. We are committed to implementing our long term strategic plan that focuses on "Powerful brands, Innovative Products, Operational Excellence and Exceptional People".

We continue to strengthen our portfolio of powerful brands with a focused marketing approach. Brands extension into new product categories and under-represented markets enable us to generate outstanding growth. Geographic expansion will be a highlight of TTI's future, our long term strategy is to aggressively build our business both inside and outside North America and we have spent relentless efforts to expand and establish presence in high potential markets around the world.

Introducing innovative new products is the centerpiece of our long term strategy. We continue to invest in building a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

Our strategy in operational excellence will continue, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.

Our Commitment to ESG

TTI is committed to operating its business in line with Environmental, Social and Governance (ESG) best practices, and to do so in compliance with all applicable laws and regulations. We understand that a large measure of our ability to grow, innovate and prosper depends on our ESG performance. We have a robust risk management system in place which allows us to identify and address issues in an appropriate and timely manner as well as mitigate risk to our business. We have identified legal and regulatory requirements related to ESG practices that have the potential to have a significant impact to our operations and performance. We had no reports of material ESG-related non-compliance in 2020.

In 2020, we continued to develop our Sustainability Strategy and Implementation Plan to align our actions and goals globally with the United Nations Sustainable Development Goals. In terms of governance, the ESG Working Committee with the guidance of the ESG Executive Committee and the Board of Directors has continued to implement our sustainability strategy and monitor activities and ESG performance against our goals.

TTI understands the importance of continuous engagement with our stakeholders to monitor and address their expectations and evolving legal and industry requirements. We have various communication channels with our key stakeholders including employees, customers, shareholders and suppliers. Communication occurs via regular meetings, focus group discussions and training sessions.

Details on our ESG commitments, relevant policies and standards is provided throughout this report. Specific ESG key performance results and initiatives of 2020 are shared on pages 72 to 145.

Purchase, Sale or Redemption of Securities

Other than 2,120,000 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 Report to be included in this Annual Report), neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2020. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK82.00 cents (approximately US10.55 cents) per share with a total of approximately US$193,404,000 for the year ended December 31, 2020 (2019: HK58.00 cents (approximately US7.46 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 24, 2021. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 18, 2021. This payment, together with the interim dividend of HK53.00 cents (approximately US6.82 cents) per share (2019: HK45.00 cents (approximately US5.79 cents)) paid on September 18, 2020, makes a total payment of HK135.00 cents (approximately US17.37 cents) per share for 2020 (2019: HK103.00 cents (approximately US13.26 cents)).

Closure of Register of Members

The register of members of the Company will be closed for the following periods:

To ascertain members' eligibility to attend and vote at the 2021 Annual General Meeting, the register of members of the Company will be closed from May 12, 2021 to May 14, 2021, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2021 Annual General Meeting, 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 May 11, 2021.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 24, 2021 when no transfers of shares will be effected. In order to qualify for the final 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 May 21, 2021.

Board of Directors

Group Executive Directors

Horst Julius Pudwill MSc

Chairman

Mr Horst Julius Pudwill, aged 76, is Chairman of TTI, a position he has held since he jointly founded the Group in 1985. Until 2008, he also served as Chief Executive Officer. As Chairman, Mr Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations, with the Chief Executive Officer reporting directly to him. Mr Pudwill has extensive experience in international trade, business and commerce. Mr Pudwill is also a director of Sunning Inc. which has an interest in the equity of the Company.

Mr Pudwill holds a Master of Science Degree in Engineering and a General Commercial Degree.

Mr Pudwill is the father of Mr Stephan Horst Pudwill, Vice Chairman and Group Executive Director.

Stephan Horst Pudwill

Vice Chairman

Mr Stephan Horst Pudwill, aged 44, joined the Group in 2004. Mr Pudwill was appointed as Executive Director in 2006 and subsequently was appointed as the Vice Chairman of the Company on October 1, 2016. He is mainly responsible for managing, improving and monitoring internal operations and identifying synergistic business opportunities within the Group.

Prior to joining the Group, Mr Pudwill held managerial positions at Daimler Chrysler AG that included product marketing and strategic planning for the Mercedes-Benz car group.

Mr Pudwill holds a Bachelor of Arts Degree from the University of British Columbia and is Mr Horst Julius Pudwill's son.

Group Executive Directors (continued)

Joseph Galli Jr BSBA, MBA

Chief Executive Officer

Mr Joseph Galli Jr, aged 62, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of TTI effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

Mr Galli joined Black & Decker in 1980 where he worked for over 19 years and held various high level management positions, rising to the position of President of Worldwide Power Tools and Accessories. During his tenure at Black & Decker, he was responsible for highly successful launch of the "DeWalt®" Brand heavy duty power tools in 1992. After leaving Black & Decker, Mr Galli joined Amazon.com where he was President and Chief Operating Officer from 1999 to 2000. From 2001 to 2005, he was a Director and Chief Executive Officer of Newell Rubbermaid Inc.

Mr Galli graduated from the University of North Carolina in 1980 with a Bachelor of Science in Business Administration. In 1987, he obtained an MBA from Loyola College in Baltimore, Maryland.

Patrick Kin Wah Chan FCCA, FCPA

Operations Director

Mr Patrick Kin Wah Chan, aged 61, joined the Group in 1988 and was appointed as Executive Director in 1990. He is now in charge of the manufacturing operations of the Group.

Mr Chan is currently the Vice-Chairman of the Dongguan City Association of Enterprises with Foreign Investment, he is also the Vice-Director of Electric Tool Sub-Association of China Electrical Equipment Industrial Association.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Frank Chi Chung Chan FCCA, FCPA, CPA (Practising)

Group Chief Financial Officer

Mr Frank Chi Chung Chan, aged 67, joined the Group in 1991 and was appointed as Executive Director in 1992. He is now responsible for corporate affairs and financial management of the Group.

Mr Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England & Wales and qualified to practise as a Certified Public Accountant in Hong Kong.

Mr Chan is currently an Independent Non-executive Director of Gold Peak Industries (Holdings) Limited which is listed on the stock exchange of Hong Kong.

Non-executive Directors

Roy Chi Ping Chung GBS, BBS, JP

Prof Roy Chi Ping Chung GBS BBS JP, aged 68, is a Co-founder of TTI. Prof Chung, previously the Group Managing Director since 1985, was appointed as the Group Vice Chairman and Executive Director of the Company on April 18, 2007. He has been re-designated to Non-executive Director of the Company with effect from July 1, 2011.

Prof Chung holds a Doctor of Engineering Degree from the University of Warwick, United Kingdom and Doctor of Business Administration Degree from City University of Macau. He was appointed as an Industrial Professor by the University of Warwick, United Kingdom in December 2010. He was awarded a Doctor of Business Administration honoris causa by the University of Macau and an Honorary Doctor of Science by the University of Warwick, United Kingdom in 2019, an Honorary Doctor of Business Administration by the Lingnan University in 2015, an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2007 and an Honorary Doctorate Degree by the University of Newcastle, New South Wales, Australia in 2006. He was awarded the Gold Bauhinia Star (GBS) Medal and the Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government on June 30, 2017 and July 1, 2011 respectively. He was also appointed as Justice of Peace by the Hong Kong SAR Government on July 1, 2005 and won the Hong Kong Young Industrialists Award in 1997. In November 2014, he was further awarded the Industrialist of the Year.

Prof Chung is highly dedicated to the advancement of industry. He was the Chairman of the Federation of Hong Kong Industries from July 2011 to July 2013 and has been serving as the Honorary President of the Federation since July 5, 2013. In addition, Prof Chung holds positions in a number of Hong Kong SAR Government advisory committees and is an active member of many social committees and associations. Prof Chung was appointed as Chairman of Vocational Training Council from January 2018 until December 2019. He is also the Founder and Chairman of Bright Future Charitable Foundation.

Prof Chung is also an Independent Non-executive Director of TK Group (Holdings) Limited, Fujikon Industrial Holdings Limited and Vitasoy International Holdings Limited.

Camille Jojo

Mr Camille Jojo, aged 64, was appointed as a Non-executive Director with effect from October 30, 2015. Mr Jojo has practiced as a lawyer in Hong Kong for a continuous period in excess of 30 years as a specialist in (i) civil litigation in the higher courts of Hong Kong, (ii) arbitration and (iii) regulatory. He graduated with a LL.B. Hons. degree from the University of Cardiff in 1977 and obtained his Professional Qualifying Examination Certificate from Guildford College of Law in 1978. He was qualified and was admitted as a solicitor of the Supreme Court of England and Wales in 1980, as a solicitor of the Supreme Court of Hong Kong in 1982 and as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1984. Mr Jojo was admitted as a fellow of the Chartered Institute of Arbitrators in November 1997. He has been a member of the Law Society Insolvency Law Committee since 1996 and was granted Higher Rights of Audience as a solicitor advocate in respect of civil proceedings in the Hong Kong Courts in 2015. Mr Jojo was awarded the Dispute Resolution Lawyer of the Year 2018 at the 17th Annual Hong Kong Law Awards. He is a Partner of Norton Rose Fulbright Hong Kong and head of its dispute resolution practice in Hong Kong.

Independent Non-executive Directors

Christopher Patrick Langley OBE

Mr Christopher Patrick Langley OBE, aged 76, was appointed as an Independent Non-executive Director in May 2001.

Mr Langley first came to Hong Kong in 1972 with HSBC Group, having joined HSBC Group in London in 1961. After holding various appointments in the Middle East and Asia, Mr Langley was appointed Deputy Chairman and Chief Executive of Hongkong Bank Malaysia Berhad (now HSBC Bank Malaysia Berhad) in 1994, and Executive Director, Hong Kong and Mainland China for The Hongkong and Shanghai Banking Corporation Ltd. in 1998. Mr Langley retired from HSBC Group in 2000 and continues to maintain close ties with the business community in Hong Kong. He has held a number of directorships in listed companies including Hang Seng Bank Ltd., The Wharf Holdings Ltd, Hutchison Whampoa Ltd., Hong Kong Electric Ltd., Cathay Pacific Airways Ltd., and Wing Tai Holdings Ltd. (Singapore), and is currently a Non-Executive Director of Lei Shing Hong Limited (privatized in 2008). Mr Langley has also held senior appointments in Hong Kong and Malaysia including Chairman of The Hong Kong Association of Banks and Chairman of The British Malaysia Industry and Trade Association.

Mr Langley was awarded the Darjah Dato' Setia Negeri Sembilan (DSNS) in 1995 and therefore carries the title of Dato' in Malaysia. In 1996, Mr Langley was appointed Officer of the Order of the British Empire (OBE).

Peter David Sullivan BS

Mr Peter David Sullivan, aged 72, was appointed as Independent Non-executive Director effective February 1, 2008. He was an Executive Director and Chief Executive Officer of Standard Chartered Bank (Hong Kong) Limited. Mr Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. He also held a number of other major appointments, including as the Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce.

Mr Sullivan is the Chairman of Circle BMI Health LTD and a Non-executive Director of AXA ASIA, AXA China Region Insurance Company Limited, AXA Wealth Management Ltd and AXA General Insurance Hong Kong. He retired as a Non-executive Director to the boards of Standard Bank Group and The Standard Bank of South Africa Limited in May 2020. Mr Sullivan was an Independent Non-executive Director of Standard Bank plc London and SmarTone Telecommunications Holdings Limited, a Non-executive Director of AXA Asia Pacific Holdings Limited that was listed on the Australian and New Zealand stock exchanges.

Mr Sullivan holds a Bachelor of Science (Physical Education) Degree from the University of New South Wales (Wollongong).

Independent Non-executive Directors (continued)

Vincent Ting Kau Cheung

Mr Vincent Ting Kau Cheung, aged 79, was appointed as a Director in 1991 and was re-designated as an Independent Non-executive Director on March 30, 2012.

Mr Cheung is a graduate in law from University College London and has been a practising solicitor since 1970. He is qualified to practice law in Hong Kong and England and Wales and he is now a Consultant of Vincent T.K. Cheung, Yap & Co. He is also a Fellow of University College London and a Commandeur de l'Ordre du Mérite Agricole of France.

Johannes-Gerhard Hesse

Mr Johannes-Gerhard Hesse (commonly known as Hans-Gerd Hesse), aged 61, was appointed as an Independent Non-executive Director of the Company with effect from October 1, 2016. Mr Hesse holds a graduate degree in Business Administration from the University of Cologne and has acquired extensive business management, strategy, leadership and corporate governance experience in Europe and Asia.

Mr Hesse's professional career turned global in 1988 when joining RJ Reynolds International, a division of RJR Nabisco Inc., where he henceforth held market research and marketing positions in Germany, its regional headquarters in Switzerland and the Czech Republic. In 1996 he was appointed General Manager Hungary and in 1998 Regional Vice President Marketing for the Commonwealth of Independent States & Baltics (i.e. former Soviet Union). In 1999, JT International, a division of Japan Tobacco Inc. ("JTI"), appointed Mr Hesse as General Manager Singapore, Philippines & Australasia. He became Vice President & General Manager China in 2002 and served simultaneously as Vice Chairman on the board of directors of China American Cigarette Co. JV in Xiamen. In 2003 followed his appointment to Vice President Corporate Strategy at JTI's global headquarters. In 2007, Mr Hesse joined JTI's Executive Committee as Regional President Asia Pacific based in Hong Kong, holding concurrently governance and board director responsibilities in affiliates of the JTI Group of Companies in Asia. He retired from these positions before the end of 2010. From 2011 onwards, Mr Hesse started to develop his proprietary investment holding and business advisory company. He lives in Germany and holds a Hong Kong permanent resident status.

Independent Non-executive Directors (continued)

Robert Hinman Getz

Mr Robert Hinman Getz, aged 58, was appointed as an Independent Non-executive Director of the Company with effect from January 1, 2020. Mr Getz has over 30 years of experience as a private equity investor and advisor. He has extensive experience in private and public equity and debt transactions and international mergers and acquisitions. Mr Getz holds a Master of Business Administration Degree in Finance from New York University, and a Bachelor of Arts Degree in International Relations, cum laude, from Boston University.

Mr Getz currently serves as the Founder and Managing Partner of Pecksland Capital, a private investment and advisory firm since 2016. Mr Getz previously served as Co-Founder and Managing Director of Cornerstone Equity Investors, a New York based private equity concern, from 1996 to 2016. Before the formation of Cornerstone in 1996, Mr Getz served as a Managing Director and Partner of Prudential Equity Investors and its predecessor firm Prudential Venture Capital.

Mr Getz has served as a Director of numerous United States and international public and private companies in the technology, manufacturing, finance, and metals and mining sectors. Currently, Mr Getz serves as the Non-executive Chairman of the Board of Directors of Haynes International, Inc. (HAYN:NSDQ), a public United States-based integrated developer and producer of specialty alloys primarily for use in the aerospace industry and industrial applications. He also serves as a Non-executive Director of Ero Copper Corp. (ERO:TSE), a public Brazilian copper mining and exploration company. Mr Getz previously served until 2016 as a Non-Executive Director of Newmarket Gold Inc., a public Australian gold mining and exploration company prior to its acquisition by Kirkland Lake Gold in 2017. He also served until December 2019 as a Non-Executive Director of Jaguar Mining Inc., a public Brazilian gold mining company. Mr Getz is a member of the National Association of Corporate Directors.

Corporate Governance Report

The Company maintains high standard corporate governance to enhance shareholders' interests and promote sustainable development. A quality board of directors (the "Board") for effective risk management, internal controls and leadership, as well as transparency and accountability to all shareholders are vital to the Company. The Board reviewed codes and practices, corporate governance framework and disclosure of this Corporate Governance Report, from time to time, to improve the Company's corporate governance practices in respect of the latest developments on all applicable laws, rules and regulations.

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that 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 year ended December 31, 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 general meeting of the Company, and if eligible, offer themselves for re-election.

The Company has also voluntarily complied with a number of the 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 shareholders as a whole.

Corporate Governance Policy

Corporate governance is essential to the sustainable development of the Company. The Board continuously develops, monitors and reviews the policies and practices of corporate governance to ensure the compliance of the laws, rules and regulatory requirements governing the Group as well as the Company's Articles of Association. The Board performs the corporate governance function through, but not limited to, the following:

- review the disclosure set out in this Corporate Governance Report.
- review and monitor the compliance of the Model Code for Securities Transactions by Directors, the Code for Securities Transactions by Relevant Employees and other codes of conduct of the Company.
- review and monitor the Directors' and the senior management's training and continuous professional development.
- review compliance of the Corporate Governance Code.

Board of Directors

Roles and Responsibilities

The Board is collectively responsible for supervising, leading and setting directions and strategies for the affairs of the Group with effective corporate governance framework to strike for long term success of the Company. The principal responsibilities of the Board include, but are not limited to, the following:

- review and monitor risks and changes in local and international business communities in order to enhance shareholders' value.
- review and develop overall mid-term and long-term strategies, objectives and directions of the Company.
- develop and monitor the policies and practices on corporate governance of the Company.
- oversee the Company's financial performance and operations through determination of the annual budget and continuous review of performance results.
- consider matters covering appointment of Directors, senior management and external auditors, major acquisitions and disposals, as well as other significant operational matters.

The Board continuously monitors the delegation with clear instructions and reservation for decision and consideration of specifically identified matters, with specific functions are delegated to Board Committees and senior management of the Group.
The Board reviews regularly the formal written procedures adopted by the Company for the governance of delegation and reservation of responsibilities of the Board.

Board Composition

As at the date of this report, the Board consists of five Group Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. An analysis of the current composition of the Board of the Company is set out below:

Group Executive Directors

Mr Horst Julius Pudwill (Chairman)
Mr Stephan Horst Pudwill (Vice Chairman)
Mr Joseph Galli Jr (Chief Executive Officer)
Mr Kin Wah Chan (Operations Director)
Mr Chi Chung Chan (Group Chief Financial Officer)

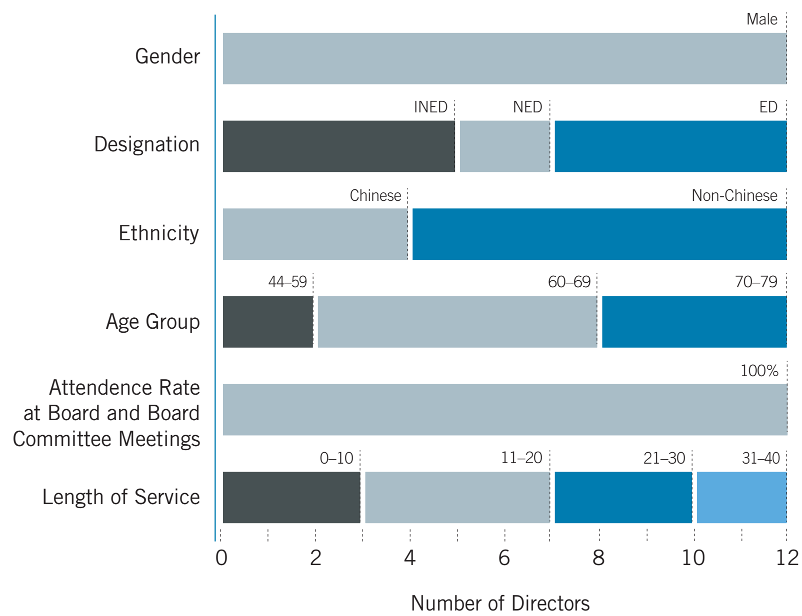
Non-executive Directors

Prof Roy Chi Ping Chung GBS BBS JP
Mr Camille Jojo

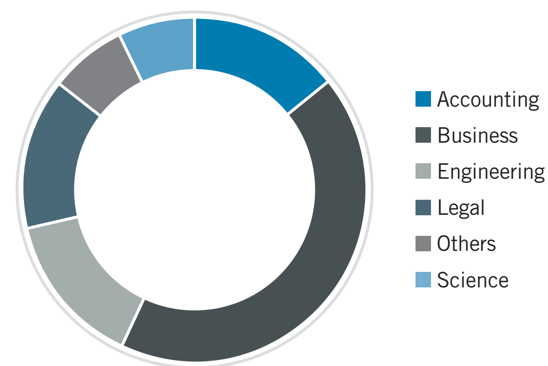
Independent Non-executive Directors

Mr Christopher Patrick Langley OBE
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz

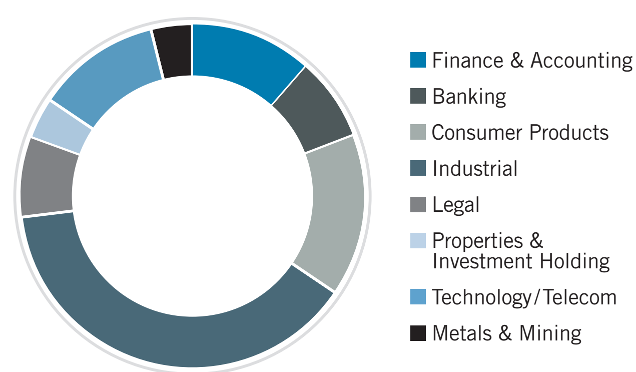
Biographical details and relevant relationships of the members of the Board are set out on pages 52 to 57 of this annual report. A list of Directors and their roles and functions are published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).



Educational Background



Professional Experience



In order to promote balance of power, authority and accountability, the roles of Chairman and Chief Executive Officer of the Company have been segregated and clearly distinguished.

The roles of Chairman comprise, but are not limited to, the following:

- lead the Board to performs its responsibilities and act in the best interests of the Company, and ensure the Board works effectively.
- ensure all Directors are properly briefed on issues arising at Board meetings and always receive clear, accurate and reliable information in a timely manner.
- encourage all Directors to make full and active contributions to the Board's affairs.
- enhance effective communication with shareholders and encourage the views of shareholders are communicated to the Board as a whole.
- oversee and ensure sound practices and procedures.

The roles of Chief Executive Officer comprise, but are not limited to, the following:

- take the lead to oversee the global management team in the Group's daily operations.
- execute the Company's strategic initiatives.
- enhance the global sales potential of the Company's strong brand portfolio and facilitate the integration of acquisitions, if any.

To ensure the Board perform effectively and enhance diversity of the Board, appointment of directors is recommended by the Nomination Committee for approval of the Board. Directors are aware that they must be able to contribute sufficient time and attention to the affairs of the Company before accepting their appointment. A formal and detailed orientation is provided for each newly appointed Director to ensure proper understanding of duties and responsibilities of Directors under the Listing Rules, the Company's Articles of Association, and related ordinances and relevant regulatory requirements of Hong Kong. Presentations by external professionals and senior executives of the Company are also provided to ensure a proper understanding of the Company's business and operations. In accordance with the Company's Articles of Association and the Listing Rules, Directors are subject to retirement by rotation at least once every three years. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the next annual general meeting after their appointment.

Independent Non-executive Directors and Non-executive Directors form a majority of the Board, and the Independent Non-executive Directors represent over one-third of the Board as at the date of this report. Furthermore, majority of the Independent Non-executive Directors possesses professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. Annual confirmation of independence from each of the Independent Non-executive Directors has been received by the Company and they are still considered to be independent.

The Board has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors and Officers of the Group for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

Directors' Continuous Professional Development

The Company provides regular updates, training and written materials to all Directors on relevant laws, rules and regulations to ensure that they are aware of the current trends in the commercial and regulatory environment in which the Company conducts its business. In order to ensure that the Directors' contribution to the Board remains informed and relevant, the Directors are encouraged to participate in various professional development programs such as seminars, webcasts and relevant reading materials, especially in relation to compliance requirements to develop and refresh their knowledge and skills and the latest updates on relevant rules, regulations.

All Directors participate in continuous professional development as set out in code provision A.6.5 of the Corporate Governance Code. According to the records of training provided by each Director to the Company, the training received by the Directors in 2020 is summarized in the following table:

	Type of Continuous Professional Development Programme		
	Updates on business operations, laws, rules and regulations or corporate governance matters	**Updates on directors' roles, functions and duties**	**Updates on accounting, financial or other professional skills**
Group Executive Directors			
Mr Horst Julius Pudwill	√	√	
Mr Stephan Horst Pudwill	√	√	
Mr Joseph Galli Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr Chi Chung Chan	√	√	√
Non-executive Directors			
Prof Roy Chi Ping Chung GBS BBS JP	√	√	√
Mr Camille Jojo	√	√	√
Independent Non-executive Directors			
Mr Christopher Patrick Langley OBE	√	√	
Mr Peter David Sullivan	√	√	
Mr Vincent Ting Kau Cheung	√	√	
Mr Johannes-Gerhard Hesse	√	√	√
Mr Robert Hinman Getz	√	√	√

Compliance with the Codes for Securities Transactions

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") has been adopted by the Board. In response to the specific enquiries made, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2020.

The Company has also adopted another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the "Code for Securities Transactions by Relevant Employees"). During the year, no incident of non-compliance was noted by the Company.

Both the Model Code and the Code for Securities Transactions by Relevant Employees have been published on the Company's website (www.ttigroup.com).

Board Meetings

An effective Board is essential to lead the Company to success and sustainability. The Company held regular Board meetings, where at least four Board meetings are scheduled in a year with more frequent meetings as and when required. In 2020, five Board meetings were held and the attendance records of each Director are set out in the section headed "Board, Board Committee and General Meetings in 2020" at the end of this report.

In order to ensure maximum attendance of Directors and to facilitate the effectiveness of the Board, Board meeting, Board Committee meeting and Annual General Meeting dates for 2021 were agreed upon at the Board meeting held in August 2020. The meeting agenda is set by the Chairman in consultation with members of the Board to include any other matters raised by Directors in advance. Minutes of the Board and Board Committee meetings with sufficient details of matters and concerns discussed are prepared and maintained by the Company Secretary of the Company (the "Company Secretary"), which are sent to the Directors for comment and records. Board records which are kept in safe custody by the Company Secretary are available for inspection by the Directors.

To facilitate informed decisions of the Board, all Directors are provided with accurate, reliable and complete information on the affairs of the Group in a timely manner. Furthermore, all Directors have access to all related materials with sufficient details in relation to the Board's issues. To enhance understanding of the business of the Group and Directors' responsibilities under statute and at common law, all Directors are provided with briefings and professional development training as necessary. The Company Secretary provide full support to the Directors in order to ensure Board procedures and all applicable laws, rules and regulations are followed. Directors are also provided with access to senior management of the Group upon request, as well as to independent professional advice on performing their duties at the Company's expense.

Board Committees

The Board has established three Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to delegate various responsibilities. Each of these Board Committees has specific written terms of reference which deal clearly with their authority and duties and have been published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

Independent Non-executive Directors form majority of all Board Committees. With active participation and regular attendance of Independent Non-executive Directors, independent views and opinions are encouraged to be contributed and expressed at the Board Committee meetings. The Board oversees and monitors the delegated authority and responsibilities through regular reporting by the Board Committees in relation to their activities involved and recommendations and decisions made. The attendance records of each Board Committee are set out in the section headed "Board, Board Committee and General Meetings in 2020" at the end of this report.

Audit Committee

The Audit Committee is chaired by Mr Peter David Sullivan with other members being Mr Vincent Ting Kau Cheung, Mr Johannes-Gerhard Hesse, Mr Camille Jojo and Mr Robert Hinman Getz (who has been appointed with effect from August 12, 2020). All members except Mr Camille Jojo are Independent Non-executive Directors. Majority of the members of the Audit Committee have professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

The Audit Committee aims to review and monitor the effectiveness of the risk management and internal control systems to ensure the compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations. The Audit Committee oversees the integrity of the financial statements of the Company and take ad hoc responsibilities which may be delegated by the Board from time to time. The Audit Committee is also directly responsible on behalf of the Board for the selection, oversight and remuneration of the Company's external auditors, the assessment of the independence and qualifications of the external auditors, the oversight of the performance of the Company's external auditors and the maintenance of an appropriate relationship with the external auditors.

The Audit Committee held four meetings in 2020 and performed duties summarized below:

- review and monitor the Group's accounting principles and practices, financial reporting matters and significant financial matters.
- review and assist to maintain the effectiveness of risk management and internal controls systems of the Group.
- review and monitor the extent, scope and effectiveness of internal audit function of the Group.
- review and make recommendations to the Board for the approval of the interim and annual financial statements of the Group.
- oversee the relationship between the Company and the external auditors, assess the performance of the external auditors and recommend the re-appointment of the external auditors.
- review the audit and non-audit services provided by the external auditors.

Nomination Committee

The Nomination Committee is chaired by Mr Horst Julius Pudwill (Chairman of the Board) with the other members being Mr Vincent Ting Kau Cheung, Mr Christopher Patrick Langley OBE and Mr Johannes-Gerhard Hesse. All members except Mr Horst Julius Pudwill are Independent Non-executive Directors.

To effectively discharge its function, the Board should have a balance of skills and experience appropriate for the requirements of the business of the Group. The Nomination Committee aims to ensure a fair and transparent process of Board appointments, and in particular, to assist the Board to identify suitably qualified candidates and make recommendations for consideration of the Board and shareholders. When considering suitable candidates of Directors, the Nomination Committee considers factors including, but not limited to, ethics, integrity, professional knowledge, industry experience, personal skills and as well as the ability to contribute sufficient time and attention to the Board in their recommendations.

The Nomination Committee held two meetings in 2020. The work performed by the Nomination Committee in 2020, with sufficient resources provided by the Company and/or independent professional advice when necessary, included:

- review the Nomination Policy and the Board Diversity Policy.
- review of the composition, size and structure of the Board on a regular basis.
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2020 Annual General Meeting.
- assess the independence of Independent Non-executive Directors.

The Board has adopted the Board Diversity Policy in August 2013, which is published on the Company's website (www.ttigroup.com). Widening diversity at the Board level is essential for sustainable development of the Group. The Nomination Committee would consider various perspectives, including, but not limited to, age, gender, educational background, cultural, professional experience and length of service while reviewing the composition of the Board. An analysis of the current Board composition based on these objective criteria is set out on page 59 of this report.

Remuneration Committee

The Remuneration Committee is composed of a majority of Independent Non-executive Directors and is chaired by Mr Vincent Ting Kau Cheung with the other members of the Committee being Mr Christopher Patrick Langley OBE, Mr Peter David Sullivan and Mr Camille Jojo.

The responsibilities of the Remuneration Committee include, but not limited to, developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group and the remuneration of Directors and senior management of the Group, and determining their remuneration packages, on the basis of their merit, competence and qualifications, and having regard to individual performance, the Company's operating results and return to shareholders, and comparable market statistics. The Remuneration Committee makes recommendations to the Board on the remuneration packages of Executive Directors and senior management, including, without limitation, base salaries, benefits in kind, compensation payments and bonuses, and consults the Chairman and/or Chief Executive Officer for the proposals of other Executive Directors' remuneration packages. The Remuneration Committee also makes recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors. The Remuneration Committee reports directly to the Board on its decisions or recommendations and with access to sufficient resources and professional advice if necessary.

The Remuneration Committee held three meetings in 2020 and performed, among other work, the following:

- review and make recommendations on the existing Remuneration Policy for Directors and senior management.
- assess the Executive Directors' performance and remuneration packages.

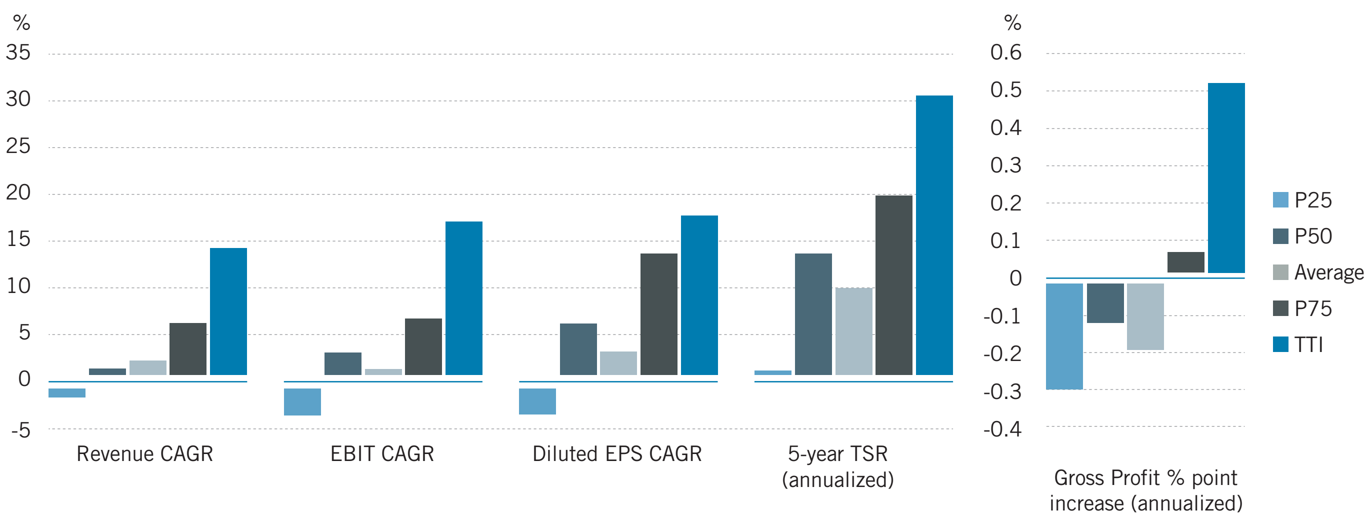
The Group engages a global executive compensation consulting firm as an independent third party to assess the competitiveness of compensation of the Chairman, the CEO and other Executive Directors. The compensation packages of the Group's Executive Directors were assessed relative to similar positions at 20 similarly sized peer companies operating in the same or adjacent industries. The consultant's assessment took into account the Group's absolute share price, financial and operational performance, as well as that relative to the peer companies.

Group CEO Incentive Compensation

The Remuneration Committee reviewed and recommended to the Board for approval the 2020 incentive payouts for the Chairman, the CEO and other Executive Directors commensurate with the exceptional performance delivered by the Group.

Executive compensation, and especially the Group CEO's compensation, is dependent on company performance as measured by a number of operational and financial metrics. In particular, the Remuneration Committee believes it is extremely important to align executive compensation with the interests of shareholders. As shown in Chart 1 below, over the past five years the Group has exceeded the 75th percentile performance of 20 peer companies in a number of key performance metrics such as revenue growth, EBIT growth, diluted EPS growth, gross profit margin improvement and stock price performance.

Chart 1: TTI's Five Year Performance as Compared to 20 Peer Companies



Annual Incentive Plan Awards

As part of the Group's annual incentive plan, the Remuneration Committee in 2020 approved share awards to Mr Galli in connection with the Group's 2020 fiscal year performance ("2020 STI Share Grants"). These share awards were made in lieu of cash payouts under the Company's annual incentive plan. Specifically, the Remuneration Committee granted Mr Galli 2,000,000 shares in total upon the achievement of specified 2020 fiscal year performance goals. The first grant of 1,000,000 shares was made on December 21, 2020 in recognition of the Group's exceptional performance in the 1st half of 2020. These shares were vested upon grant. The second grant of 1,000,000 shares will be granted in March 2021 following certification of the achievement of Group performance in the 2nd half of 2020. As these grants are made as part of the annual incentive plan, these shares will be vested upon grant.

Besides the above-mentioned Annual Incentive Plan Awards, the Board approved another multi-year performance-based share awards to Mr Galli ("2020 CEO Share Awards") with the granting of the awards conditional upon the Company's achievement of financial and operational performance criteria ("Financial and Performance Criteria") for the year of 2021 and the years between 2022 to 2026. Under the 2020 CEO Share Awards, 1,000,000 shares will be granted every year if the Financial and Performance Criteria have been achieved for that year.

Long-term Incentive Plan

In 2018 the Board approved multi-year performance-based share awards to Mr Galli ("2018 CEO Share Awards") with the granting of the awards conditional upon the Company's achievement of share price, financial, and operational performance criteria ("Performance Criteria") over successive three-year performance periods ending each year from 2019 to 2023. Performance is assessed on both an absolute and relative basis. Mr Galli delivered exceptional share price, financial and operational performance over the three-year period ending in 2020 and he was therefore awarded one million shares, as per the terms of the incentive plan agreement ("2020 Award"). These shares are scheduled to vest to Mr Galli on January 1, 2025 if he remains in his current role.

Over the last three years, the Group delivered 17.4% compound annual revenue growth and 18.7% compound annual EBIT growth. The Group's revenue and EBIT growth over this period have approximated the 90th percentile of performance of the Primary Peer Group. Additionally, the Company's operating profit margin exceeds two-thirds of our peer group and has been improving at a significantly faster rate than most peers over the past three years.

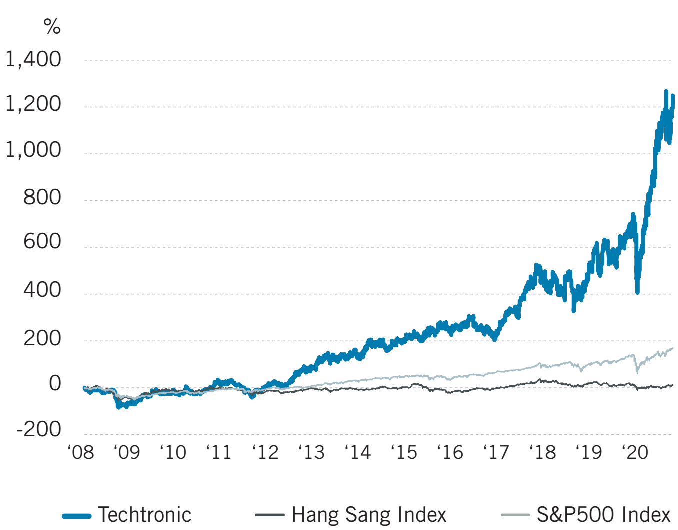
The remainder of the 2018 CEO Share Awards (up to three million shares) will be awarded subject to the Company's future performance meeting the goals set out in the 2018 CEO Share Awards plan from 2021 to 2023. The 2020 Award were made under the 2018 Share Award Scheme, described below.

Mr Galli's Performance History

The compensation package awarded to Mr Galli, including the 2020 Award and the 2020 STI Share Grants, were awarded on the basis of the Group's exceptional performance in 2020 despite difficult global economic conditions and the uncertain global health environment.

Mr Galli's compensation recognizes the Company's stellar growth and performance over the period of his tenure as CEO of the Group from February 2008 through 2020 and further serves to ensure that he will continue to serve in his current role. As shown in Chart 2, since Mr Galli assumed the CEO role, TTI's stock price has increased from HK$8.40 on February 1, 2008 to close at HK$110.60 at December 31, 2020, an increase of more than 1,200%, far outpacing both the Hang Seng Index and the S&P500 Index over that time. Since February 2008, the Group's equity market capitalization has grown from approximately HK$12.6 billion to over HK$200 billion at the end of December 2020.

Chart 2: TTI Stock Price Performance Relative to Hang Seng Index and S&P500 Index, from February 2008 until December 31, 2020



The Company has adopted two share award schemes, namely the 2008 Share Award Scheme and the 2018 Share Award Scheme. The 2008 Share Award Scheme was adopted on January 9, 2008 (the "2008 Adoption Date") and expired from January 9, 2018, though its provisions shall remain in full force and effect in all other respects. Following the expiry of the 2008 Share Award Scheme, the 2018 Share Award Scheme was adopted with effect from January 17, 2018 (the "2018 Adoption Date").

The scheme rules of both the 2008 Share Award Scheme and the 2018 Share Award Scheme are substantially identical and below are the summary of the principal terms of both schemes:

Any employee or Director (including, without limitation, any Executive, Non-executive or Independent Non-executive Director) of any member of the Group (the "Eligible Person") will be entitled to participate the schemes. Unless terminated earlier by the Board in accordance with the respective scheme rules, the effective term of each scheme is 10 years commencing on the adoption date of the relevant scheme provided that no contribution to the trust will be made by the Company on or after the 10th anniversary date of the adoption date of the relevant scheme. Details of both schemes were announced by the Company on the respective adoption date of the schemes.

The Board may, from time to time, at their absolute discretion select any Eligible Person for participation in any scheme as a selected grantee (the "Selected Grantee") and determine the number of shares to be awarded or make reference to a nominal amount. The relevant number of shares awarded will be purchased by the trustee of the schemes from the market or new shares will be subscribed for by the trustee at the cost of the Company and be held in trust until they are vested. When the Selected Grantee has satisfied all vesting conditions specified by the Board, the trustee will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the Selected Grantee.

The maximum number of shares which can be awarded under each scheme is 10% of the issued share capital of the Company as at the adoption date thereof, and the maximum number of shares which can be awarded under each scheme to a Selected Grantee, at any one time, shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date thereof. The total issued share capital of the Company as at the 2008 Adoption Date and the 2018 Adoption Date were 1,501,252,152 shares and 1,835,021,941 shares, respectively.

Since the 2008 Adoption Date and up to December 31, 2020, a total of 3,946,000 shares had been awarded under the 2008 Share Award Scheme, representing 0.26% of the issued share capital of the Company as at the 2008 Adoption Date. No recognition of share-based payment expenses under the 2008 Share Award Scheme during the year was incurred. During the year ended December 31, 2020, no share was transferred to the Selected Grantees upon vesting under the 2008 Share Award Scheme and no total payout, including related expenses was incurred.

Since the 2018 Adoption Date and up to December 31, 2020, a total of 6,117,000 shares had been awarded under the 2018 Share Award Scheme, representing 0.33% of the issued share capital of the Company as at the 2018 Adoption Date. Recognition of share-based payment expenses under the 2018 Share Award Scheme during the year was US$14,569,000. During the year ended December 31, 2020, a total of 3,393,000 shares had been awarded under the 2018 Share Award Scheme to twelve Directors of the Company, representing 0.18% of the issued share capital of the Company as at the 2018 Adoption Date. The total payout, including related expenses, amounted to US$19,438,000. In addition, during the year ended December 31, 2020, 2,364,000 shares were transferred to six Directors and certain Selected Grantees upon vesting under the 2018 Share Award Scheme. As at December 31, 2020, details of the awarded shares granted to the Directors of the Company under the 2008 Share Award Scheme and the 2018 Share Award Scheme were as follows:

Name of Directors	Date of Award	Share award scheme category	Number of awarded shares	Number of shares: As at January 1, 2020	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2020	Vesting Period	Closing price at the Date of Award
Mr Horst Julius Pudwill	18.9.2014	2008	350,000	—	—	—	—	—	18.9.2015 – 18.9.2017	HK$22.50
	26.9.2014	2008	174,000	—	—	—	—	—	26.9.2015 – 26.9.2017	HK$22.10
	15.10.2015	2008	500,000	—	—	—	—	—	15.10.2016 – 15.10.2017	HK$27.10
	23.3.2017	2008	300,000	—	—	—	—	—	23.3.2018 – 23.3.2019	HK$32.15
	21.3.2018	2018	500,000	375,000	—	(125,000)	—	250,000	15.3.2019 – 15.3.2022	HK$47.00
	20.5.2019	2018	300,000	300,000	—	(100,000)	—	200,000	20.5.2020 – 20.5.2022	HK$50.20
	21.12.2020	2018	1,000,000	—	1,000,000	(500,000)	—	500,000	21.12.2020 – 21.12.2021	HK$107.00
Mr Stephan Horst Pudwill	15.10.2015	2008	100,000	—	—	—	—	—	15.10.2016	HK$27.10
	21.3.2018	2018	50,000	37,500	—	(12,500)	—	25,000	15.3.2019 – 15.3.2022	HK$47.00
	21.12.2020	2018	100,000	—	100,000	(50,000)	—	50,000	21.12.2020 – 21.12.2021	HK$107.00
Mr Joseph Galli Jr (4) (5)	17.12.2014	2008	300,000	—	—	—	—	—	17.12.2015 – 17.12.2017	HK$25.85
	15.10.2015	2008	1,000,000	—	—	—	—	—	15.10.2016 – 15.10.2017	HK$27.10
	19.8.2016	2008	1,000,000	—	—	—	—	—	31.8.2016	HK$30.50
	21.3.2018	2018	514,000	385,500	—	(128,500)	—	257,000	15.3.2019 – 15.3.2022	HK$47.00
	3.1.2020	2018	1,000,000	—	1,000,000	—	—	1,000,000	On or about 1.1.2025	HK$64.70
	21.12.2020	2018	1,000,000	—	1,000,000	(1,000,000)	—	—	21.12.2020	HK$107.00

Name of Directors	Date of Award	Share award scheme category	Number of awarded shares	Number of shares: As at January 1, 2020	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2020	Vesting Period	Closing price at the Date of Award
Mr Kin Wah Chan	15.10.2015	2008	100,000	—	—	—	—	—	15.10.2016	HK$27.10
	21.3.2018	2018	50,000	37,500	—	(12,500)	—	25,000	15.3.2019 – 15.3.2022	HK$47.00
	21.12.2020	2018	100,000	—	100,000	(50,000)	—	50,000	21.12.2020 – 21.12.2021	HK$107.00
Mr Chi Chung Chan	15.10.2015	2008	100,000	—	—	—	—	—	15.10.2016	HK$27.10
	21.3.2018	2018	50,000	37,500	—	(12,500)	—	25,000	15.3.2019 – 15.3.2022	HK$47.00
	21.12.2020	2018	100,000	—	100,000	(50,000)	—	50,000	21.12.2020 – 21.12.2021	HK$107.00
Prof Roy Chi Ping Chung GBS BBS JP	21.12.2020	2018	10,000	—	10,000	—	—	10,000	21.12.2021 – 21.12.2022	HK$107.00
Mr Camille Jojo	4.1.2017	2008	11,500	—	—	—	—	—	4.1.2017	HK$28.00
	8.1.2018	2008	10,500	—	—	—	—	—	8.1.2018	HK$51.50
	2.1.2019	2018	10,000	—	—	—	—	—	2.1.2019	HK$41.10
	20.5.2019	2018	150,000	150,000	—	(50,000)	—	100,000	20.5.2020 – 20.5.2022	HK$50.20
	3.1.2020	2018	12,500	—	12,500	(12,500)	—	—	3.1.2020	HK$64.70
	21.12.2020	2018	10,000	—	10,000	—	—	10,000	21.12.2021 – 21.12.2022	HK$107.00
	31.12.2020	2018	10,500	—	10,500	(10,500)	—	—	31.12.2020	HK$110.60
Mr Christopher Patrick Langley OBE	21.12.2020	2018	10,000	—	10,000	—	—	10,000	21.12.2021 – 21.12.2022	HK$107.00
Mr Peter David Sullivan	21.12.2020	2018	10,000	—	10,000	—	—	10,000	21.12.2021 – 21.12.2022	HK$107.00
Mr Vincent Ting Kau Cheung	21.12.2020	2018	10,000	—	10,000	—	—	10,000	21.12.2021 – 21.12.2022	HK$107.00
Mr Johannes-Gerhard Hesse	21.12.2020	2018	10,000	—	10,000	—	—	10,000	21.12.2021 – 21.12.2022	HK$107.00
Mr Robert Hinman Getz	21.12.2020	2018	10,000	—	10,000	—	—	10,000	21.12.2021 – 21.12.2022	HK$107.00
Total			**8,963,000**	**1,323,000**	**3,393,000**	**(2,114,000)**	**—**	**2,602,000**		

Notes:

(1) All the awarded shares are purchased from the market.

(2) At the end of the year, the average fair value per share is HK$44.51. The average fair value of the awarded shares is based on the average purchase cost.

(3) During the reporting year, a total of 2,120,000 shares were purchased at an aggregate consideration of US$23,057,000 for satisfying the awards granted pursuant to the 2018 Share Award Scheme.

(4) As to the agreement for the separate 5,000,000 awarded shares to be granted to Mr Joseph Galli Jr between 2020 to 2024 in five equal tranches (i.e. 1,000,000 awarded shares per year) provided the Company meets certain performance criteria each year, the first tranche of 1,000,000 shares was awarded to Mr Galli on January 3, 2020. Details of the remaining 4,000,000 awarded shares to be granted as disclosed above are not included.

(5) As to the agreement for the 1,000,000 shares, 1,000,000 shares and 5,000,000 shares might be granted subject to, inter alia, the achievement of performance criteria for the year of 2020, the year of 2021 and the years between 2022 to 2026 respectively as disclosed above are not included.

Change in Director's Emoluments

Mr Robert Hinman Getz, an Independent Non-executive Director, was appointed as member of the Audit Committee with effect from August 12, 2020. Mr Robert Hinman Getz is entitled to the Audit Committee fee which has been fixed by the Board.

Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are followed. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is also responsible for facilitating information flow and communication among Directors as well as with Shareholders and management of the Company. The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary undertook over 15 hours of professional training to update her skills and knowledge every year.

Accountability and Audit

The Board acknowledges its responsibility for overseeing the preparation of the accounts of the Group which give a true and fair view of the Group's state of affairs, results and cash flows for the year.

The Board will present a balanced, clear and understandable assessment of annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

Risk Management and Internal Controls

To achieve long term goals of the Group, effective risk management and internal control systems are essential. The Board continuously monitors and reviews key internal control policies which include delegated authorities, non-audit services, treasury management policy, policy on market disclosure and investor and media relations, as well as key risk management functions which include legal, insurance, capital management and treasury. In order to maintain a sound and effective risk management and internal control systems, the Board conducts an annual review of the effectiveness of the risk management and internal control systems of the Company, which is designed to manage and minimize risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided. A whistle blowing policy (the "Whistle Blowing Policy") has been adopted in order to detect and identify improprieties and bring the issues to the attention of the management, the Audit Committee as well as the Board.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's risk management and internal control systems that have been put in place. The reviews covering financial, operational, and compliance controls and risk management performed in 2020 included:

- the scope and quality of management's ongoing monitoring of risks and system of internal control and the effectiveness of the Company's procedures relating to statutory and regulatory compliance.
- the organization structure and delegated authorities.
- the adequacy and performance of accounting and financial reporting functions.
- the regular internal audit updates and the strategic and annual operating plan.
- the risk management process including risk assessment at the enterprise level upon discussions with senior management responsible for day-to-day management of significant risks.

The internal audit function is essential to provide an independent and objective assurance to the Audit Committee and the Board in controlling the internal business environment. The Internal Auditor reports periodically to the Audit Committee and meets the Chairman of the Audit Committee regularly. The internal audit function maintain independent review continuously on key business aspects in accordance with the annual audit plan, and report the key findings to the Board through the Audit Committee.

The procedures and internal controls for handling and disseminating of inside information are governed by the Model Code, the Code for Securities Transactions by Relevant Employees, the Whistle Blowing Policy, the Policy on Market Disclosure, Investor and Media Relations with a view to ensure compliance with the Company's Articles of Association and the statutory and regulatory requirements that the Group is subject to.

In light of the above reviews and policies, the Board confirms that the Group's risk management and internal controls systems are effective and adequate.

External Auditors

Deloitte Touche Tohmatsu, the external auditors of the Group, provided the following audit and non-audit services to the Group in 2020:

Nature of Services	Amount (US$ million)
External Audit Services	2.40
Taxation Services	0.10
Other Services	0.03

The other services provided by Deloitte Touche Tohmatsu comprised professional services conducted under the terms of specified engagements.

The nature and ratio of annual fees to external auditors for audit services and non-audit services are subject to scrutiny by the Audit Committee to ensure the independence of the external auditors. All non-audit services from external auditors are regulated by a Policy on Non-Audit Services published on the Company's website (www.ttigroup.com).

The Audit Committee and the external auditors of the Group meet twice a year without the presence of the management of the Group to enhance independent reporting by external auditors of the Group. In order to maintain effective communication with shareholders, the external auditors attended the 2020 Annual General Meeting to answer questions about the accounting policies, the auditor independence, the conduct of the audit and the preparation and content of the auditors' report.

Investor Relations and Shareholder Communications

The Company aims to maintain effective communication and on-going dialogue with its shareholders and investors particularly through the following major means:

Shareholders' Communication Policy

The Board has adopted the Shareholders' Communication Policy on March 22, 2012, which primarily covers the current practices for communicating with shareholders and is published on the Company's website (www.ttigroup.com). All the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations conducted at press conferences, which are published on the Company's website (www.ttigroup.com), provide timely, efficient and accurate information to shareholders and investors. Essential information is communicated to the shareholders mainly through the Company's financial reports, general meetings and the information published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk). In addition, the Company holds regular meetings with institutional shareholders and analysts and encourages shareholders to attend annual general meetings to communicate with Directors and management of the Company directly.

A Policy on Market Disclosure, Investor and Media Relations, published on the Company's website (www.ttigroup.com), ensures that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

Shareholders' Rights

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Article 64 of the Articles of Association of the Company and sections 566-568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company (the "Requisitionists"), may request the Directors to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the Requisitionists and sent to the registered office of the Company which is currently located at 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

If the Directors do not, within 21 days after the date on which they become subject to the requirement, proceed duly to convene an EGM for a day not more than 28 days after the date of the notice convening the EGM, the Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM. The EGM must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call an EGM. Any reasonable expenses incurred by the Requisitionists by reason of the failure of the Directors duly to convene an EGM shall be repaid to the Requisitionists by the Company.

Procedure for nominating a person for election as a Director

For the detailed procedure for shareholders to nominate a person to stand for election as Director, please refer to the written procedure named "Nomination of Directors by Shareholder" which is published on the Company's website (www.ttigroup.com).

Procedure for directing shareholders' enquiries to the Board

The Company values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Shareholders may address their comments, suggestions and/or enquires to the Board in writing through Investor Relations and Communication (contact details are set out in the section headed "Corporate Information" of this annual report).

Procedure for putting forward proposals at general meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders may submit a written requisition to circulate a resolution at an annual general meeting ("AGM") if they: (a) represent at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the AGM to which the request relates; or (b) are at least 50 shareholders having a right to vote on the resolution at the AGM to which the request relates.

The written requisition must: (a) identify the resolution of which notice is to be given; (b) be signed by the requisitionists; (c) be sent to the registered office of the Company for the attention of the Company Secretary; and (d) be received by the Company not later than six weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM. Shareholders are requested to refer to Section 580 and 615 of the Companies Ordinance for further details.

Constitutional Document

No change has been made to the Company's constitutional document during 2020. The constitutional document of the Company was published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

Board, Board Committee and General Meetings in 2020

A summary of attendance of Board, Board Committee and general meetings in 2020 are detailed in the following table:

	Meetings attended/Held in 2020				
	Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Number of meeting(s) held during the year	5	4	2	3	1
Group Executive Directors					
Mr Horst Julius Pudwill	5/5		2/2		1/1
Mr Stephan Horst Pudwill	5/5				1/1
Mr Joseph Galli Jr	5/5				1/1
Mr Kin Wah Chan	5/5				1/1
Mr Chi Chung Chan	5/5				1/1
Non-executive Directors					
Prof Roy Chi Ping Chung GBS BBS JP	5/5				1/1
Mr Camille Jojo	5/5	4/4		3/3	1/1
Independent Non-executive Directors					
Mr Christopher Patrick Langley OBE	5/5		2/2	3/3	1/1
Mr Peter David Sullivan	5/5	4/4		3/3	1/1
Mr Vincent Ting Kau Cheung	5/5	4/4	2/2	3/3	1/1
Mr Johannes-Gerhard Hesse	5/5	4/4	2/2		1/1
Mr Robert Hinman Getz(1)	5/5	1/1			1/1
Date(s) of meeting(s)	16.1.2020 4.3.2020 14.5.2020 12.8.2020 11.11.2020	2.3.2020 14.5.2020 11.8.2020 11.11.2020	2.3.2020 11.8.2020	2.3.2020 11.8.2020 16.12.2020	15.5.2020

Notes:

(1) Mr Robert Hinman Getz was appointed as a member of the Audit Committee with effect from August 12, 2020.

Event Marketing Specialists focus on selling to customers and conducting product demonstrations, hosting large-scale sales events, and building relationships with our retail partners.

Contents

Environmental, Social and Governance Report

About This Report

TTI's Environmental, Social and Governance (ESG) Report shares our initiatives and performance for the calendar year 2020 with reference to previous performance where relevant. This report addresses the Hong Kong Exchanges and Clearing Limited's mandatory "comply or explain" requirements and relevant recommended disclosures as outlined in our HKEX ESG Guide Content Index, which is available on our corporate website. This report has also been prepared in accordance with the GRI* Standards: Core option. Our GRI Content Index, specifying how we fulfill the Standards, is also available on our website. TTI's previous report was endorsed by the Board of Directors (the "Board") on March 4, 2020, as was this report on March 3, 2021.

The data in this report, unless otherwise stated, covers our operations in Asia, Australia and New Zealand (ANZ), Central, North and South America (Americas), and Europe, the Middle East and Africa (EMEA). Environmental information and data from TTI business units is presented by region with data from TTI AIP Dongguan highlighted separately to show progress from previous years. Environmental data for Central and South America is not included as TTI has only 26 staff across the region working in offices with immaterial environmental impact. For a full list of TTI business units covered under each region and abbreviations used in this report, refer to page 144. For any questions regarding this report, please contact our Investor Relations Department at ir@tti.com.hk.

* The Global Reporting Initiative (GRI).

Vice Chairman's Message

"Culture is driven from the top, and every member of our company's leadership team and our Board of Directors drives TTI to align its core strategic drivers and culture with ESG values."

2020 challenged the world and its global citizenry perhaps as never before. We are proud that throughout this challenging year, we assiduously maintained our dedication to our people and to their health and safety.

We are equally proud that we strengthened our commitment to be a global leader in environmental sustainability, social responsibility, and ethical corporate governance. While achieving an unprecedented level of growth and success, we intensified our focus on recruiting and retaining a talented and diverse global workforce.

Culture is driven from the top, and every member of our company's leadership team and our Board of Directors drives TTI to align its core strategic drivers and culture with ESG values. By promoting these commitments and beliefs throughout the organization, we have successfully driven initiatives that deliver positive impacts for our employees, customers, suppliers, investors, other partners, and society. The following are examples of just some of those initiatives:

- Environment: Even in the face of a global pandemic, we continued to relentlessly invest in talent and R&D to produce revolutionary, environmentally responsible cordless products that will accelerate the world's conversion away from gas-powered products and other legacy technologies. Our industry-leading products are designed and engineered to reduce emissions, noise, vibration, size, and weight and otherwise improve ergonomics for users. These innovative products include our WHISPER series of leaf blowers which substantially reduce the noise produced in residential and commercial neighborhoods, highly efficient brushless motors, and an expanded platform of cordless cleaning, tool and outdoor products. We take immense pride in receiving The Home Depot's Environmental Partner of the year award and will continue to build on our successes. As a whole, we worked to reduce TTI's greenhouse gas (GHG) emissions intensity and as we continue to grow, we are setting environmental targets and incorporating environmental requirements into the design of our new and existing facilities.

- Social and Community: The health and safety of our employees are our top priority, and our global facilities adhered to government and health agency guidelines and best practices and provided employee training, personal protective equipment, and other support wherever and whenever needed. The recruitment into our Leadership Development Program (LDP) was unmatched in the record number of exceptional people hired who represent the future leadership of TTI. Our diversity and inclusion initiatives help enable us to attract and retain a global workforce who represent diversity in many dimensions.

- Governance: We have expanded our ESG Executive Committee, comprised of Board members and members of our leadership team across geographic regions and functional areas. Additionally, we renewed our membership to Global Reporting Initiative (GRI) which aims to increase transparency in ESG reporting. We joined the Responsible Business Alliance (RBA) as a supporter member to foster human rights, environment protection and overcome potential ethical supply chain challenges.

At TTI, we are and will remain unflaggingly passionate about pursuing our strategic drivers while fulfilling our commitment to a more just, diverse, safe, and environmentally responsible world. I am confident that our exceptional people will continue to meet the challenges and exceed the goals that lay ahead as we continue to lead our industry toward a more sustainable future.

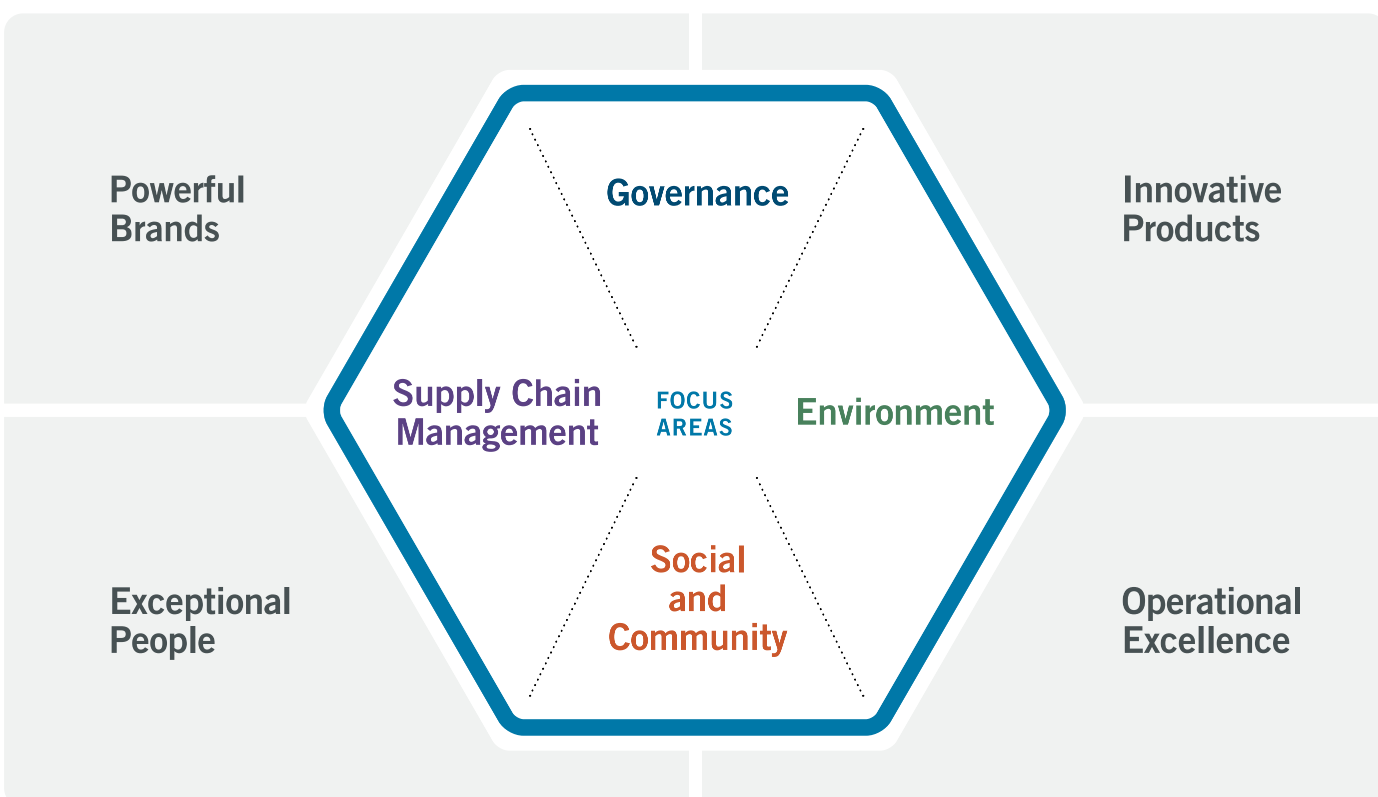
Stephan Horst Pudwill
Vice Chairman
March 3, 2021

TTI's ESG Approach and Strategic Framework

Instilling ESG best practices along our value chain drives TTI's approach to sustainability in the way we operate, what we produce, how we source and the way we live. Sustainability is at the core of our business today and is the bedrock for both the development of our business and creating shared value for all our stakeholders' future prosperity. Our strategic framework for ESG is based on engagement with our stakeholders to learn what is important to them, their needs and key concerns. Their feedback helps TTI conduct a comprehensive assessment process which allows us to identify our material topics that impact the sustainability of our value chain and business overall.

We understand that our actions are not only of significant importance to the future of our business, but also address collective, global concerns to make a true difference by aligning with the United Nations Sustainable Development Goals (UNSDGs). We are committed to implementing more initiatives, including setting environmental targets to address our climate impact and enhancing our overall sustainability practices. Accountability and transparency will drive the success of these goals and our vision for ESG.

Our focus areas of Governance, Environment, Social and Community and Supply Chain Management cover each of our material topics and the related initiatives and goals in depth, demonstrating how our four strategic drivers, Powerful Brands, Innovative Products, Exceptional People and Operational Excellence, guide our business in strengthening our sustainability performance.



Stakeholder Engagement

TTI's key stakeholder groups are identified as those that have a vested interest in our company and can either affect or be affected by our operations and performance.* Our sustainability focus areas take into account the priorities and concerns of our key stakeholder groups. We regularly engage with all our stakeholders, including our employees, customers, end-users, suppliers, investors, shareholders, regulatory bodies, industry groups and the broader community.

In 2020, we expanded our partnerships with a number of non-profit organizations to engage with experts and peers, align on best practices and understand our industry's priority issues. Examples of such strategic partnerships include our engagement with the Responsible Mineral Initiative (RMI) and the Global Reporting Initiative (GRI).

Through the year, we actively participated in virtual roundtables and conferences of organizations such as RMI and GRI covering topics including waste, water and supply chain.

We continued to engage with employees to understand the issues that are of utmost concern to them in 2020. We also communicated with our customers to understand their key sustainability-related challenges and maintained a dialogue with suppliers through online platforms, and face-to-face meetings whenever possible. In addition, we continued to interact with shareholders to understand their concerns and the expectations they have of our ESG performance.

The table below summarizes the main issues of concern raised by our stakeholders, which are reflected in our material topics and addressed in this Report. The table also outlines how we engage with our stakeholders and the frequency of this engagement.

Stakeholder Groups	Engagement Channels and Frequency†	Key Concerns	Material Topics that Address Key Concerns
Employees	• Surveys • Diversity and Inclusion committees • ESG sub-committees • Roundtables • Sessions with speakers • TTI Group Intranet • Training (online and face-to-face) • Annual employee reviews • Engagement with Non-governmental Organizations (NGOs) • Social media • Compliance hotline	• Governance • Climate change • Working terms, conditions and benefits • Training and development • Health, safety and wellness • Equal opportunities, diversity and inclusion • Community engagement	• Ethics and Governance • Climate Change • Talent Attraction and Engagement • Health, Safety and Wellbeing • Diversity and Inclusion • Community Investment and Engagement
Customers and Product End Users	• Communication on policies and codes • Audits • Communication on conflict minerals, due diligence and progress • Sustainability programs on decarbonization and greenhouse gas emission reduction • Focus groups on product development • Annual product presentation conferences • Ongoing conferences and meetings • Social media • Compliance hotline • Customer service communication channels	• Climate change • Data privacy • Packaging • Chemical substances • Circular economy • Transport, storage, recycling, end-of-life of products and batteries • Quality of products, including safety and environmental impact • Social and environmental responsibility • Modern slavery (forced and child labor and vulnerable migrant workers) • Conflict minerals	• Climate Change • Data Protection and Cybersecurity • Water • Resources, Chemicals and Waste • Sustainable Products • Biodiversity • Product Safety • Responsible Sourcing

* Our identification of key stakeholder groups is guided by the AA1000 Stakeholder Engagement Standard (2015).

† Unless stated, engagement is ongoing or periodic.

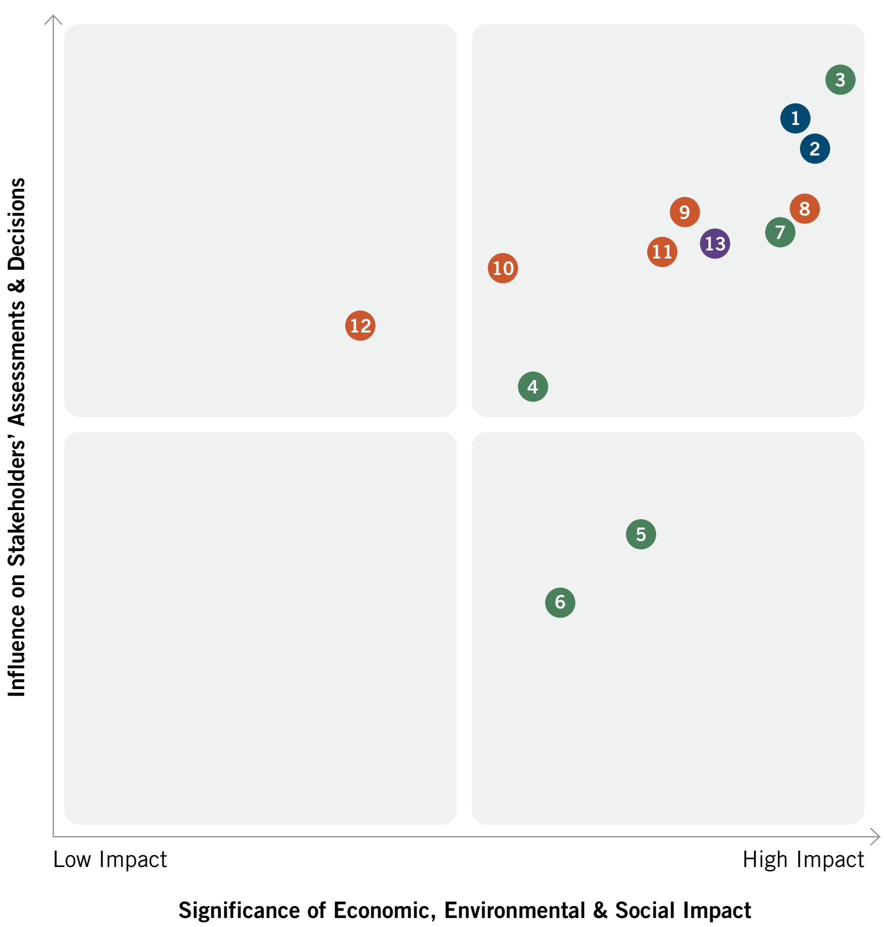
Stakeholder Groups	Engagement Channels and Frequency†	Key Concerns	Material Topics that Address Key Concerns
Suppliers	• Compliance hotline and online platform • Onsite presence of our quality and Social and Environmental Responsibility (SER) employees • Regular audits and meetings • Annual training • Annual product presentation conferences • Supplier engagement conferences	• Governance • Anti-corruption • Climate change and extreme weather events • Resource scarcity • Pollution and waste • Social and environmental responsibility	• Ethics and Governance • Climate Change • Water • Resources, Chemicals and Waste • Sustainable Products • Biodiversity • Product Safety • Responsible Sourcing
Shareholders and Potential Shareholders	• Meetings to discuss Social and Environmental Responsibility (SER) expectations • Surveys / interviews conducted by external facilitators • Annual roadshows • Annual General Meeting	• Ethics and governance • Independence and engagement of Board members • Environmental risk management • Climate change strategy and greenhouse gas emission reduction • Diversity and inclusion • Community engagement • Responsible sourcing with focus on human rights, conflict minerals and cobalt	• Ethics and Governance • Climate Change • Water • Resources, Chemicals and Waste • Sustainable Products • Biodiversity • Diversity and inclusion • Community Investment and Engagement • Responsible Sourcing
Communities	• Local and international community engagement with non-profit organizations • School fairs and programs with universities • Mentoring and internship programs	• Climate change • Training and development • Health and safety • Equal opportunities, inclusion and diversity • Safety of products • Poverty • Social and environmental responsibility • Water • Biodiversity	• Climate Change • Water • Resources, Chemicals and Waste • Sustainable Products • Biodiversity • Health, Safety and Wellbeing • Diversity and Inclusion • Product Safety • Community Investment and Engagement • Responsible Sourcing

† Unless stated, engagement is ongoing or periodic.

Materiality Assessment

We continually strive to enhance how we identify and assess the issues that are most material to our stakeholders and our business. Understanding the concerns of our stakeholders and our global sustainability challenges allows us to align our sustainability strategy and to identify areas of focus to enhance our sustainability performance and reporting. This is also invaluable for identifying our risks and opportunities and deepening our collaboration with our partners for impact.

The matrix below identifies 13 material topics that were selected based on stakeholder concerns as well as the significance of economic, environmental and social impacts on our business in 2020. While all these topics are important to TTI, the relative ranking presented in this assessment is crucial in informing our strategic decision making and future target setting. Climate change, ethics and governance, data protection and cybersecurity, along with topics in our product-related categories – sustainability and safety – ranked highly, emphasizing the importance of our comprehensive approach to managing our environmental and governance performance. Responsible sourcing, health, safety and wellbeing, and talent attraction and engagement topics followed, reflecting the importance stakeholders place on responsibly engaging with our supply chain and supporting people to thrive. For water and biodiversity, we address these risks along our value chain and believe they are increasingly critical sustainability risks going forward. We will continue to engage stakeholder groups on a regular basis to monitor and refine our assessment in order to ensure our sustainability strategy remains robust.



Governance
1 Ethics and Governance
2 Data Protection and Cybersecurity

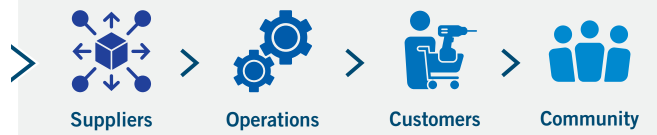
Environment
3 Climate Change
4 Resources, Chemicals and Waste
5 Water
6 Biodiversity
7 Sustainable Products

Social and Community
8 Product Safety
9 Health, Safety and Wellbeing
10 Diversity and Inclusion
11 Talent Attraction and Engagement
12 Community Investment and Engagement

Supply Chain Management
13 Responsible Sourcing

Value Chain Impacts, Risks and Opportunities

TTI's operations are global with all of our business units, partners and suppliers playing an invaluable part in our sustainability journey. A thorough assessment of how our material topics impact various parts of our value chain and the risks and opportunities that result remain an important aspect of our sustainability approach and strategy. The table below outlines these impacts, risks and opportunities.



Material Topics & Impact along the Value Chain	Risks	Opportunities
Ethics and Governance		
Suppliers: Manage risk and maintain trust of stakeholders Operations: Maintain employee loyalty, reduce turnover and increase productivity Customers: Retain customer loyalty thereby boosting business development Community: Foster respect and goodwill of surrounding communities	• Change in trade regulations • Non-compliance with international and local laws to the broad scope of TTI's group operations • Risks of corruption	• Diversification of manufacturing footprint with opportunities for TTI to promote ethical conduct and robust governance practices as well as sustainable buildings and renewable energy generation, job creation, and health and safety standards for local workers and employees • Training employees and suppliers on compliance with Code of Conduct and other TTI policies, promoting a culture of ethics, respect for human and labor rights, environmental protection and good governance
Data Protection and Cybersecurity		
Suppliers: Protect supplier data, reduce business process disruption Operations: Maintain business continuity, protect assets and innovation Customers: Protect customer data and privacy, maintain trust Community: Maintain trust and business continuity to benefit local communities	• Breach of Intellectual Property (IP) • Breach of data privacy • Cyberattacks and risk of data loss	• Promote innovation and increase the number of TTI's IP rights • Safeguard valuable assets (e.g. logos, patents, trademarks, copyrights, software) • Protect customer data, business strategy and IP • Protect TTI and customer information data, IP and TTI's systems and operational integrity
Climate Change		
Suppliers: Material sourcing, manufacturing processes and transportation Operations: Employee commuting, travel, manufacturing processes, product transportation and distribution Customers: Product usage, end-of-life treatment of products Community: Product usage, product transportation and distribution	• Physical damage to assets from climatic events • Productivity impact from temperature change and disease proliferation • Supply chain disruption • Financial impact • Regulatory change	• Strategic mitigation to future-proof the business for operational and supply chain resilience to boost TTI's competitive advantage • Develop partnerships

Material Topics & Impact along the Value Chain	Risks	Opportunities
Water		
Manufacturing, sanitation, wellbeing	• Water quality and scarcity • Supply chain disruption • Ecosystem impact	• Resource conservation and cost savings • Positive recognition as a responsible global citizen
Manufacturing, sanitation, employee wellbeing		
Sanitation, wellbeing		
Sanitation, wellbeing		
Resources, Chemicals and Waste		
Regulatory risk, safety, environmental footprint, pollution	• Commodity pricing and sourcing • Scarcity of resources • Environmental impact • Financial management of recycling programs • Availability of recycling programs in new markets and distribution networks	• Research and development of new technologies, recyclable materials, biodegradable materials and eco design • Resource conservation and cost savings • Leadership in environmental and health and safety performance • Partnerships to implement recycling programs and new technologies and materials
Regulatory risk, safety, environmental footprint, pollution		
Customer safety and trust		
Ecosystem health, degradation and loss of biodiversity and pollution		
Sustainable Products		
Pollution reduction, decreased resource consumption and waste, reduced supply chain risk	• Consumer trends in purchasing products with environmental attributes/certifications • Regulatory change	• Innovation • Eco-design opportunities • Improve the end of useful life of products and push for circular economy • Sustainable consumption and marketing • Reduce supply chain risk • Meet market demand for sustainable products
Employee satisfaction, reduced environmental risk, pollution reduction, decreased resource consumption and waste		
Pollution reduction, decreased resource consumption and waste results in customer wellbeing and trust		
Pollution reduction, decreased resource consumption and waste furthers community wellbeing and trust		

Material Topics & Impact along the Value Chain	Risks	Opportunities
Biodiversity		
Sourcing of raw materials and business processes can cause ecosystem degradation	• Environmental impact, including ecosystem degradation and species loss	• Biodiversity/restoration • Resource conservation and cost savings • Positive recognition as a responsible global citizen • Develop partnerships
Manufacturing and other business processes affect ecosystem health		
Product end-of-life management, producer meeting responsibility expectations		
Environmental wellbeing, habitat loss and degradation, erosion, species loss, air and water pollution, soil and water contamination		
Talent Attraction and Engagement		
Exceptional and engaged employees are able to maintain strong business relationships with all external parties	• Turnover/recruitment/salary cost • Not finding qualified candidates • Investment costs • Skill and experience of workforce • Succession planning	• Development of long-term career opportunities • Development of partnerships with universities/trade associations • Development and training of TTI employees
Well-trained, satisfied employees lead to higher productivity and business continuity and success		
Superior customer service and trust in TTI		
Employment opportunities and economic growth		
Health, Safety and Wellbeing		
Fair working conditions, satisfied employees maintain strong business relationships with external parties	• Safety of end users, job sites and TTI employees	• Fair, safe and healthy workplace practices at TTI and along the supply chain • Promote health in the community
Employee health, wellbeing and satisfaction boosts productivity		
Healthy and engaged employees deliver superior customer service and promote trust in TTI		
Productivity and growth for TTI is beneficial for the communities where we operate		

Material Topics & Impact along the Value Chain	Risks	Opportunities
Diversity and Inclusion		
A diverse workforce is able to maintain strong business relationships with external parties	• Male dominated industry: challenging to attract female employees and minorities and to achieve gender and racial diversity at management levels	• Attracting talent from different cultures to achieve diverse thinking, methods, values and perspectives • Engage in initiatives to promote diversity and inclusion and make a real impact internally and externally
Inclusion and equal opportunities boost productivity and creativity		
A productive, engaged workforce encourages customer trust		
Inclusive employment opportunities support license to operate		
Product Safety		
High standards improve quality across the supply chain leading to upskilling and growth	• Safety of end users • Litigation, fines from product claims or recalls • Reputational damage • Commercial risk • Cost of claims or recalls	• Develop innovative tools with safety functions • Positive recognition for safe products • Improvements in the quality of products and customer service capability
Employee loyalty, growth of the business		
Health, safety, loyalty and trust		
Trust		
Community Investment and Engagement		
Environmental, social and economic stability in the supply chain	• Reputational risk of not being engaged in industry initiatives or from not supporting local community needs • Risk of not meeting expectations of customers and potential employees/young talent • Corruption risk	• Create shared value for both TTI and community • Positive impact on the environment, social and human rights and recognition as a responsible corporate citizen • Global engagement • Support work of NGOs • Give back to the community through volunteering and donations • Build brand loyalty
Sustainable growth, loyal, engaged employees		
Trust, social stability		
Economic, social and environmental wellbeing		
Responsible Sourcing		
Business continuity, working conditions, human rights, wellbeing, reduced environmental footprint	• Reputational risk of not being engaged in industry initiatives • Risk of not meeting the same level of environmental management standards across global manufacturing sites and the supply chain • Disruption of supply chain due to human rights conditions: fines from violations/claims, reputational damage, commercial risk	• Contribute to policy and program development to affect change across the industry and supply chain • Diversification of manufacturing and supply chain • Champion human rights: positive recognition as a responsible corporate citizen • Establish our position as a responsible employer and supply chain partner • Supplier capacity building
Minimize ESG risk, ensure product quality and business continuity		
Maintain trust in TTI		
Economic, social and environmental wellbeing		

Our Goals and Progress

TTI is committed to maintaining transparency and tracking the progress of the various initiatives that address our material topics. To ensure our sustainability strategy aligns with greater global concerns, we are working towards aligning our initiatives with 14 of the 17 United Nations Sustainable Development Goals (SDGs) that are most relevant to our operations. The table below outlines the SDGs that relate to our material topics, highlighting our goals and progress in these areas.

Progress Status

↑	↓	‖
Progressed	Regressed	Unchanged

Focus Areas	Material Topics	TTI Goals	Progress 2020 vs. 2019
Governance	Ethics and Governance	• Compliance with TTI's Policies and Codes with transparency in reporting and remediation when necessary • No cases of corruption among TTI Group and its business partners	‖
	Data Protection and Cybersecurity	• Protect and enforce TTI's IP rights • Data privacy: compliance with new regulations, GDPR, California Consumer Privacy Act and other privacy regulations • Cyberattacks: minimize risk of business disruption. No breaches or incidents	‖
Environment	Climate Change	• Reduce energy consumption and GHG emissions (Scope 1 and 2) and set ambitious 2030 environmental targets • Increase our renewable energy procurement • Implement a climate resilience strategy	‖
	Water	• Reduce water consumption at TTI's operations • Increase the portion of recycled water	‖
	Resources, Chemicals and Waste	• Reduce packaging and increase adoption of reduced impact packaging and packing • Reduce usage and safely manage chemicals and waste • Develop further circular business models focusing on use of recycled materials	↑
	Sustainable Products	• Reduce environmental impact through innovation in product design, packaging design, manufacturing, use and end of useful life phases • Design to easily repair, refurbish and recycle • Promote circular business models by increasing service, repair, maintenance and refurbishment services	↑
	Biodiversity	• Partner with our supply chain and promote responsible sourcing • Partner with organizations to protect and restore biodiversity	↑

Focus Areas	Material Topics	TTI Goals	Progress 2020 vs. 2019
Social and Community	Talent Attraction and Engagement	• Attract and retain the best talent • Promote employee engagement • Continuous training and development	↑
	Health, Safety and Wellbeing	• Promote healthy and safe workplaces • Zero fatal accidents in our workplaces • Promote and support physical and mental wellness of employees	↑
	Diversity and Inclusion	• Promote respect, diversity and inclusion in the workplace • Promote diversity and inclusion in surrounding communities • Maintain compliance with TTI's policies and codes	↑
	Product Safety	• Innovative product design to enhance user experience with improved quality, safety and environmental/health benefits	↑
	Community Investment and Engagement	• Establish strategic partnerships with industry partners and NGOs • Develop impact metrics to track and increase our community investment and engagement activities	↑
Supply Chain Management	Responsible Sourcing	• Enhance training to raise awareness and improve human rights and environmental impact in the supply chain • Effective partnerships with NGOs in major countries of operations and where there is a greater risk of human rights violations within the supply chain • Train to promote compliance with TTI's policies and codes with transparency in reporting • Educate and train our supply chain on the risks of forced and child labor and other human rights risks • Mapping the environmental risks in our supply chain to reduce GHG emissions, energy and water consumption in the supply chain • Set environmental targets for suppliers	↑

Governance

Our material topics have wide-ranging impacts along our value chain, therefore embedding sustainability across our business by utilizing a strong governance structure and robust risk management strategy is key. Embedding sustainability in the business means operating responsibly by adhering to sound ethics and governance practices in accordance with codes and policies that emphasize accountability. These codes and policies address both offline and online risks. As such, securing the integrity of some of our most valuable assets – our online data systems and intellectual property – is also an important focus of our governance strategy.

Operating responsibly necessitates engaging in global initiatives to enhance our performance and transparency to create a more sustainable world. In addition to progress on alignment with key UNSDGs and our participation in effective multi-stakeholder forums, such as the Global Reporting Initiative (GRI), our global efforts include partnerships with a number of organizations that are working actively to promote sustainability and tackle sustainability challenges.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

93.1%

of employees trained on anti-corruption practices

Global Cyber Policy

review successfully conducted with remediation efforts accomplished for identified gaps

Governance Structure

A well-defined governance structure provides direction for managing sustainable practices by assigning clear responsibilities within the Company. The TTI Board of Directors together with our ESG Executive Committee drive our governance practices. In 2020, increased commitment to sustainable practices led to the expansion of our ESG Executive Committee which comprises Board members as well as executives from different regions and functions. The ESG Executive Committee met once in 2020 and will increase its frequency of meetings to four times a year in 2021. This Committee works with the Board to approve TTI's sustainability strategy, which is subsequently implemented by the ESG Working Committee and each business unit.

The ESG Working Committee includes representatives from different business functions and from each region and reports to the ESG Executive Committee. The ESG Working Committee enhances the Group's ESG performance by fine-tuning policies, monitoring performance and setting goals and targets according to the Company's approved strategy. The ESG Working Committee met five times in 2020.

Leaders of regional business units across the company and the globe report on their ESG performance and challenges to the CEO on a quarterly basis.

TTI's Board of Directors

Oversees and approves the sustainability strategy, including KPIs, goals and targets.

ESG Executive Committee

Sets the strategy and oversees our ESG Working Committee.

Drive TTI's governance practices

ESG Working Committee

The ESG Working Committee, representing business units in each region, enhances the Group's ESG performance by fine-tuning policies, monitoring performance and setting goals and targets.

TTI's key initiatives in 2020 included:

- Ensuring the safety of employees, end users and workers in response to the COVID-19 pandemic by implementing safe working conditions and product delivery procedures
- Defining environmental targets with the aim of enhancing performance and working toward developing science-based targets
- Continuing to expand our manufacturing footprint, bringing responsible practices closer to our markets with the objective of establishing sustainable operations and supporting local economies
- Developing global policies covering human rights, and labour and environmental management
- Mapping environmental and social risks in our supply chain
- Continuing the collection of comprehensive data along our value chain, including on Scope 3 emissions
- Establishing diversity and inclusion committees in North America
- Renewing our Responsible Mineral Initiative (RMI) membership – TTI extended its engagement to become a supporter member of the Responsible Business Alliance (RBA), furthering our commitment to responsible sourcing and supply chain management
- Renewing our Global Reporting Initiative (GRI) membership and thereby expanding our efforts to increase transparency in our disclosure of ESG performance

Business Units

Business units implement strategy and monitor progress by holding quarterly performance reviews against the KPIs.

Risk Management

Good governance also means managing economic, environmental and social risks and capitalizing on opportunities. First and foremost, we manage risk by ensuring compliance with regulations and standards pertaining to all aspects of our value chain. Responsibility for risk management is held locally at the business unit level and by business function, with some areas of governance being handled at the corporate level. Our internal audit team, which acts independently and reports to the Audit Committee, coordinates efforts across functions and follows a comprehensive risk assessment process for all business units and levels of the Company.

Key elements of our overarching risk mitigation process are outlined below.

Of particular note, we are assessing climate risk and managing it across our operations through the diversification of our global manufacturing base and localization of our supply chain. An assessment to identify potential climate risk scenarios, including financial impacts and mitigation strategies, is underway and will inform our strategy going forward.

Group Risk Mitigation Process

Assurance

Providing independent assurance of the existence and effectiveness of risk management activities and controls in TTI's business operations worldwide.

Audit Planning

Developing an annual audit plan to identify the highest risks to our business. The plan is developed by the Audit Committee and TTI's senior management, taking into account our risk assessment methodology. The plan is reviewed regularly throughout the year to reflect any changes in the business.

Engagement Activities

Conducting various engagement activities, including process, financial and compliance audits as well as investigations. The results, including deficiencies and remediation plans developed in conjunction with management, are communicated to individuals responsible for taking corrective action, including with TTI's senior management and the Audit Committee, as appropriate. The scope and frequency of audits vary, depending on our assessment of operational and financial risks, management considerations and the audit plan's capacity and strategy.

Risk Management

Assessing TTI's risk management and internal control systems by formulating an impartial opinion on the system and reporting the findings to the Audit Committee and the senior managers concerned, as well as following up on issues to ensure that they are satisfactorily resolved.

Communications

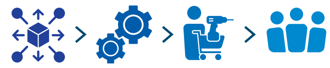
Maintaining a regular dialogue internally and with TTI's external auditor.

Ethics and Governance

Why it's Important

Championing integrity in every part of our business is simply the right thing to do. It helps us reduce risk throughout our value chain and maintain trust across TTI's range of Powerful Brands.

Impact along the Value Chain



Goals

We aim to eliminate ethical violations across our value chain through both global multi-stakeholder partnerships and initiatives within our own operations.

- **Promote compliance and aim for zero incidents of non-compliance with TTI's Policies and Codes with transparency in reporting and remediation when necessary**

- **Zero cases of corruption among TTI Group and its business partners**

KPIs

- # of employees trained on CoC
- # of cases of corruption
- # of cases of non-compliance with CoC
- # of hotline cases addressed in a timely manner with corrective action

- # of memberships in good standing
- % of global ESG data collected
- Transparency in accordance with GRI

Management Approach

Code of Ethics and Business Conduct and Compliance Policies

Sound governance requires a commitment to ethical principles, as outlined in TTI's Code of Ethics and Business Conduct (CoC). This CoC, which is available in 21 languages and communicated to all employees, provides guidelines for conducting business with transparency and in accordance with all legal requirements. The CoC includes TTI's commitment to ethical behavior and provides guidance on how to manage insider information, along with acceptance of gifts and other items of value while outlining how to avoid conflicts of interest. The CoC also demonstrates TTI's commitment to social responsibility, particularly in relation to the protection of human rights, including the prohibition of forced and child labor. In addition to the CoC, we have a number of global and local policies covered in our Employee Handbook, which clearly sets out governance practices and expectations for all aspects of our business.

A list of significant policies is summarized on page 91. One key guideline is the Anti-corruption Policy, which outlines how we maintain anti-corruption standards and prevent bribery internally and externally as well as regularly assess our operations for corruption risk. As part of these efforts, TTI refrains from making any political contributions in any of our markets. In China, TTI has been a member of the China Enterprise Anti-Fraud Alliance (CEAFA) since 2017. We remain committed to working with this non-governmental and non-profit cooperative organization to maintain a clean business environment. All TTI's policies are communicated to our employees globally through our e-learning platform or face to face and are regularly reviewed to ensure compliance with laws and regulations. A full list of legal and regulatory requirements related to anti-corruption practices that have the potential to have a significant impact on our operations and performance can be found in Appendix A of our HKEX ESG Guide Content Index on our website.

The principles and values in our Code and other policies are also applicable to our business partners and set-forth in our Business Partner Code of Conduct (BPCoC). Key policies applicable to partners include the Anti-corruption Policy, Policy Against Modern Slavery and Human Trafficking, Conflict Mineral Policy and the Cobalt Procurement Policy. Details can be found in the Responsible Sourcing section of this Report on page 128.

Compliance

Our Group Vice President General Counsel and Chief Compliance Officer heads compliance globally and reports to the CEO and the Audit Committee of the Board of Directors. The compliance function supports many TTI functions and sets our policies, trainings and regulatory interpretation. The compliance program is regularly updated and ongoing monitoring is conducted by the internal audit team. At the regional level, the Group Vice President General Counsel and Chief Compliance Officer is assisted by local legal and compliance departments.

Management Approach

Global Trade Compliance

An invaluable part of our compliance program is the Global Trade Compliance function, which is managed by a team of trade compliance professionals across the globe, with our Group Vice President of Trade Compliance in the United States (U.S) setting policy, strategy and regulatory interpretation. The Trade Compliance function is wholly supported by TTI's Executive Management Team and recognized as vital to our Company's global compliance and success.

Global Trade Compliance supports many TTI functions by screening entities and persons with whom TTI does business to ensure that none of the parties is denied, debarred or otherwise proscribed or embargoed by any relevant government. Global Trade Compliance also assists Compliance and other functions in the analysis of procurement of certain raw materials, namely conflict minerals, and helps to identify regions known for forced labor and anti-corruption, to mitigate risk.

Complaints and Concerns

To ensure our codes are effective, active reporting of all violations is highly encouraged. TTI's Group Vice President, General Counsel and Chief Compliance Officer receives complaints and concerns directly. These are then investigated as appropriate by our internal audit team, the legal or human resources departments or an independent third party. Complaints can also be made using a third-party operated compliance hotline, available 24 hours a day, 7 days per week. This allows employees, suppliers and customers, or anyone concerned, to report issues. All complaints are addressed in confidentiality, anonymity is maintained, and remedial actions are then taken, as needed.

Compliance Training and Communication

TTI maintains good governance practices by striving to prevent violations through ongoing communication and training. Employees and suppliers are required to complete training on all codes and policies and to acknowledge their understanding of their responsibilities. Every year key personnel are required to sign compliance certifications and suppliers are requested to sign compliance declarations. Communication on compliance is key. We conduct regular training through our e-learning platform and in person with our compliance and legal departments or external firms. Awareness on compliance is also built through periodic quizzes and by placing posters in local languages in conspicuous locations at all our sites.

A list of TTI's key policies and codes are included below.

TTI Policies

● Governance ● Social and Community ● Environment

- ● Code of Ethics and Business Conduct: states the actions and ethical behavior expected of our employees.
- ● Complaint Resolution Policy and Procedure: encourages any person to report any action, situation or circumstance that appears to be in violation of the Code of Conduct or any laws, regulations or our other internal policies (including internal policies and codes of conduct of TTI's subsidiary companies)
- ● Business Partner Code of Conduct: outlines TTI's requirements and expectations for all suppliers and partners (it was updated and relaunched on our supply chain platform in 2020, with further expansion on TTI's requirements in relation to trade compliance)
- ● Anti-corruption Policy, updated (2019)
- ● Anti-trust Policy, updated (2019)
- ● Trade Compliance, updated (2020)
- ● Data Privacy, Data Security and Incident Reporting Policies
- ● Policy Against Modern Slavery and Human Trafficking: states TTI's expectations in relation to human rights and the eradication of modern slavery and consequences of non-compliance, updated (2019)
- ●● Conflict Minerals Policy: outlines expectations and guidelines in the sourcing of tin, tungsten, tantalum and gold ("3TG")
- ●● Cobalt Procurement Policy: provides guidelines in cobalt sourcing (launched 2019)
- ●● Social & Environmental Responsibility (SER) Compliance Program: comprehensive scorecard to track compliance with ESG policies in the supply chain
- ● Environmental Management Policies
- ●● Environmental, Health & Safety (EHS) and Occupational Hazard Management Policies
- ●● Product Safety and Consumer Product Regulatory Compliance Policy, updated (2019)

Key Initiatives

- Mandatory training on the Code of Conduct (CoC) is organized for all new hires through TTI's e-learning platforms or in person
- Copies of the CoC along with handouts and posters with key points about our policies and details on how to report violations are available in local languages at all premises, including offices, factories and dormitories, for those without computer access
- In 2020, we released new e-learning training on anti-trust and a new policy on trade compliance to all employees globally

Progress in 2020

In 2020, once again no legal cases of corruption, anti-trust, anti-competitive or monopoly practices were brought against TTI. As per our established approach, we continued to educate employees about ethical practices with the global launch of our new anti-trust training course. 89.3% of our employees have been trained on this new material in 2020 through our e-learning platform and through in-person sessions to ensure the delivery of required training to all impacted employees. Also, 93.1% of our employees have been trained on anti-corruption through our e-learning platform and through in-person sessions to ensure the delivery of required training to all impacted employees. We also established a new Trade Compliance Policy. We are in the process of revising our Human Rights and Environmental Policies to reflect changing conditions. These updated policies will be put forward to the Board in 2021.

Our complaint reporting system remained effective, with a total of 38 complaints received and investigated in a timely manner in 2020. All complaints were resolved in 2020 except one, which remained open in 2021. The sales revenue of the company grew by 28% in 2020 over 2019, so the fact that the number of complaints increased over 2019 can be attributed to our growth. Of the 38 complaints, 18 were reported through the complaint hotline, 9 were anonymous emails, 4 complaints came from TTI employees and 7 came from TTI management. One complaint was made directly to the Group Vice President, General Counsel and Chief Compliance Officer and all complaints were investigated thoroughly. Of the complaints, 2 alleged fraud, 12 were employment-related claims or regarding violations of company policy, 2 alleged collusion, 1 alleged corruption, 3 alleged bribery, 5 complaints were against suppliers, 1 was from a customer complaining about brand upgrades and 12 complaints were with insufficient evidence and information for further investigation. Complaints with merit were managed with appropriate corrective action, including termination of employment, payment of penalties or immediate remediation. Detailed information about complaints and corrective measures were reported to both management and the Audit Committee.

Zero legal cases

of corruption, anti-trust, anti-competitive or monopoly practices brought against TTI.

89.3% of employees

have been trained on anti-trust.

93.1% of employees

have been trained on anti-corruption.

Data Protection and Cybersecurity

Why it's Important

Our data and intellectual property are some of TTI's most valuable assets. Sound management means the protection of customers and employees as well as safeguarding our Powerful Brands, Innovative Products and Operational Excellence in order to minimize the risk of business disruption.

Impact along the Value Chain

Goals

We aim for zero breaches or incidents in cybersecurity to minimize disruption to our operations and to protect the data privacy of our employees, customers, suppliers and business partners.

- **Protect and enforce TTI's IP rights**
- **Comply with all new data privacy regulations, such as the General Data Protection Regulation and the California Consumer Privacy Act**
- **Minimize any risk of business disruption from cyberattacks and aim for no breaches or incidents**

KPIs

- # of employees trained on IP protection
- # of breaches of IP rights
- # of breaches of data privacy
- # of employees trained on cybersecurity (cyberattacks, phishing)

Management Approach

Data Security Policies and Procedures

Strong data protection and cybersecurity management are essential as the risk of cyberattacks is evolving and increasing. TTI continues to invest in programs around cybersecurity and in enhancing our Information Technology (IT) systems around the globe. A number of training workshops to raise awareness about cybersecurity were conducted in 2020.

To ensure that all collected data is protected, we comply with relevant legal requirements including Europe's General Data Protection Regulation, which TTI has been compliant with since 2018. Our IT department monitors all computer systems to ensure they are covered by sound authorization management processes. Procedures protecting our data systems are outlined in eight separate global security policies.

TTI follows the National Institute of Standards and Technology Cybersecurity Framework, which defines our approach to cybersecurity – including the protection of customer data, the growth of our business and management of IP. Led by our Group Director Cybersecurity, our Informational Technology Steering Committee (ITSC) meets monthly to ensure that TTI's systems are well managed.

Intellectual Property

Our security protocol covers TTI's intellectual property portfolio, which includes patents, trademarks, logos, copyrights, software and trade secrets. Management of our IP is conducted according to procedures outlining proper usage and protection from infringement by and of others. We champion innovation among our employees by encouraging inventions, discoveries, new ideas and concepts. Our patent invention award mechanism serves to further drive creativity. We continue to support the documentation of ownership of all such IP and train our employees not to use protected IP out of respect for the IP rights of others.

Key Initiatives

- Each business unit completed a comprehensive cyber policy review with remediation efforts accomplished for identified gaps
- Our 'Global Cybersecurity Managed Detection and Response' platform went live in North America, Asia Pacific and Europe
- Cloud-based as well as local services that handle both internal and customer information are properly managed through stringent practices, including rights management and multifactor authentication
- A comprehensive vulnerability reporting program enhances our ability to proactively address risk before loss occurs

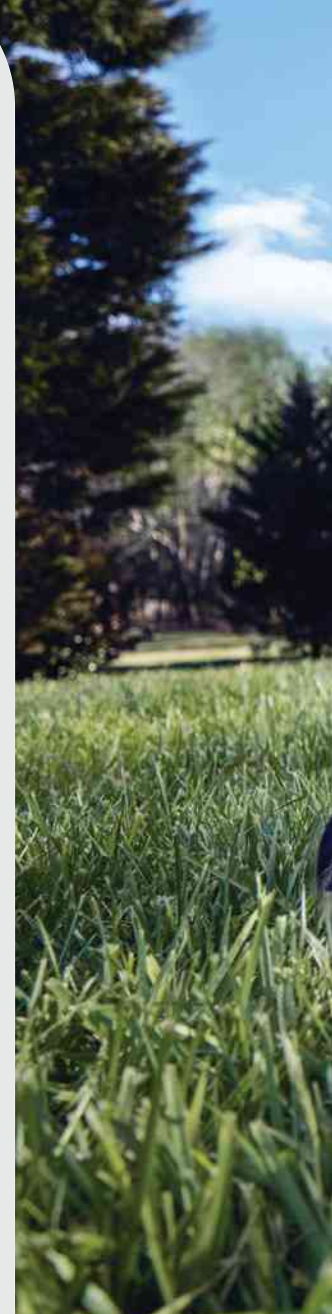
Progress in 2020

Ensuring compliance with the California Consumer Privacy Act from January 2020 was a key focus for TTI in 2019. This led to the launch of a new training program and the review of our data privacy policies and websites. Important cybersecurity projects initiated in 2020 included cybersecurity assessments of all businesses, Managed Detection and Response (MDR) roll outs, multifactor authentication for email and VPN as well as vulnerability scanning and reporting.

In 2020, there was one substantiated complaint concerning breaches of customer privacy and data. TTI identified unauthorized access to one of our business unit's systems. Through quick action via our internal teams and in coordination with our security partners, TTI did not experience loss of customer data or IP. TTI complied with all applicable laws and regulations in addressing the incident.

Environment

Protecting our planet for the long-term sustainability of our business and communities is critical. At TTI, we recognize the responsibility we have to positively impact our communities and we are committed to do our part to improve environmental performance within our operations, along our value chain, through our products and for the community. Our approach to environmental sustainability is closely tied to our drive for innovation, conservation of resources, reduction of waste, energy efficiency and renewable energy technology. These are fundamental as we move toward setting environmental targets. Our commitment to help protect the planet and tackle climate change remains foundational to the strategic drivers – Powerful Brands, Innovative Products and Operational Excellence – that guide our business.



6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

14% and 20%

decrease in AIP consumption and intensity per production value US$ million of natural gas

14%

reduction in GHG emission carbon dioxide equivalent (Scope 1, 2 and 3) intensity per production value US$ million globally

Environmental Management

In 2020, our environmental management strategy has continued to focus on developing climate resilience, managing our footprint responsibly and creating products that further circularity in our operations. We have established goals and initiatives to address the impacts associated with each of our material topics of climate change, water, resources, chemicals and waste, sustainable products and biodiversity.

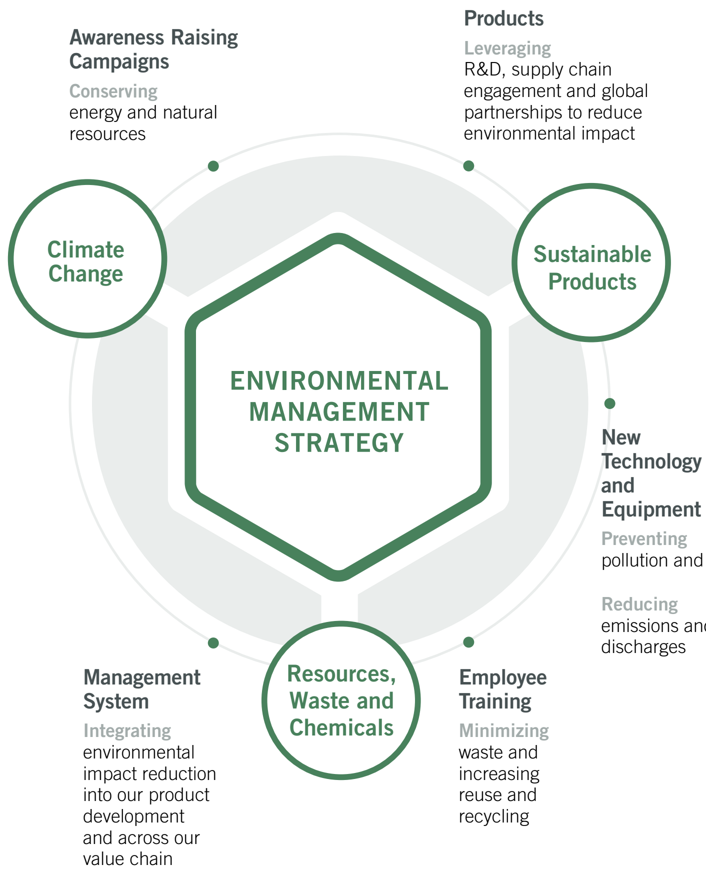
TTI's ESG Executive Committee is responsible for setting our environmental management strategy, with oversight provided by the Board. The Committee also ensures sufficient resources are allocated for strategy implementation across our global business units. Progress in achieving our goals is monitored and evaluated, with actions for improvement identified where needed. The success of our strategy is based on ensuring that our goals are well understood and key initiatives are implemented across our markets. Our ESG Working Committee and global Environment, Health and Safety (EHS) teams, are responsible for coordinating environmental management efforts and leading the development and implementation of awareness-raising and training programs internally.

All our manufacturing sites have comprehensive Environmental Management Systems (EMS) in place. In 2020, TTI AIP, our primary manufacturing site, along with TTI ELC, our largest warehouse and distribution center and TTI GMBH, respectively, in EMEA were all EMS certified and remained compliant with International Organization for Standardization (ISO) 14001 EMS and 9001 quality standards. Our environmental management policies encourage employees to champion sustainable practices across offices and manufacturing sites. Employees receive training so they are able to play an active part in improving our environmental performance. Training on EMS and EHS is delivered through both e-learning platforms and in-person sessions.

All of our operations and business partners are required to meet regulatory requirements, ensuring TTI's performance is in line with the environmental expectations of our stakeholders. For a full list of legal and regulatory requirements that have the potential to have a significant impact on our operations and performance, please refer to Appendix A of our HKEX ESG Guide Content Index on our website. We have comprehensive grievance mechanisms in place, which are available to all stakeholders who wish to raise issues, concerns or complaints. More details can be found in the Ethics and Governance section of this Report.

With the aim of increasing transparency and accountability, a large part of our effort is focused on measuring environmental performance across our markets using ESG data collection and analysis software. Detailed metrics for GHG emissions, energy, water and packaging consumption and hazardous and non-hazardous waste, can be found in the Performance Metrics of this Report.

In 2020, we continued to enhance our environmental management strategy across the company with the following priorities:



TTI has implemented a number of circularity initiatives as follows. Details are included throughout the Environment section of this Report:

- Promoting battery recycling through global partnerships
- Assessing product components for possible reuse in the value chain
- Adjusting attributes such as the weight and shape of parts and choice of materials through our value engineering programs
- Undertaking R&D projects to increase adoption of recyclable materials
- Repairing and refurbishing to extend product lifecycles

Climate Change

Why it's Important

In 2020, the top five global risks in terms of likelihood published by the World Economic Forum were all related to climate and environmental issues. The planet has limited resources and global warming has irreversible impacts. Climate resilience and a reduction of greenhouse gas emissions is paramount for the long-term health of our business, suppliers, partners, communities and the planet.

Impact along the Value Chain

Goals

We strive to work with global partners to strengthen our capacity to mitigate climate change and climate-related impacts.

- **Reduce energy consumption and GHG emissions**
- **Adopt renewable energy**
- **Develop strategy for climate resilience**

KPIs

- Energy consumption, intensity and GHG emissions data
- Renewable energy procurement and initiatives across the value chain
- # of fuel efficient and electric vehicles
- # of people trained on climate impact
- # of cases of environmental non-compliance
- # of partnerships and accomplishments

Management Approach

Climate change is one of the most crucial challenges facing society today. TTI is in the process of thoroughly assessing our climate risk, sharing information and strategizing how we can reduce our environmental impact. We are building climate resilience along the value chain and focusing on reducing GHG emissions and consuming energy efficiently with the aim of transitioning to renewable sources. While we plan to announce science-based targets for GHG emission reduction in our next report, we took steps in 2020 to diversify our manufacturing and supply chains to manage climate risk, including extreme weather events over the long term. Our diversification strategy manages risk by cultivating close relationships with our business partners to maintain high environmental and safety standards across our value chain. It also enables us to reduce the transportation journey of goods and to integrate sustainability features into new facilities.

Energy and Emissions

Reducing air and GHG emissions is fundamental to addressing our contribution to climate change. The main sources of these emissions arise from our manufacturing processes, office energy consumption, transportation and the supply chain. Air emissions include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulphur oxide (SOx) and fine particulate matter (PM) emitted from cars, trucks and other small machinery, and from combustion processes to generate electricity for manufacturing, lighting, building management systems, heating and cooling, fluorinated gases, such as R-404a, are also consumed as refrigerants.

We continue to expand our disclosure of GHG emissions as we strive to track metrics across all markets. Our Scope 1, 2 and part of 3 emission data is included in our Performance Metrics for those business units where data is available. Scope 1 emissions arise from onsite sources identified above and Scope 2 indirectly from purchased electricity. Part of Scope 3 emissions arise from business travel and other forms of transportation, as well as our consumption of water and generation of waste. We are setting a carbon reduction target and roadmap for TTI's Scope 1 and 2 emissions based on analysis of energy efficiency and renewable energy technology and procurement opportunities. We are also mapping Scope 3 emissions along our value chain and identifying opportunities for the business to engage in GHG emission reduction initiatives beyond our direct operations.

Management Approach

Managing our energy footprint is a substantive challenge. Our priorities are to adopt renewable sources of energy and manage energy efficiently as increased production levels require higher levels of consumption. As such, our approach continues to include timely maintenance of air-conditioning, heating, ventilation and building management systems to ensure efficient consumption and healthy indoor air quality. We also adopt efficient LED lighting and adjust lighting levels based on occupancy and availability of natural light. TTI is working toward adopting further renewable sources of energy across some of our key manufacturing operations. At new sites, such as our factory in Vietnam, we are introducing environmental requirements in the design and construction of buildings, as well as systems and equipment, taking into consideration measures on energy efficiency, renewable energy procurement and water conservation.

Key Initiatives

Our business units took the following measures to decrease GHG emissions and improve energy efficiency in 2020:

- Transitioning to electric vehicles at some of our sites in Australia, New Zealand and EMEA
- Incorporating environmental features into new and existing buildings
- Conducting external energy audits to monitor progress
- Installing LED lights and light sensors in meeting rooms and offices
- Turning down heating, ventilation and air conditioning (HVAC) when not in use, resealing windows and updating equipment for energy and noise reduction
- Using a low carbon electricity supply such as nuclear, solar PV, wind and hydropower
- Replacing equipment with energy-efficient smart boilers that have variable speed pumps. One operation in EMEA uses around 11% less gas to heat premises as a result
- Utilizing rail instead of petrol-fueled trucks to move goods across borders and avoiding airfreight when possible

Progress in 2020

A lockdown of non-essential services in many of our markets around the globe resulted in a portion of office-based employees transitioning to remote working environments in 2020. This resulted in a 14% reduction in GHG emission carbon dioxide equivalent tCO_2e (Scope 1, 2 and 3) intensity per production value US$ million globally.

Air and GHG Emissions

In 2020, TTI did not have any incidents of non-compliance with emission regulations. Our total GHG emissions in 2020 amounted to 220,379 tonnes of carbon dioxide equivalent (tCO2e), an increase of 22% in absolute emissions and a decrease of 14% based on production value US$ million over 2019. As part of our upstream and downstream assessment within our value chain, TTI is working to set and disclose science-based targets for reducing our Scope 1, 2 and 3 GHG emissions by 2030.

TTI AIP GHG Emissions In Depth

In 2020, TTI AIP's total GHG emissions (Scope 1, 2 and 3) decreased by 3% intensity per production value US$ million. AIP's GHG Scope 1 emissions intensity decreased by 13% per production value US$ million due to our Continuous Improvement Program (CIP) which is designed to reduce energy consumption in our operations despite an increase in production of 7%. TTI AIP's Scope 2 emissions intensity decreased by 2% per production value and Scope 3 emissions intensity decreased by 2% per production value.

Energy

TTI's total electricity consumption in 2020 amounted to 228,126,948 kWh. This was 12% higher than 2019 figures due to higher levels of production to meet demand.

Consumption figures by region are included in the Performance Metrics.

TTI AIP Energy In Depth

At TTI AIP, manufacturing output increased by approximately 7% between 2019 and 2020. As a result, overall electricity consumption increased by approximately 6% in 2020 over the previous year, however, intensity decreased by 1%. The consumption and intensity per production value US$ million of natural gas also decreased by over 14% and 20% respectively compared to 2019 due to our CIP.

Our global locations consist of leased and owned properties where a number of them have been certified in Leadership in Energy and Environmental Design (LEED). At our Hong Kong headquarters, the site received the LEED certificate from the US Green Building Council in 2020. Looking forward, we aim to achieve a LEED certification for our new factory site in Vietnam.

Progress in 2020

New Sites

An increasingly important practice when it comes to managing risk is the diversification of our manufacturing base across the globe. This involves developing closer ties to new markets by working with local suppliers. TTI is expanding new sites in Vietnam, Mexico and the United States. Details of our operations in these markets in 2020 and going forward are as follows.

Ho Chi Minh City, Vietnam. In June 2020 we announced an investment of US$650 million to build a plant and also establish a new innovation center in Ho Chi Minh City. The plant and the R&D center will be LEED certified by the US Green Building Council and will enable us to tap into increased renewable energy sources to meet our energy needs, increasing the global percentage of energy procured from renewable sources.

Torreón, Mexico. Our new facility in Mexico covers an area of 70,606 square meters and employed 1,785 people as of December 2020.

United States

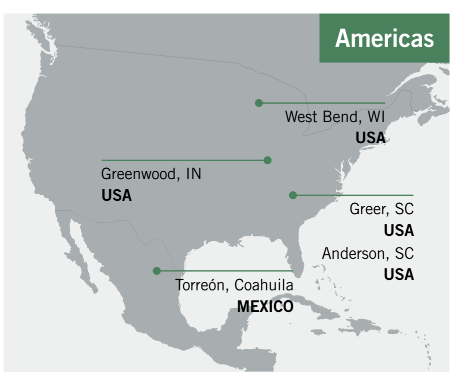
Anderson County, South Carolina. Our new manufacturing plant and warehouse in Anderson County will cover an area of over 92,903 square meters. The new facility will support production and assembly operations and include a reconditioning plant. This US$100 million investment will create 525 new jobs over the next several years.

Greenwood, Indiana. Our 13,935 square meter facility is scheduled to open in Spring 2021 as a service hub, which will house a tool repair and warehousing space. Our MILWAUKEE brand's investment in this facility, which will employ more than 450 people, is US$6.75 million.

West Bend, Wisconsin. In 2020, plans were announced to build a new hand tool manufacturing plant in West Bend.

Greer, South Carolina. A new distribution center for TTIFC is expected to be operational by March 2021 and completed in the latter half of 2021. This investment will create 134 new jobs.

Through diversification we aim to maintain high standards across our supply chain and reduce our environmental impact by, for example, minimizing the transportation of goods and prioritizing key elements of environmental design when planning our new buildings. Furthermore, as we become deeply entrenched in these markets, we are able to have a positive impact on the living conditions, educational prospects and the economic development of local communities. For example, in Vietnam TTI is already working with local universities to recruit potential talent for our R&D center.




Anderson County, USA


Torreón, Mexico


Ho Chi Minh City, Vietnam
Conceptual design

A reduction in GHG emission intensity carbon dioxide equivalent tCO_2e (Scope 1, 2 and 3) of

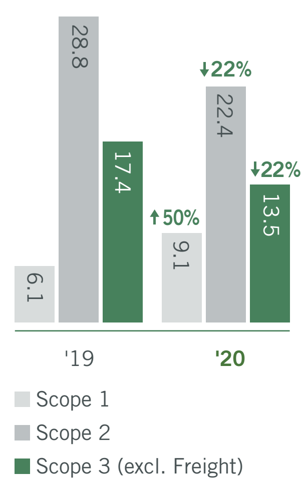
-14%

per production value US$ million globally

TTI's AIP GHG Scope 1,2 and 3 emissions intensity per production value US$ million decreased by

-3%

TTI Group Emissions Intensity per production value US$ million

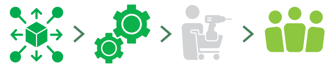


Water

Why it's Important

Water quality and security is essential to TTI's manufacturing, operations and the health of our people and communities. Proper management of this resource is imperative for our shared future.

Impact along the Value Chain



Goals

We aim to increase water use efficiency and ensure the proper management of wastewater.

- **Reduce water consumption at TTI's operations**
- **Increase the use of recycled water**

KPIs

- Water consumption data across all operations
- Water conservation metrics

Management Approach

Recognizing that water is a scarce, shared global resource, TTI is committed to its responsible consumption. An important step in our overall water management strategy is understanding which areas are most affected by water scarcity. Accordingly, we aim to reduce absolute water withdrawal at the sites where water scarcity is a risk. Efficient usage of water and the proper management of wastewater discharge remain our main focus. We continue to improve our approach to water management by implementing conservation initiatives and monitoring usage and potential leakage. All our water needs are adequately met by local, municipal sources, and we stringently comply with relevant regulations pertaining to water withdrawal and wastewater discharge.

The breakdown of TTI's water consumption by type is shown on the right side of this page. Sources of the water consumed by region are also shown in the Performance Metrics table on page 132.

Our water conservation efforts and goals are set at the group level and are implemented through water saving plans. Measures include using recycled water for flushing, collecting rainwater for gardening and cleaning outdoor areas, carrying out regular inspections to check for hidden water leakage along buried water pipe networks and installing motion sensors and timercontrolled taps on washbasins. We also do extensive work in providing access to safe water resources while providing sanitation training in the communities where we operate. These community efforts are especially important given the heightened need for clean water and proper hygiene to manage the COVID-19 pandemic. More details on these programs can be found in the Community Investment and Engagement sections of this Report.

Key Initiatives

Examples of water conservation and sanitation initiatives include:

- Using treated greywater to flush toilets
- Collecting rainwater for reuse
- Inspecting ground dampness along water supply pipe networks and performing ultrasound detection tests annually to monitor deep water leakage

Progress in 2020

In 2020, there were no incidents of non-compliance with water management regulations across our operations. TTI's total water consumption amounted to 617,183 m³. The 10% increase in consumption when compared to the previous year was due to higher levels of production in our manufacturing facilities. Total wastewater produced also went up by 10% representing a 9% increase in the discharge of treated effluent, with a 12% increase in the consumption of recycled water, when compared to 2019. TTI Group's water consumption intensity (m³ per production value) decreased by 23%.

TTI AIP Water In Depth

TTI AIP's water consumption rate was 430,889 m³, this was a 17% decrease in usage and a 22% decrease in intensity compared to 2019. TTI AIP continued to implement its wastewater recycling initiatives, which reduce consumption of fresh water and wastewater discharge to the municipal sewage system. A total of 219,017 m³ of water was reused through this system in 2020, representing a 12% increase in the recycling of water.

Water Withdrawal vs. Wastewater (m³)

1,327,701
Withdrawal

710,518
Discharged

219,017
Recycled

Resources, Chemicals and Waste

Why it's Important

Reusing and recycling materials, managing chemicals and disposing of waste in a responsible and safe manner ensures the safety of colleagues, business partners and communities, and reduces adverse impacts on the environment.

Impact along the Value Chain

Goals

We aim to achieve responsible consumption and production through proper material management.

- **Reduce resources consumption and waste**
- **Reduce usage and safely manage chemicals**
- **Reduce packaging and increase adoption of reduced impact packaging and packing**
- **Increase the volume of battery and tool collection at end of life and recycling**

KPIs

- Adopt circular economic models
- Packaging use (volume/impact)
- Paper use (volume/impact)
- Volume of battery and tool recycling
- Volume of refurbished tools being sold to end users
- # of service and repair centers globally
- # of training events on waste management programs
- # of cases of environmental non-compliance

Management Approach

The proper management of resources, chemical substances and waste is another key focus of our environmental strategy. Our efforts aim to reduce consumption, produce defect-free products, recover and reuse materials, products and components where possible and ensure that unavoidable waste is safely disposed of. We consistently invest in R&D projects, new materials, technology and equipment to achieve these objectives.

Waste

We continue to monitor the types of waste generated by our business units to identify opportunities to improve our management of materials. Building management facilities across our markets provide recycling and proper disposal options for hazardous and non-hazardous waste. In addition, we always ensure that hazardous waste is picked up by licensed professionals, for safe disposal. Our waste management policies apply to all our operations globally. At each site, employees are trained on the appropriate handling of waste and members of our EHS teams ensure that resources are provided to comply with these policies and any new regulations. For example, in 2020, 750 employees in China received training on EHS and hazardous waste regulations and compliance requirements following the introduction of new PRC laws on hazardous waste. We also conduct regular waste management audits internally and over the years have appointed independent auditors to review our waste management processes.

In 2020, we initiated a review of waste generated globally to set reduction targets. We also expanded our partnerships with a number of recyclers. This not only diverts waste from disposal, but establishes circular economy practices for the capture and reuse of valuable resources.

Packaging and Paper

Packaging and paper management remains a global priority for TTI. As production volumes increase, our focus is on utilizing less material to conserve resources and make the transportation of products more efficient. We also strive to adopt reduced-impact materials where possible. The most common materials we use for packaging include paper for boxes, cartons and die cut sheets, and plastic for polybags, bubble bags, clamshells and tool bags. We continue to expand our usage of biodegradable packaging and paper in packaging products and opt for recycled materials, using corrugated cardboard, 70% of which is made of recycled paper pulp, honeycomb board, chipboard, paperboard and/or molded pulp where possible.

Reducing the use of polybags continues to be a priority. Other efforts in 2020 have been a program to remove Expanded Polystyrene (EPS) foam from our packaging, implementing soya ink printing which is more environmentally responsible and initiating a packaging material weight reduction program. As part of our packaging initiatives, we continue to use 100% recycled paper and manage the volume of instruction

Management Approach

manuals and safety literature. To reduce page count and manual volume, we have eliminated redundant content, implemented new templates, replaced text with graphics, adopted simpler instructions for spare parts and consumables and decreased paper weight.

Batteries

Batteries are core to the functionality of our products and reducing our environmental footprint along the value chain. Our batteries are designed to be interchangeable within each network to avoid the production and wastage of multiple batteries. Our global recycling partnerships are critical for increasing the capture and recycling rate of batteries and products, which have reached the end of their useful lives. Our batteries, and products containing batteries, continue to be recycled through various organizations across our markets. One such organization, Call2Recycle®, recycles our rechargeable batteries in North America. More information on this partnership can be found in the TTI and Call2Recycle® Sustainability Partnership section on page 104. In addition, battery recycling partnerships continue with other partners in North America, Australia and New Zealand, EMEA, and Asia.

Chemicals

While our approach prioritizes reducing chemical consumption, we have stringent policies to ensure the safe and proper management of unavoidable chemicals and hazardous waste, in compliance with all relevant regulations. We are subject to a variety of legal, industry-specific requirements covering chemical use, including the Restriction of Hazardous Substances (RoHS) in Europe and parts of Asia, the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) in the EU and the Toxic Substances Control Act (TSCA) in the United States. Hazardous Substances Free (HSF) initiatives are fully integrated into our product development process and local as well as customer-specific HSF requirements are part of the product evaluation and acceptance criteria for our engineering teams. A list of high-risk materials and components is maintained as part of our operating instructions and is periodically reviewed and amended when necessary.

TTI avoids the use of REACH's substances of very high concern in our products whenever possible. We have our own in-house accredited chemical testing laboratory, which enables verification testing for RoHS substances. When starting a new development project, our teams carry out a thorough risk analysis to identify potentially hazardous components. For these components, suppliers are required to provide test reports from TTI-approved, third-party accredited testing laboratories, verifying the safety of components.

Circularity and Sustainable Materials

While minimizing resource use is our priority, we also have initiatives for reusing, recycling and promoting circularity in our operations and along our value chain whenever we can. In the PRC, our processes have been modified to include the dismantling of all surplus products and those used for reliability testing so the components can be assessed for possible reuse or recycling. In 2020, we entered into new partnerships with recyclers having patented technology to recover valuable materials that can be repurposed. We also hope to introduce these recovered components into our own supply chain when possible.

Another initiative in nascent stages is the testing of biodegradable materials for use in plastic cases that carry our power tools. This initiative at TTI factories involves extensive work by our R&D teams who are striving to reduce waste at all stages of our product lifecycle. More information on our circularity initiatives and use of biodegradable materials can be found in our Sustainable Products section.

Key Initiatives

Local regulations and building management procedures determine how our resources, chemicals and waste are managed in each of our locations. Initiatives include:

- Providing recycling training for employees and working with trade associations to develop content on proper recycling of our products
- Implementing programs for recycling, including for paper, cardboard, scrap metal, bottles and cans, plastic, oil, wood pallets, lightbulbs, printer cartridges and toners, coffee grounds and food waste
- Utilizing electronic filing systems to save paper where possible
- Returning paint containers to suppliers for reuse
- Recycling batteries and power tool skins to recover materials such as steel, copper and aluminium which is then returned to the manufacturing sector to produce mixed metal dust
- Participating in government initiatives for the safe disposal of WEEE electrical equipment

Progress in 2020

Waste

In 2020, there were no incidents of non-compliance with waste management regulations. TTI produced 51,756 tonnes of non-hazardous waste and 2,244 tonnes of hazardous waste. Our non-hazardous waste increased by 36% due to increases at our Americas, Asia and EMEA operations. The increase was due to an increase in manufacturing and production activities. Our overall hazardous waste decreased by 30% reflecting decreases in most regions due to our many initiatives to minimize waste. Data on our waste by region can be found in our Performance Metrics.

At TTI AIP, non-hazardous waste generation increased by 4% and hazardous waste decreased by 7%. Overall this represented a decrease in total waste intensity of 3%. This was due to our comprehensive waste reduction efforts. TTI made some progress in recycling waste, with a 25% increase in recycling. This represented a 28% increase in non-hazardous waste recycling and a 0.5% increase in hazardous waste recycling across operations. TTI AIP also saw a 15% increase in waste recycling, mostly attributable to the recycling of non-hazardous waste products.

Packaging and Paper

In 2020, TTI saw a significant increase in packaging used due to a surge in products manufactured. While TTI AIP had an increase in packaging volume, 92.5% of materials in our packaging in 2020 were from recycled material compared to 91.4% in 2019.

While an increased number of products invariably means more packaging, we made important progress in minimizing impact through eco-measures that resulted in significant cost savings for our business. Some examples include:

- Changing our EPS foam packaging to molded pulp packaging, which saved 1.42 tonnes of plastic and 2.5 tonnes of CO_2 per year
- Implementing half sleeve instead of full sleeve packaging designs which resulted in annual savings of 180 tonnes of paper, the equivalent of 4,147 trees and 1,800 tonnes of water per year. This contribued to a CO_2 reduction of 147 tonnes per year
- New design elements replacing carton flaps in place of pulp mold which led to a decrease in package size by 38% resulting in savings of 46 tonnes of paper, 909 trees and 379 tonnes of water, with a CO_2 reduction of 38 tonnes per year
- Changing the material and size of die cut sheets for tool packaging, resulting in savings of 66.8 tonnes of paper (a 29% reduction for this particular packing), 1,603 trees, 668 tonnes of water and a CO_2 reduction of 54.7 tonnes

Batteries

In 2020 we collaborated with partners to collect and recycle more than 530 tonnes of batteries.

ECO Responsible Packaging

Old Design
(Full Sleeve)
Sleeve Weight: 220g

New Design
(Half Sleeve)
Sleeve Weight: 28g

GHG Emission Reduction

Paper Weight Savings (tonnes)

180

Total CO_2 Reduction (tonnes)

147

Progress in 2020

TTI and Call2Recycle® Partnership for Sustainability

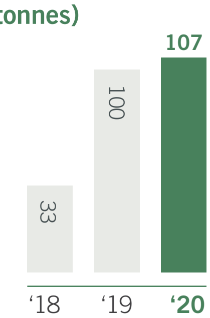
For over 20 years, TTI has partnered with Call2Recycle® to ensure that our batteries and products containing batteries are responsibly recycled when they reach their end of life. TTI pays stewardship fees to Call2Recycle® based on North American battery and battery product sales. Call2Recycle®'s North American collection network has over 25,000 collection sites, including local household hazardous waste sites and national retailers where consumers can drop-off their batteries for recycling.

TTI has also implemented a number of recycling incentive schemes in partnership with Call2Recycle®. These have included issuing battery safety and recycling guides to customers, developing infographics showing end users the impact of battery recycling over the years and creating a pilot 'at home' recycling kit for online battery purchases through retailers. Our RYOBI line also created a safe battery disposal video, viewed by thousands of committed battery recyclers on our website and on YouTube. In 2020, Milwaukee worked with Call2Recycle® to provide an at-home battery recycling solution for customers. Call2Recycle® sent 1,186 recycling kits directly to customers and 50% of the kits were returned for recycling. This program resulted in close to one additional tonne of end-of-life batteries being transported compliantly and recycled responsibly. Looking forward, we are planning to expand this program to all our brands.

In recognition of our recycling efforts, Milwaukee was designated as a 2020 Top 100 Leader in Sustainability for diverting more than 106 tonnes of batteries through the Call2Recycle® battery collection and recycling program. Call2Recycle® recognized all award recipients with a tree donation to the National Forest Foundation's '50 Million for their Forests' campaign.

↑224%

Increase in battery collection between 2018 and 2020 (tonnes)



Sustainable Products

Why it's Important

Environmentally-responsible products that are safe, long-lasting, repairable and can be effectively recycled, help us contribute to a more sustainable future and build the trust of customers and the community. Our efforts to develop sustainable products move us toward a circular economy model that reduces pressure on our environment, improves the security of our raw material supply chain, stimulates further innovation and boosts economic development across our value chain.

Impact along the Value Chain

Goals

We aim to support sustainable product innovation, which improves responsible consumption and production.

- **Reduce environmental impact through innovation in product design**
- **Promote sustainable materials innovation**
- **Promote reuse of components**
- **Promote use of recycled material**
- **Promote a circular economy and sustainable consumption**

KPIs

- Environmental features incorporated into products and impact measurement
- # of clean tech and energy-efficiency projects
- # of tools refurbished and repaired
- # of partnerships and accomplishments

Management Approach

Our product development process – from identifying next generation of products, to designing and manufacturing through to after sales – aims to reduce environmental impact and improve social conditions along our value chain. Our priority has always been on R&D and in the past few years, our focus is increasingly on developing energy-efficient, clean technologies and adopting sustainable materials.

Responsible Products

In developing products, our R&D teams consider recyclability, repairability and longevity of the products. In 2020, we continued our value engineering programs and expanded the number of lifecycle assessments within our key product categories. As a result of these initiatives, we aim to achieve reductions in shape, weight and use of materials while utilizing more sustainable options, driving innovation, reducing GHG emissions and improving resource efficiency and durability.

We have a number of sustainable products and initiatives that utilize clean technology options. These include:

- Gas to cordless innovations, for example our MILWAUKEE light equipment system (MX FUEL), along with our M18 and M12 systems, and the RYOBI 40V cordless system containing 52 products, lawn mowers and outdoor power equipment
- The launch and expansion of the RYOBI WHISPER Brushless Jet Fan Blower products in 2020, which deliver GAS-LIKE POWER™ performance with reduced noise pollution
- Low-emission generators
- MILWAUKEE line of LED lights
- Next generation of RYOBI ONE+ HP brushless series with subcompact design

Championing Innovation

A key area where we continue to champion innovation is through our gas to cordless initiative. TTI is an industry leader in the conversion of gas-powered tools to cordless tools. The development of cordless tools is driving both environmental and safety improvements. Our cordless products include the MILWAUKEE MX FUEL equipment system and the RYOBI Cordless Lawn Mower along with our range of other outdoor power equipment. The RYOBI Lawn Mower in particular is well known for its environmentally-responsible features.

TTI's pioneering lithium battery pack technology, which powers our cordless tools, performs even better and more efficiently today through battery pack construction, lithium-ion cells within the pack and the electronics within the battery pack. The TTI battery packs are engineered to

Management Approach

enable maximum battery compatibility among tools. As a result of this compatibility feature, batteries and tools from a previous generation can also be used with newly-launched batteries and tools. This allows a customer to use the same battery pack with all the tools of each network, which include 213 tools for the MILWAUKEE M18 system, 125 tools for the MILWAUKEE M12 system, 10 products for the MILWAUKEE MX FUEL range, and over 182 tools for the RYOBI ONE+ system. In many cases, our batteries have a gauge that displays the remaining charge available, and can operate at sub-zero temperatures. These unique features serve to not only enhance functionality, but also minimize waste and excess consumption.

Product Repair and Refurbishing Program

We have also expanded our product reconditioning program, which supports repair and refurbishment of tools. This is an important aspect of our circularity effort as it extends the lifecycle of our products without compromising on quality. In 2020, 808,004 products were repaired through service centers and 495,793 refurbished products were sold.

Product refurbishment allows 80% of the original product to be reused. As a first step, all products, including batteries and chargers, are carefully inspected for any mechanical issues. These are then repaired by manufacturer-trained technicians, who use replacement parts from TTI's factory. After this, testing is conducted to ensure products are working at optimal standards before they are packaged as certified, pre-owned units. Refurbished products are sold through our Direct Tool Factory Outlets with a one-year warranty. In 2020, the number of factory outlets expanded to 37.

Key Initiatives

Our business units are taking action to integrate environmental attributes into product portfolios by:

- Setting material efficiency targets and reporting on key materials used in products
- Incorporating recycled materials where possible in plastic, cardboard and metal components
- Striving to reduce the number of parts and components in products
- Ensuring all key product categories undergo lifecycle assessment
- Designing all products with ease of repair, simple disassembly features and with recyclability and longevity in mind

Progress in 2020

In 2020, we continued to look holistically at our product lifecycle to integrate sustainability attributes and actions along the value chain. In Asia, this involved a thoroughly collaborative and cross-sectional team effort to analyze and understand the relative impacts of our products through lifecycle assessment and carbon footprint analysis. The information gathered will be used to create a sustainable design guide for future products.

As we make strides toward innovations that reduce environmental impact, we also continue to prioritize the safety of our employees and customers and develop products that meet the need for heightened health and safety in the community. We will continue to develop sustainable products to meet the needs of customers and the wider community in the future.

Direct Tool Factory Outlet
Anderson, South Carolina, USA

Total number of refurbished products in 2020

495,793

Total number of repaired products in 2020

808,004

RYOBI 40V HP Brushless Lawn Mower

TTI was named **Environmental Partner of the Year by The Home Depot in 2020 for our expanding line of RYOBI lithium-ion battery-powered tools and outdoor power equipment**

Biodiversity

Why it's Important

Healthy ecosystems, supporting air, soil and water quality, as well as species and habitat diversity, are key to the long-term survival of our business and the wellbeing of the communities where we operate.

Impact along the Value Chain

Goals

We aim to protect the ecosystems around us by committing to responsible production and consumption and impact reduction through the adoption of global best practices and promotion of partnerships.

KPIs

- Source reduced impact materials
- Promote eco-certified buildings
- Promote reuse of materials and increase recycling

Management Approach

Protecting biodiversity and healthy ecosystems, for both species and habitats, are necessary in order to help safeguard our planet. Responsibly managing our footprint – from material selection and sourcing, resource conservation and adopting renewable energy, to redesigning products and processes for circularity – is an opportunity for us to do things differently, to lead and to effect change. Integrating factors that contribute to restoring and protecting biodiversity in our operations and our engagement with suppliers, customers and consumers, is essential across our value chain.

As outlined in the Sustainable Products section of this Report, whenever we can, we are designing our products and processes to incorporate sustainable materials, adopting or providing clean technology, and embedding circularity principles to recover valuable resources and reduce pollution. We strive to develop our manufacturing and operating locations in a way that minimizes impacts on local ecology, including habitat and species diversity. We aim to accomplish this at our new factory site in Vietnam by attaining LEED certification for our facility. We also work to conserve biodiversity and protect habitats in our supply chain by responsibly sourcing materials, minerals and metals in particular, and amplifying this through collective industry engagement with suppliers and partners such as the Responsible Minerals Initiative (RMI) and Responsible Business Alliance (RBA).

In 2020, TTI renewed our RMI membership and expanded it to become a supporter member of the RBA, a coalition of leading companies working to improve efficiency and social, ethical and environmental responsibility in the global supply chain. We fully support the vision and the goals of the RBA, which involve driving sustainable value for workers, the environment and business by adopting best practices. Through our partnership with organizations such as the RBA, we hope to collaborate with like-minded companies and other stakeholders to improve environmental conditions in ecosystems throughout our value chain.

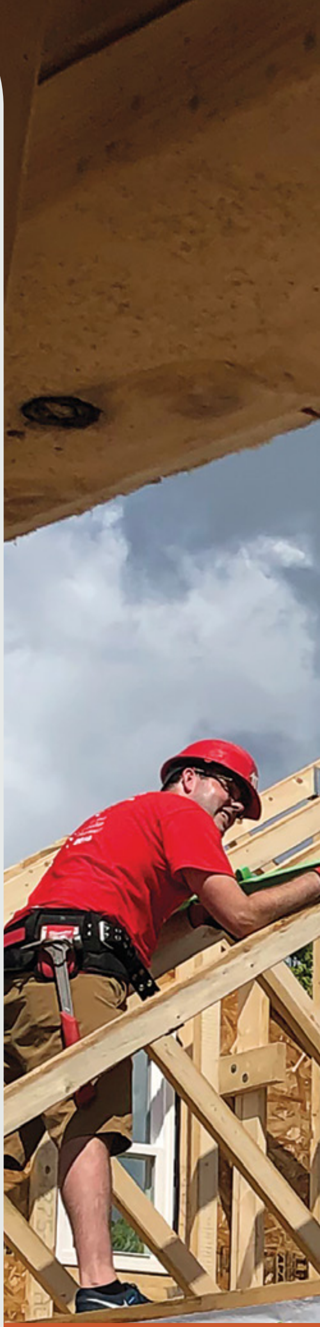
Key Initiatives

- Our operation in Mexico has analyzed the direct and indirect impacts of manufacturing plants and the associated transport infrastructure on biodiversity and determined there is no flora or vegetation that is impacted by the development of this facility
- Aiming for LEED certification at our new factory site in Vietnam

Progress in 2020

TTI is aware of the threat to global biodiversity, and we have taken steps in 2020 to begin the process of setting science-based targets for reducing our Scope 1, 2 and 3 GHG emissions.

Social and Community



In 2020, our global workforce comprised of more than 48,000 people, an increase of 45% compared to 2019. Many factors contributed to our substantial growth, including the expansion of our global manufacturing operations. Customer demand across all our brands propelled the development of new products and resulted in increased hiring.

Throughout this period, our mission has been to create positive social impacts through comprehensive employee initiatives, robust customer-centric policies and active community partnerships. In 2020, the emphasis on health, safety and wellbeing played an even greater role due to the COVID-19 pandemic.

The following sections on talent attraction and engagement, health, safety and wellbeing, diversity and inclusion, product safety and community investment and engagement discuss how we have managed these material topics in 2020.

464,196

training hours provided to employees

Mental Health First Aid

programs established in response to COVID-19 pandemic

Talent Attraction and Engagement

Why it's Important

Our talent attraction and engagement initiatives help us develop Exceptional People – a key strategic driver for TTI's success.

Impact along the Value Chain

Goals

We aim to keep our people motivated and engaged, and also strive to increase the number of skilled workers in our communities, thereby contributing to educational employment opportunities and economic stability.

- **Attract and retain the best talent**
- **Promote employee engagement**
- **Continuous training and development**

KPIs

- # of employees who received training and development
- # of LDPs hired and promoted
- # of programs focusing on youth development and internships
- # of employees trained on CoC
- # of cases of non-compliance with CoC
- # of complaints received through compliance hotline

Management Approach

TTI's focus on recruiting and retaining Exceptional People remains the cornerstone of our strategy. We employ over 48,000 people globally and believe strongly in treating them equally, nurturing their skills and supporting their health, safety and wellbeing, while promoting diversity across the workforce in alignment with our overarching focus on improving lives.

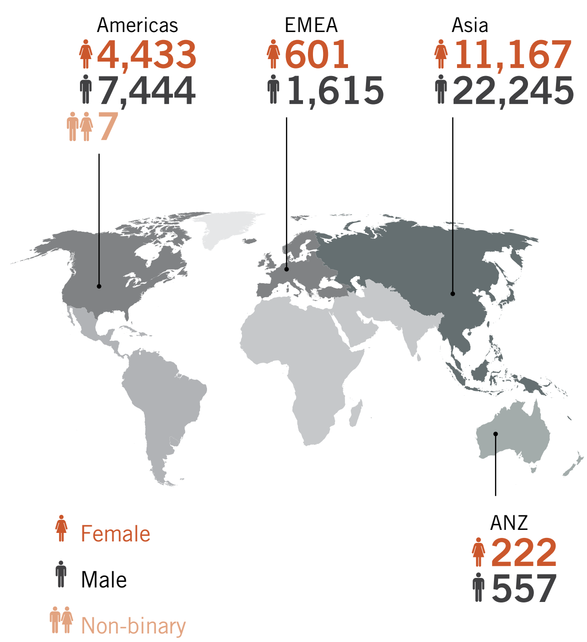
Our Core Values

TTI's new hires are introduced to our core values through communication and specific training on the Code of Ethics and Business Conduct (CoC) and e-learning courses on our policy of addressing modern slavery and human trafficking. In person and online training workshops on human and labor rights, which include examples of real-life scenarios of discrimination and harassment, equip employees to identify potential issues and report them immediately.

All employees are required to keep abreast of TTI's core values through our Employee Handbooks or equivalent procedures and policies written specifically for their location. These materials are updated annually or when important changes occur and incorporate all laws and regulations along with employment procedures. The Handbooks and policies also outline employees' responsibilities with regard to our CoC and the procedures they must follow to actively report potential violations if needed.

Detailed information on the profile of our workforce can be found in our Performance Metrics.

Global Employees Headcount by Region and Gender



Total workforce: 48,291

Management Approach

Global Full-time and Part-time Employee Headcount by Geographic Region

	Full-time	Part-time	Total
Americas	11,840	44	11,884
ANZ	736	43	779
Asia	33,410	2	33,412
EMEA	2,124	92	2,216
TTI Total	48,110	181	48,291

Global Permanent and Temporary Employee Headcount by Geographic Region

	Permanent	Temporary	Total
Americas	11,758	126	11,884
ANZ	750	29	779
Asia	27,238	6,174	33,412
EMEA	2,147	69	2,216
TTI Total	41,893	6,398	48,291

A Fair Work Environment

Employee Benefits and Compensation

We consider employee benefits to be a valuable part of working at TTI. The wellbeing of our employees is very important and this is reflected in our practice of ensuring employees receive benefits above and beyond what is legally mandated. Each of our business units puts special emphasis on providing incentives that are competitive and relevant to their local employees.

Human and Labor Rights

TTI takes human and labor rights very seriously. We comply with all international, national, state and local employment laws, in addition to International Labour Organization (ILO) core labor standards, to ensure our workers are treated fairly. This means proper oversight of legal working age, hours and working permits across our markets and supply chain. We have policies in place that stipulate our zero-tolerance approach to forced and child labor. Measures to support policy implementation include checking identification cards and drivers' licenses to confirm the age of workers, as well as ensuring young individuals above the legal working age have limited working hours, receive adequate training and are not exposed to hazardous work. In addition, we ensure freedom of association and collective bargaining rights are respected according to local regulations. Workers can express their concerns and opinions through trade unions as well as through TTI's established channels.

Training and Development

Employee training needs and targets are determined during annual performance reviews conducted by managers. Professional development plans are created according to job function, with training sessions covering a variety of subjects from compliance, leadership, management skills to product technical training, marketing and customer service skills. TTI supports a wide range of training opportunities from coaching and mentorship, seminars and conferences to continuing education. We provide financial support including sponsorships and full reimbursement of fees for employees who embark on learning initiatives.

Total

464,196
hours of training were conducted globally

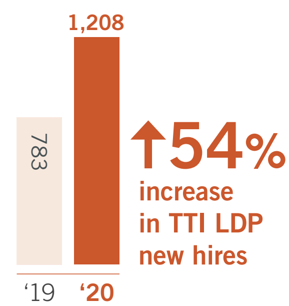
175,826
hours of e-learning training

9.6
training hours per employee on average

Management Approach

Many in-house employee development programs are conducted using our online platform, Learn TTI and other e-learning platforms. These platforms provide a spectrum of learning opportunities from mandatory courses on compliance to job-specific training. In addition to e-learning, we provide development opportunities through Lunch-n-Learn sessions conducted by employees or outside speakers.

Leadership Development Program (LDP)
Our investment in employee development is also reflected in our longstanding recruitment practices that have brought college graduates from over 100 global campuses to join our challenging, flagship LDP. For over 13 years, the LDP has recruited and trained highly sought after individuals to move through sales, marketing, finance, product development, supply chain management and various other roles, giving them exposure to different parts of our business. The program sets the foundation for success and provides fantastic career progression opportunities for rising stars. Many of our most senior management team members started with TTI through the LDP. They were able to gain invaluable skills through this opportunity and develop their careers to become leaders of the company. In 2020, there was a 54% increase in new hires who joined the TTI LDP.



Key Initiatives

In 2020, it was imperative that our talent engagement efforts include appropriate measures during the COVID-19 pandemic. This involved instituting Work From Home (WFH) measures for all employees for whom this arrangement was appropriate, resulting in shifting many of our sales and marketing offices to remote working arrangements, while safely maintaining office access for a small percentage of employees who were needed onsite. More details on our comprehensive measures to address the COVID-19 pandemic can be found in the Health, Safety and Wellbeing section of this Report.

Apart from COVID-19 pandemic response management, our talent engagement initiatives centered on learning and development opportunities such as:

- Providing online and face-to-face courses on topics that range from legal, safety and compliance issues to behavioral, soft skills, communications and leadership, as well as product knowledge, data analysis and IT training such as anti-phishing
- Conducting webinars and workshops on the latest market trends and industry best practices
- Implementing transitional assistance programs including training on cultural sensitivity and market specific laws
- Providing competency assessments that identify skill gaps in order to develop appropriate employee development plans
- Setting training targets for specific job roles and job rotation programs to develop well-rounded skill sets
- Encouraging informal mentoring and coaching sessions
- Facilitating internal hiring for all vacancies and transferring employees to different business units to maintain full employment
- Providing unemployment insurance for employees in certain markets

Progress in 2020

Our commitment to developing Exceptional People remained steadfast despite the challenges presented by the COVID-19 pandemic. While some external and onsite training initiatives were re-scheduled in 2020, we continued to champion learning initiatives. Our recruitment programs also forged ahead even while third-party services had to be minimized.

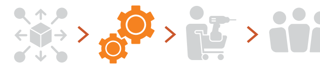
In 2020, TTI employees engaged in 2,362 courses through the e-learning platforms, this was equivalent to 175,826 training hours. Average training hours completed by region can be found in our Performance Metrics.

Health, Safety and Wellbeing

Why it's Important

The health, safety and wellbeing of our people is important to attract talent, retain a productive workforce and ensure business continuity and innovation.

Impact along the Value Chain



Goals

We aim to maintain a fair and safe working environment where our people remain engaged and productive.

- **Promote healthy and safe workplaces**
- **Zero fatal accidents in our workplaces**
- **Promote and support physical and mental wellness of employees**

KPIs

- # of people trained in OSH
- # of wellbeing programs for staff
- # of accidents and fatalities in workplaces
- # of substantiated human and labor rights violation cases within own operations

Management Approach

Our policies on wellbeing, health and safety are designed to improve lives and build on our approach to championing human and labor rights.

Employee Wellbeing

Employee health and safety go hand in hand with wellbeing. Enhancing employee wellbeing entails offering competitive benefits including parental leave and healthy lifestyle initiatives that go beyond legal requirements. Details on the number of TTI employees who took parental leave can be found in our Performance Metrics. Each of our business units provides benefits to support healthy and motivated employees.

Safety at Work

Fair treatment of all workers extends to assurance of safety at work. Our Environmental Health & Safety (EHS) and Occupational Hazard Management Policies ensure we comply with all legal requirements, identifying risks and hazards to minimize the potential injury or harm that may result. These policies also include provisions for investigating any violations and taking appropriate remedial actions. In line with our practice of meeting high industry standards, our new factories in Vietnam were the latest facilities to achieve ISO 45001 occupational health and safety management system certification in 2020.

A key part of our safety protocol is implementing thorough Occupational Health and Safety (OHS) training in all markets. A complete list of relevant human and labor rights, along with health and safety legal and regulatory requirements that have the potential to have a significant impact to TTI's operations and performance can be found in Appendix A of our HKEX ESG Guide Content Index on our website.

In 2020, our health and safety efforts were focused on managing the COVID-19 pandemic. Our efforts included innovative ways to distribute information about the COVID-19 pandemic and communicate protocols on health concerns and travel, as well as conducting contact tracing. Our business units set up committees and crisis management teams that regularly met and implemented preventive measures such as body temperature checks, mask wearing, social distancing, installing plastic barriers for safety, placing hand sanitizing stations in work areas and maintaining healthy indoor air quality and adequate ventilation. We also provided masks and gloves to manufacturing, distribution, sales and other employees, and increased daily cleaning protocols for all offices and manufacturing sites and closed facilities when necessary.

Key Initiatives

In 2020, the health and wellbeing of our employees became an even bigger focus. Some measures taken by business units to address the COVID-19 pandemic were as follows:

- Setting up effective and real-time health declaration and reporting mechanisms for TTI's employees and visitors
- Instituting temperature checks and requiring completion of a COVID-19 pandemic screening questionnaire for employees and others before entering any facility
- Developing online fitness classes, virtual games and social events to promote employee wellness
- Implementing enhanced mental health programs to ensure employees have support within the workplace
- Keeping close contact with local authorities and health departments to understand requirements, institute policies and seek support
- Establishing a crisis management response strategy to ensure both business continuity for TTI as well as job security and safety for employees
- Increasing wages temporarily to essential manufacturing and distribution facility employees
- Compensating employees exposed to COVID-19 pandemic by other employees in the workplace

Other ongoing health and safety measures that continued to be implemented, included:

- Holding periodic Health & Safety (H&S) Committee meetings with dedicated representatives to address concerns, communicate and carry out measures to improve safety for workers
- Ensuring provision of adequate Personal Protective Equipment (PPE) for workers
- Assessing machinery, equipment and new products to ensure safety
- Conducting training using multimedia tools to ensure workers are well versed in safety awareness and procedures including the handling of hazardous materials
- Providing employees with First Aid, CPR and fire-fighting training where relevant
- Continuing frequent internal inspections to ensure there were no H&S policy breaches and check that safety equipment such as eye washing stations and defibrillators function well
- Conducting departmental, line and management H&S audits
- Continuing risk assessment and inspections by third-party experts and implementing corrective and prevention measures for potential hazards

Key Initiatives

In addition to health and safety, TTI continued to prioritize the wellbeing of employees and provide support to them and their families. A snapshot of initiatives across our markets, some of which were limited by the COVID-19 pandemic in 2020, include:

- Ensuring employees and their family members had access to our various specialized employee assistance programs such as Lifeworks in Australia and New Zealand, which provides free, confidential counseling 24 hours a day, 7 days a week
- Providing medical, life, personal accident and travel insurance, critical illness coverage and income protection plans, as appropriate in different markets
- Providing annual health check-ups, offering healthy food choices, such as fruit bowls and juices, yoga sessions, massages and access to exercise equipment, as well as social clubs
- Offering workplace and working hour flexibility in response to personal needs
- Allowing education, maternal, paternal, marriage, compassionate and emergency leave
- Designating a lactation room for female staff with all necessary facilities and support
- Organizing family days and celebrations
- Offering internships for employees' children and scholarships for those entering colleges and universities

Progress in 2020

Across the Group in 2020, there were no incidents of non-compliance with health and safety regulations or voluntary codes as we continued to strive to improve our practices in line with business, operational and legislative requirements.

In response to the COVID-19 pandemic, we established a mental health first aid program in our Australia and New Zealand operations to ensure employees have access to emotional support within the workplace. By implementing one-to-one check-ins for employees and managers across our sales teams, this program created a structured approach for managers to engage with onsite employees to see how they are feeling both professionally and personally. Similarly, our HR department in the PRC offered a counseling service hotline to employees to help with managing mental health concerns around the COVID-19 pandemic. During the month of February in PRC, counsellors talked to 360 employees from all levels of the Company. Our ongoing face-to-face counseling service was also enhanced in 2020 to meet employee needs.

While managing our COVID-19 pandemic response, TTI's business units also continued to address the risks to health and safety that occur across our operations on a day-to-day basis. In 2020, there were 136 recorded work-related injuries. There were 17 high-consequence injuries recorded and 3,804 lost days due to injury across our global operations. Work injuries typically faced by TTI employees include strains caused by manual handling of boxes, cuts, burns, blood and respiratory ailments from soldering and chemicals, ergonomic risks, potential injuries from electrical contact, fire, traffic accidents, lumbar discomfort due to long driving hours as well as musculoskeletal disorders and eyestrain associated with extended screen time. Details on specific injuries that occurred in 2020 can be found in our Performance Metrics. There was one work-related fatality reported in our operations this year due to a car accident.

In response to the COVID-19 pandemic, we established a

mental health first aid program

in our Australia and New Zealand operations to ensure employees have access to emotional support within the workplace.

PRC offered a

counseling service hotline

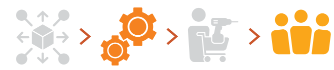
to employees to help with managing mental health concerns around the COVID-19 pandemic.

Diversity and Inclusion

Why it's Important

Diversity, inclusion and equal opportunities are the underlying tenets that make the TTI workforce creative, productive and motivated.

Impact along the Value Chain



Goals

We aim to treat everyone with dignity while strengthening gender equality and promoting inclusion for all.

- **Promote respect, diversity and inclusion in the workplace and in the surrounding communities**
- **Zero incidents of non-compliance with TTI's policies and codes with reporting and remediation when necessary**

KPIs

- # of people trained in Diversity and Inclusion (D&I)
- % of women in workforce/management
- # of cases of non-compliance addressed in a timely manner

Management Approach

TTI's emphasis on fair labor practices and human rights reinforces our approach to the importance of inclusion. Our diverse, global teams are a true asset, contributing to creativity and fresh thinking that enhances our performance. Our diversity and inclusion initiatives are yet another way in which we strive to improve lives.

We are committed to ensuring equal opportunities for all those joining our teams. We do not discriminate by race, national origin, gender or gender identity, sexual orientation, pregnancy, age, religion, military service, status as an individual with varying abilities or as a veteran, or any other status protected by applicable laws. As described in the Talent Attraction and Engagement section of this Report, our CoC clearly outlines our zero-tolerance policy on harassment, discrimination and retaliation.

Key Initiatives

D&I initiatives at some of our business units include:

- Implementing a Respect in the Workplace policy and conducting a webinar on this topic in North American locations
- Running special recruitment campaigns to hire employees with varying abilities, retirees and minorities
- Arranging elevators and other user-friendly amenities for colleagues with special needs
- Organizing D&I programs to promote awareness including the virtual Homewood Lunch-n-Learn in North America, the #ClimbwithRio competition celebrating inclusion in Dubai, (see the Community Investment and Engagement section of this Report for more information) and Inclusion Day activities in the PRC

Progress in 2020

In 2020, there were no reported incidents or of discrimination across TTI. The year was marked by an expansion of diversity campaigns and programs with significant strides made by our North American operations. As a direct result of a 2019 employee survey conducted by our Milwaukee team, employees expressed a desire for more D&I initiatives within the company, and thus, a D&I Subcommittee was created. This subcommittee not only worked to re-define Milwaukee's culture through our "One Team" framework, but also proceeded to establish an objective statement. This statement affirms the team's "…commitment to creating, sustaining and celebrating a workplace and community that promotes respect and cultural humility, and values diversity and equality for all." Top level support for this D&I initiative was established by Milwaukee's President through a video presentation, accessible to all employees, about Milwaukee's evolving cultural expectations.

Other business units, including TTIPE and TTIFC, also made progress with D&I initiatives in 2020. TTIPE developed a subcommittee for employees and another for leadership, communicating a plan of action to Division Presidents. This plan includes the launch of an employee survey and outlines next steps for 2021. Similarly, TTIFC formed a 15-member D&I Council which brought outside speakers to TTI as part of Lunch-n-Learn sessions and is working to prepare a D&I planning statement.

In 2021, TTI businesses across the globe will participate in quarterly D&I meetings and work to integrate D&I into our corporate culture through further training and education. TTI is also looking to partner with external experts to further promote inclusion programs across our value chain.

In addition to our newer initiatives on D&I, TTI continues to champion inclusion in our recruiting practices. In the Americas, Milwaukee accomplished this by establishing national partnerships with diverse networking groups such as the National Society of Black Engineers (NSBE), the Society of Women Engineering (SWE) and the Society of Hispanic Engineering (SHPE). We also strengthened diversity in recruitment by dedicating a Milwaukee employee to spend time at university campuses to engage student organizations focused on promoting diversity and to establish diverse interview teams for candidate engagement.

In 2020, 27% of our employees in the role of assistant manager or above were women. More details on the diversity of our workforce can be found in the Performance Metrics.

Our Workforce

Male
66%
31,861

Female
34%
16,423

Globally
27%
of employees in managerial position are female

Product Safety

Why it's Important

Safety and superior quality contribute to high customer satisfaction levels and trust in TTI's Powerful Brands and Innovative Products.

Impact along the Value Chain

Goals

We aim to continue producing safe and durable products in a responsible manner.

- **Innovative product design to enhance user experience with improved quality, safety, environmental and health benefits**

KPIs

- # of product recalls
- customer satisfaction ratings
- % of staff trained on product safety and policy
- # of product safety related complaints
- # of collaborations with industry organizations and impact investment in R&D
- # of patents

Management Approach

We continue to ensure that our customers have access to safe, high-quality products that meet their needs and improve their lifestyles. Our Product Safety and Consumer Product Regulatory Compliance Policies outline all our safety measures. Managed by a committee of Product Safety Directors from different business units, our internal audit investigations and compliance monitoring procedures ensure that high standards are maintained across TTI and immediate corrective actions can be taken if required.

TTI's comprehensive quality assurance process encompasses quality control of incoming materials, in-process products and inspection and reliability testing of our outgoing products. Our legal teams along with our safety and regulatory departments oversee any product recalls if they should occur, ensuring compliance with regulations until their safe disposal. TTI's product safety initiatives are focused on building continuous improvement into our processes to provide customers with the best possible user experience. Continual enhancement of quality, compliance and safety at individual business units is the responsibility of Product Safety Directors, committees and teams.

Customer satisfaction is our key objective. This applies to all products designed, manufactured, distributed or licensed by TTI. As a result, we actively monitor social media and online sales channels for customer comments. We consider and act on all customer feedback, in addition to recording and analyzing all service requests and complaints to use in improving product design. Furthermore, our product warranty policy ensures that customers have a satisfactory after-purchase experience.

TTI meets or exceeds all applicable and voluntary industry standards globally. Relevant legal and regulatory requirements related to health and safety, advertising, labeling and privacy matters associated with our products that have the potential to significantly impact our operations and performance are listed in Appendix A of our HKEX ESG Guide Content Index on our website.

Key Initiatives

Examples of initiatives taken across business units to ensure product safety and customer satisfaction are as follows.

- Implementing design improvements based on end user feedback on product samples
- Ensuring phone, web and retail level inquiries from customers are well managed and customer service lines for all tool brands are staffed seven days per week
- Providing technical training at product information centers for customers, including dealers and OEM partners
- Offering customers product safety training conducted by sales and Jobsite Solution teams
- Training Field Service and Customer Service Representatives on building customer relationships
- Providing repair and warranty services to customers at product service centers
- Replacing gas engine products with MX FUEL line tools so they can be used safely in enclosed or confined spaces without the risk of carbon monoxide emissions
- Expanding our line of PPE to keep people safe on job sites
- Developing a line of tool lanyards to prevent tools from falling on coworkers or others when used from heights
- Expanding and providing improvements in lithium-ion battery technology in our tools to reduce the usage of cord connected and gasoline powered products
- Ensuring global alignment and collaboration of our safety teams

Progress in 2020

In 2020, there were no recalls of TTI products due to health and safety reasons and no violations of labeling and advertising regulations across markets. The COVID-19 pandemic, while posing some grave challenges, led to the development of new product lines. We have long been producing PPE products, including masks, and continued to do so to meet the needs of workers at job sites.

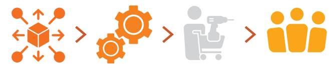
In addition to new products, in 2020, we continued to develop cordless tools that are not only environmentally responsible, but also safer for end users. Cords pose a risk as they present a number of hazards such as the possibility of injury from tripping. Damaged and frayed cords can also potentially cause electrocution or injury at job sites and homes. Looking forward, our focus remains on continuous improvement to enhance safety for employees and customers alike.

Community Investment and Engagement

Why it's Important

Healthy, thriving communities are essential for the wellbeing of people, promoting social equity and justice, the sustainability of our business and inclusive economic prosperity.

Impact along the Value Chain



Goals

We aim to contribute to economic wellbeing, access to education, good health and greater equality, as well as safe and sustainable living conditions in the communities where we operate.

- **Establish strategic partnerships with industry partners and NGOs**
- **Develop impact metrics for and increase our community investment and engagement activities**

KPIs

- $ donated to causes
- # and value of tools donated
- # of employees volunteering
- # and impact of community programs to address poverty
- # and impact of community health and wellbeing programs
- # of community youth and adult education programs
- # of individuals trained and impact achieved
- # and impact of programs for the community

Management Approach

Across our global operations, our businesses and colleagues are committed to improving the livelihoods and sustainability of local communities. To achieve our goals, we implement robust initiatives that continue to focus on:

- Helping vulnerable people in need, including actions to fight poverty and modern slavery, build adequate shelter, and support veterans and healthcare needs
- Improving protection of local environments
- Providing disaster relief where needed
- Promoting women's rights and education
- Inspiring younger generations to develop careers in technology
- Supporting other important needs in local communities

Leveraging our resources and collaborating with local Non-Governmental Organizations (NGOs) to support these strategic areas, enables us to create a more substantive impact in the communities where we operate.

TTI business units across all our markets donate tools that are useful to the community, provide financial support to worthy causes and facilitate volunteering. Some business units have a formal mechanism to select community engagement projects for employees. Others commit to annual sponsorships of projects while considering new engagement opportunities as needs arise. Some provide employees with paid volunteer time, allowing employees to volunteer for the charity of their choice. Our ESG Working Committee regularly reviews our progress in supporting communities to ensure our initiatives both align with our strategic priorities and are effectively implemented to achieve overall goals.

In 2020, we continued our corporate partnership with Habitat for Humanity by focusing on homelessness and the global response to COVID-19 pandemic.

Many of our initiatives in 2020 focused on health, safety and hygiene projects or involved home-bound activities to meet the specific needs of communities faced with the COVID-19 pandemic. In the face of COVID-19 pandemic restrictions and adapting to virtual programs when needed, we continued to be active in the fight against modern slavery, the promotion of women's rights and in supporting educational initiatives for youth.

Key Initiatives

Some of our key community engagement activities in 2020 are highlighted below.

Helping People in Need

Poverty Relief

While always a focus of our community support, poverty relief initiatives were even more critical during 2020 with communities impacted by the COVID-19 pandemic globally.

Asia

Our Hong Kong team participated in the Skip Lunch Day Program, benefiting street sleepers and residents in caged homes and cubicles, organized by the Community Chest. As part of this initiative, staff were encouraged to donate the equivalent of their lunch cost to those in need and received a coupon to redeem a complimentary drink at a local eatery as a reward for their donation.

Key Initiatives

Americas

To address hunger in the community, our Milwaukee office in Brookfield donated US$75,000 to the Hunger Task Force of Milwaukee and 50 employees from Olive Branch donated non-perishable food to a hunger relief NGO for its Food Drive Project. Milwaukee Brookfield also provided the United Way charity with tools worth US$17,960 for its community programs.

In Mexico, 35 colleagues participated in the Elderly Nursing Food Can Campaign. Employees were invited to donate canned and dry food, soup, personal hygiene items and adult diapers as part of a drive for those in need at a nursing home.

Our colleagues at TTIFC helped another important cause by making a cash donation, matched by TTI, to Classroom Central. This NGO helps students in need by providing free learning supplies to teachers. In addition, virtual events, food drives and monetary donations were made for other causes, ranging from youth in crisis and housing for low-income families, to parenting classes run by the NGO, The Relatives.

Eradicating Modern Slavery

Our responsible sourcing partnerships are critical not only for the sustainability of our business and supply chain, but to further social justice in vulnerable communities. We contributed US$50,000 to the Better Mining Cobalt Due Diligence and Impact Program run by the RCS Global Group, which funds the monitoring of cobalt and copper mines in the Democratic Republic of Congo (DRC). This monitoring program ultimately improves the sustainability practices of the mines, thereby enhancing the socio-economic conditions of the wider community.

A partnership with

BETTER MINING RCS | GLOBAL GROUP

RESPONSIBLE MINERALS • INITIATIVE

TTI also contributed US$10,000 to the RMI Audit Fund which helps smelters and refiners that source from conflict-affected and high-risk areas (CAHRAs) conduct due diligence with capacity building or the help of a consultant. Enhancing the sustainability practices in CAHRAs contributes to the economic development of the surrounding local communities.

TTI has developed a relationship with the Mekong Club, a business association whose mission is to end modern slavery. We are becoming an Association Member in 2021 in order to collaborate and gain support on our journey to eradicate forced labor.

Home-building Projects

Our home-building projects continue to be a key focus of our community outreach. Home improvement projects around sanitation and hygiene were particularly important due to these needs being heightened in response to the COVID-19 pandemic.

A global partnership with

Habitat for Humanity®

Asia

In Asia, our ongoing projects with Habitat for Humanity support renovation programs and COVID-19 pandemic response projects, as well as house construction and sanitation activities. As part of these initiatives, we pledged power tools and cash worth US$250,000 for programs that provide safe and decent shelter for families in need. In Hong Kong, TTI supported Project Home Works, which provided basic home repairs and renovation work for 12 low-income elderly families, single-parent families and physically-challenged people in 2020. We also supported a Deep Cleaning Program that provided home hygiene kits and deep cleaning services to 40 elderly families during the year. This also benefitted 20 low-income women by providing cleaning jobs.

Key Initiatives

In Vietnam, we supported programs that helped three families in need to build new houses and eight others to renovate their homes in 2020. We also funded the installation of two hand washing facilities and a waste management system to serve 500 students and teachers at a primary school. This was an extremely well-received renovation project given the hygiene concerns posed by COVID-19 pandemic.

Americas

Our housing initiatives with Habitat for Humanity continued in North America with Milwaukee Brookfield contributing tools worth US$170,848 to projects. We also donated US$33,032 worth of tools to the Manatee County Habitat project. Apart from cash donations, 59 employees volunteered to help with various building tasks for a house in Waukesha County and six volunteers assisted with tasks such as stocking, sorting donations and assisting customers and full-time staff at Habitat ReStore locations. In addition, nine employees volunteered to help with building and finishing tasks for a house in Milwaukee County and 23 volunteers helped to build storage sheds to be transported to different Habitat for Humanity locations. Five employees contributed 175 volunteer hours to Habitat for Humanity for a project in Anderson, South Carolina with TTI PE donating tools for the project.

Other than Habitat for Humanity, we also assisted 2x4 for Hope, a global NGO that provides shelter to those in need with a donation of tools worth US$63,868. Other housing NGO projects that were supported with tools or cash donations include: Acts Housing (US$11,621), The North Central Regional Council of Carpenters (US$9,293), ReNew for Communities (US$5,851), Revitalize Milwaukee (US$30,000) and Acts Community Development Corporation (US$30,000).

Support for Veterans

Supporting veterans has also been a longstanding commitment for TTI in North America. In 2020, we provided donations to various projects including the Center for Military Recruitment Veterans Employment (US$25,000), the Milwaukee Homeless Veterans Initiative (US$15,000) and the Veterans Outreach of Wisconsin (US$15,000).

Healthcare Initiatives

In Mexico, N95 facemasks were donated to those in need, in response to the COVID-19 pandemic. Ten employees from TTI Mexico participated in this operation. In addition, Milwaukee Brookfield and TTIPE both donated US$25,000 to the Morehouse School of Medicine. In Canada, our support took the form of fundraising activities. 15 employees participated in an indoor volleyball tournament to raise funds for Sick Kids Foundation, 30 employees participated in a running marathon benefiting the Canadian Red Cross, while 17 employees joined the National Cycling Challenge to raise money for the Heart Stroke Foundation, with the donation being tripled by Manulife Financial. TTIFC supported children battling cancer and their families through donations and in-kind contributions to help fund family programs, along with food and supplies donated to the NGO, Pinky Swear.

Environmental and Disaster Relief Initiatives

Environmental Projects

Asia

We partnered with Habitat for Humanity to provide education, access and systems providing clean and safe water resources for community members living in remote areas of Vietnam. Through our partnership, new latrines and water tanks were built, as well as a water pipeline connecting families to communal water stations. As part of the WASH program, training workshops for families and school children were organized to teach the importance of water and sanitation hygiene for 72 families and 300 children.

As part of our environmental efforts, we also donated tools and equipment to the arboriculture program at the Open University of Hong Kong Li Ka Shing School of Professional and Continuing Education. Our donation enabled an Arboriculture Workshop to be set up, providing hands-on training for tree management personnel.

In addition, and to promote sustainable product design initiatives, TTI partnered with the Low Carbon Design Society of Hong Kong (HKMMDA). As part of this engagement, TTI showcased examples of creative and structured approaches to corporate design strategy and management to encourage young scholars and entrepreneurs in the field.

Key Initiatives

Our contribution to the Better Mining Initiative and the RMI Audit Fund also had an environmental benefit as the programs run by these organizations improve the sustainability practices of mines, thereby improving the environmental management of these operations and thereby also benefitting the surrounding communities.

Disaster Relief Efforts

Americas

Our disaster relief initiatives centered on TTIFC's support of the Cookeville-Putnam County Tornado Relief Fund for victims of a tornado. We donated US$10,000 for impacted community members as well as 100 RYOBI generators and two pallets of tools to help with rebuilding. A TTIFC Cookeville Employee Relief Fund was also set up on gofundme.com with funds going directly to employees who were affected by the tornado. Our Milwaukee Olive Branch operation also supported the Northcentral Electric Power Association by donating specific tools and accessories. As part of this effort, ten employees volunteered to assist areas struck by hurricanes to regain power.

Supporting Women and Girls

A partnership with

ASIAN UNIVERSITY FOR WOMEN

Asia

Our focus on programs for women continued with our partnership with the Asian University for Women (AUW). In 2020, TTI joined a mentorship program designed to provide upper-year students and alumni with the opportunity to enhance their academic experience and personal growth. AUW draws students from 18 countries in Asia and the Middle East, including from marginalized groups including Rohingya refugees, Bangladeshi textile factory workers, women from high-conflict zones including Afghanistan, Syria and Yemen, and women from tea plantations in India and Sri Lanka. By supporting this program, TTI is proud to champion the cause of women's education and help drive AUW's efforts to create international networks of women leaders and their supporters.

Americas

TTI Canada has continued its support of women in the skilled trades through Build a Dream, which spotlights career opportunities under skilled trades, STEM, emergency response, entrepreneurship and advancing women in society. Milwaukee Canada has contributed to Build a Dream at trade shows and virtual showcases through donations and is currently working with Build a Dream to develop a co-branded toolbox for women entering the trades.

Milwaukee Canada also supports Girls Can Too (GCT), a program focused on providing women with opportunities to learn about the environment and skilled trades in their communities and supporting hands-on training at job sites. Three female Milwaukee Canada representatives continue to be responsible for the program's power tool safety demonstrations. Milwaukee Canada has donated or subsidized all the tools used in the program.

Nurturing the Next Generation

Our business units support a number of educational initiatives for youth across the globe.

Asia

In Hong Kong, TTI is involved with the Scholarship for Future Stars program organized by The Commission on Poverty (CoP) and the Hong Kong Council of Social Service (HKCSS). Through this initiative we offered scholarships valued at US$10,000 to youth from less-privileged backgrounds, helping them achieve upward social mobility through education. TTI provides design technology workshops for high school students from the English School Foundation's, West Island School (WIS). In 2020, in place of the student experience week in Dongguan, China. TTI facilitated a three-day interactive virtual study program from China to Hong Kong, presenting design, manufacturing, and engineering topics to the BTEC Engineering students. This experience allowed students to see the manufacturing theory they learned in school, applied at a professional level on actual machines.

Key Initiatives

The WIS program was similar to the TTI Summer Internship Program, which also provided presentations on design, manufacturing and engineering to students.

TTI executives also supported youth in the design industry by participating as:

- Final judges of product design for the DFA (Design for Asia) Awards at the Hong Kong Design Centre

- Virtual external examiners reviewing young talent at Technical and Higher Education Institute of Hong Kong

- Virtual external examiners reviewing young talent at the Ngee Ann Polytechnic in Singapore

- Virtual external examiners at the Technology-Online Design Talk at Queensland University

In addition, 92 TTI employees participated in a design competition run by the Guangdong University of Technology.

Australia and New Zealand

In Australia, 29 employees spent 1,479 hours with Technical and Further Education (TAFE) organizations to support apprentices. This involved conducting safety presentations, supporting TAFEs with loaned tools, providing new tools to try and trade out, as well as sharing knowledge around tools.

Americas

Our education initiatives in North America consisted of donations to NGOs including FIRST Robotics (US$5,000) and the Milwaukee Science Education Consortium (US$250,000). In addition, Milwaukee held an open career day session with Kids Building Wisconsin for school age children interested in learning about careers in the trades. Seventeen volunteers helped with management of the Milwaukee booth while ensuring the safety of participants and protection of Milwaukee's intellectual property.
In addition, 13 volunteers from Milwaukee held a regional event with FIRST Robotics to provide local teams from various high schools the opportunity to test out their skills and the robots they created in a competitive environment.

Key Initiatives

Other Community Programs

Other community initiatives we supported by region are outlined below.

EMEA

In Dubai, employees, customers and community members participated in an online challenge to promote inclusion. The event titled, #ClimbwithRio was created by a TTI employee named Nick Watson who carried his son Rio, a 17-year old with physical challenges, on his back for the event. As part of the challenge, Nick climbed the equivalent height of the Burj Khalifa, the world's largest tower, on stairs at home. Thousands of people around the world joined in the challenge, safely from their homes due to stay at home directives in response to the COVID-19 pandemic. Ten participants from TTI took part in their own way, on their own time and using their own landmarks for their goal height. People of all ages and abilities found a way to get involved, embracing inclusion and raising funds for the organization Team Angel Wolf. This has motivated the team to expand the program further.

Americas

At TTI Canada, 17 employees worked with the Toronto Star Santa Claus Fund to deliver gifts to children in the Greater Toronto area, 90 employees sold cupcakes to raise funds for animals as part of the Canada Society for the Prevention of Cruelty to Animals (SPCA) and Humane Society Cupcake Day, and 64 employees raised money through their Virtual CN Tower Climb Event to support World Wide Fund for Nature (WWF).

Progress in 2020

In 2020, our total donations to community initiatives amounted to US$1,463,000. Over the course of the year, 606 TTI employees contributed 1,654 hours of their time to help with community projects, which is quite remarkable given the COVID-19 pandemic restrictions.

Total donations to community initiatives amounted to

US$1,463,000

606

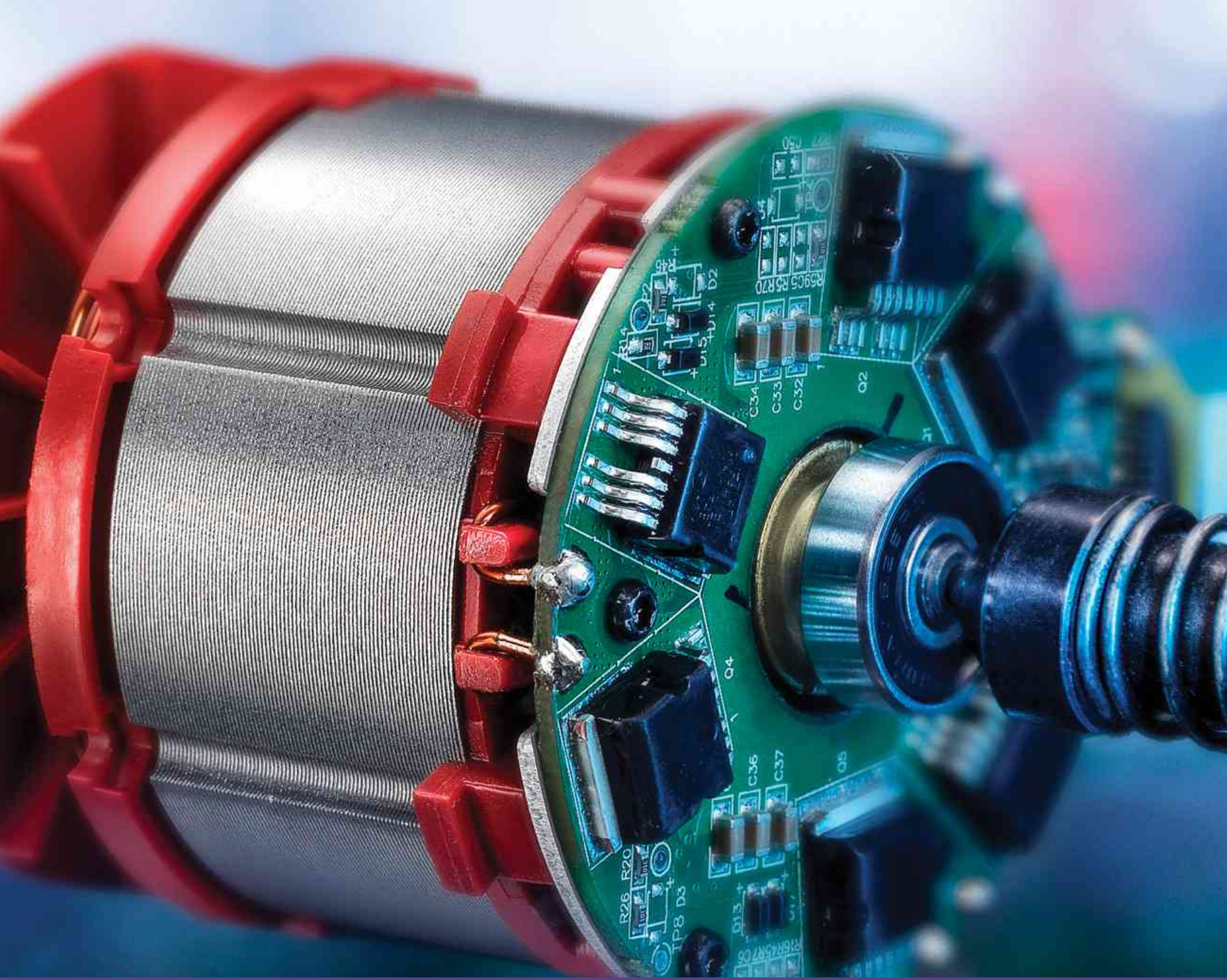
TTI employees contributed

1,654

hours of their time to help with community projects

Supply Chain Management

TTI's relationships with an extensive global range of diverse suppliers are vital to our long-term success. Transparency, accountability and efficiency in our supply chain are essential as we strive to make our procurement more sustainable. Our commitment extends beyond simply complying with regulations, to supporting the long-term social, environmental and economic health of the communities along our supply chain. We are proud to partner with a number of organizations helping us in this journey.



Zero

high risk concerns identified in our Conflict Minerals and Cobalt Procurement Campaigns

Responsible Business Alliance

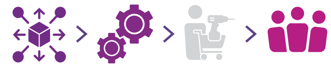
TTI became a supporter member of the RBA

Responsible Sourcing

Why it's Important

The sourcing of raw materials and all other activities along our supply chain have lasting environmental, social and economic impacts. Sustainable sourcing practices allow us to manage supply chain risk, ensuring business continuity and trust in our Innovative Products and Powerful Brands.

Impact along the Value Chain



Goals

We aim to maintain a sustainable sourcing strategy whereby our suppliers are in compliance with all ethical, social and environmental standards.

- **Substantive initiatives to train, raise awareness, improve human rights and environmental impact in the supply chain**
- **Effective partnerships with NGOs in major countries of operations and where there is a greater risk of human rights violations within the supply chain**
- **Zero incidents of non-compliance with TTI's policies and codes with transparency in reporting and remediation when necessary, including incidents and reporting of child and forced labor**
- **Work with our suppliers to collect environmental data and set reduction targets for GHG emissions, energy and water consumption and set targets**
- **Partner with our suppliers in managing waste and promote reuse and use of recycled materials to further circularity in our supply chain**
- **Increase the traceability of key raw materials in our supply chain**

KPIs

- # of supplier audits conducted
- # of suppliers given access to education/training/ sustainability enhancement programs
- # of suppliers trained on BPCoC
- # of cases of corruption
- # of cases of non-compliance with BPCoC
- # of cases of human or labor rights violations in the supply chain
- # of hotline cases addressed in a timely manner
- # of cases of environmental non-compliance in the supply chain
- Conflict minerals, cobalt and raw materials traceability
- # of training initiatives on responsible procurement
- # of partnerships and accomplishments

Management Approach

The nature of our global business means that TTI is dependent on an incredibly complex international supply chain. Given that we operate in a multi-polar economic system, risks such as trade tensions, extreme weather events, social and human rights violations and cyberattacks have long been factors we must consider. However, the occurrence of the COVID-19 pandemic in 2020 brought unprecedented challenges to both the health of people in our supply chain and the movement of goods across borders. Recent events have reinforced TTI's focus on enhancing sustainability practices across our value chain. Our responsible sourcing strategy is therefore built around preparing for future impacts and recognize that it is imperative we act now to ensure our business continuity.

Maintaining Accountability and High Standards

Responsible sourcing starts with transparency and a commitment to holding all our suppliers accountable to the same standards that we follow internally. Just as employees must adhere to a strict code of conduct and compliance policies, suppliers must acknowledge and comply with all TTI policies. Our main requirements for suppliers are outlined in our contractual and standard purchase order terms as well as our Business Partner Code of Conduct (BPCoC), which was re-launched in 2020 to address revised trade sanction provisions. Our Code is also consistent with the Code of Conduct of the Responsible Business Alliance (RBA), a multi-stakeholder organization that we joined as a supporter member in 2020.

Management Approach

The selection of suppliers at TTI is a process that involves careful oversight by our trade compliance, finance, legal, general compliance, procurement and quality teams. This process takes into consideration several criteria such as quality and reliability as well as environmental, social and governance factors, in addition to cost. All our business partners are checked against sanction lists and other compliance criteria. We mandate that our suppliers comply with labor standards, including no forced or child labor, discrimination or prevention of freedom of association for workers. Our suppliers must also comply with minimum wage requirements as per applicable local laws. In addition, we request that our suppliers have environmental management system certifications or systems that are in accordance with the principles of ISO standards. Our suppliers must comply with local laws when it comes to environmental protection and handling of waste.

Key Compliance Policies Accessible to Suppliers

● Governance ● Social and Community ● Environment

- ● Business Partner Code of Conduct
- ● Anti-corruption Policy (updated 2019)
- ● Policy Against Modern Slavery and Human Trafficking (updated 2019)
- ●● Conflict Minerals Policy
- ●● Cobalt Procurement Policy
- ●● Social & Environmental Responsibility (SER) Compliance Program (launched 2019)

TTI's environmental and social responsibility standards and expectations are available to all our suppliers online and discussed in person when new suppliers are engaged. These requirements are also frequently reiterated, specifically during conferences and when suppliers are being assessed and audited. We consider our suppliers to be true partners and assist them in enhancing their sustainability practices, this helps TTI achieve our own sustainability goals.

Supplier Compliance

Suppliers are actively engaged in our Social & Environmental Responsibility (SER) Compliance Program. Suppliers can access training materials and acknowledge their acceptance of key compliance requirements and policies via our Online Compliance Platform. This platform also enables TTI to carry out a quick online review of supplier performance and any risks associated with particular suppliers. New suppliers are audited before they are engaged and assessed on a regular basis. More details on supplier engagement can be found in the section on Supplier Assessment and Auditing below.

TTI sees corruption and bribery in the supply chain as key risks, and misconduct is not tolerated. In addition to championing anti-corruption, our mandate extends to ensuring responsible social and environmental practices. We engage with suppliers to maintain accountability on pollution mitigation, resource, chemical and waste management and factory security as well as labor and human rights, and health, and safety conditions.

Human Rights Focus

We are continuously mapping the human rights risks in our supply chain and this has enabled us to prioritize and focus our strategy on countries and raw materials that pose the highest risk of human rights violations. Our Policy Against Modern Slavery and Human Trafficking specifically addresses TTI's expectations on upholding human rights standards and the consequences of non-compliance. All global suppliers are made aware of this policy and it is accessible across markets in local languages. This policy, the BPCoC and our policies on Conflict Minerals and Cobalt Procurement are available through our online platform and on our website (https://www.ttigroup.com/our-company/about-tti/our-policies). The communications around these materials ensure that our suppliers are clear on TTI's position of no child or forced labor.

Management Approach

Steps to achieve supplier compliance on human rights standards and TTI's related policies are outlined below.

Employee Acknowledgment and Training
Employees formally acknowledge and receive training on the Employee Code of Ethics and Business Conduct and our Policy Against Modern Slavery and Human Trafficking

Supplier Acknowledgment and Training
Suppliers formally acknowledge the Business Partner Code of Conduct and the Policy Against Modern Slavery and Human Trafficking and are trained on the risk of modern slavery in the supply chain

Assessments Assessments of modern slavery and human trafficking risk conducted annually

Regular Site Visits and Audits Regular site visits and audits of high-risk operations and suppliers conducted

Corrective Actions Corrective actions required for any identified non conformity, termination of the relationship, support of the victim and engagement of local organizations

Suppliers and business partners are encouraged to report violations of our Code or policies, or any social or environmental non-compliance or issue. They can utilize our third-party operated, compliance hotline to proactively voice concerns or areas for improving overall performance. TTI is diligent about conducting thorough investigations if we receive complaints. In 2020, there were no complaints reported by our suppliers.

Supplier Assessment and Auditing

An important part of our SER Compliance Program is its ongoing auditing function. Audits are conducted before engaging any new supplier to establish their ESG practices are in accordance with TTI's policies, international standards and applicable local laws and regulations. Onboarding and ongoing compliance audits conducted by the SER Compliance, quality and sourcing teams or external auditors follow a detailed supplier scorecard. This scorecard is used to monitor wide-ranging issues pertaining to responsible sourcing including:

- Ethics, governance and anti-corruption
- Social standards, human rights, labor laws, as well as health and safety
- Environmental standards, hazardous substance management, compliance with ISO 14001 or other environmental management system requirements
- Factory security

If a supplier's previous audit resulted in an acceptable score, they are audited every 12 to 18 months, depending on the level of risk assessed. More frequent audits are required for suppliers that have corrective action plans (CAPs) that require completion. TTI monitors the implementation of CAPs on an ongoing basis and assists suppliers to demonstrate continuous improvement. Suppliers are then reassessed and terminated if major compliance issues are not corrected.

Conflict Minerals and Cobalt Procurement

TTI does not source directly from mineral sourcing companies, but our products, and in particular the electronics used in our products contain certain minerals. Our efforts to uphold human rights and responsible sourcing are reflected in TTI's Conflict Minerals Policy and Cobalt Procurement Policy and in the risk assessments of our supply chain, due diligence on our suppliers, and in our industry collaboration. Our policies outline requirements that all mined tantalum, tin, tungsten or gold (3TG) and cobalt used in our products must be from conflict-free, reputable sources, or from sources currently working with international bodies like the Responsible Mineral Initiative (RMI) to become certified as conflict-free. First initiated in 2015, our conflict minerals program continues to evolve. In 2019, we added oversight of cobalt and we are now considering other materials to meet the same stringent requirements.

Suppliers must acknowledge and implement these policies and provide details about their sources in prescribed declaration forms, specifically the Conflict Minerals Reporting Template and the Cobalt Reporting Template, which are completed annually. We also continue to work with a US-based, third party to collect and validate data from our suppliers and conduct analysis of compliance data and risk assessments when it comes to conflict minerals and cobalt procurement. In addition, we have been a member of the RMI since 2019 and became a supporter member of the RBA in 2020. RMI and RBA provide us with tools and the opportunity to exchange information as well as forge partnerships with other like-minded members as we work to strengthen responsible procurement in the global supply chain. Through RMI, TTI has access to Reasonable Country of Origin (RCOI) data validated through the Responsible Minerals Assurance Process (RMAP), an online smelter database and a country risk assessment platform to identify high-risk areas. These resources have enabled TTI to make increasingly responsible sourcing decisions and enhance the transparency of our procurement. More details about our memberships can be found in the Building Partnerships section below.

Management Approach

Building Partnerships

In 2020, we continued the mapping of human rights risk in our supply chain as part of our membership commitment to the RBA. RBA is a coalition of leading companies working to improve efficiency and social, ethical and environmental responsibility in the global supply chain. TTI fully supports the vision and the mission of the RBA, which drive sustainable value for workers, the environment and business through the collaborative efforts of members, suppliers and other stakeholders in alignment with leading standards and practices.

Key Initiatives

In addition to our ongoing actions to implement our SER Compliance Program, the key initiatives we undertook in 2020 to enhance how we address ESG risks in the supply chain are highlighted below.

- Putting in place a system of desktop audits for suppliers that could not be audited onsite due to COVID-19 pandemic restrictions
- Increasing the number of audits
- Training additional auditors to conduct SER compliance as part of our annual audits
- Continuing onsite audits as normal within markets like PRC, Taiwan and Vietnam, where there were no travel restrictions
- Conflict Minerals and Cobalt Procurement Campaign
- Launch our revised BPOC

We are aiming at partnering with our key suppliers in the value chain to reduce GHG emissions, water usage and waste. In the future we aim to monitor the following key indicators to enhance sustainable practices in our supply chain:

- Amount of energy consumed
- Amount of GHG emissions
- Amount of water consumed
- Amount of waste to landfill
- Amount of waste recycled
- Renewable energy projects

Progress in 2020

There were no high risk concerns identified in our Conflict Minerals and Cobalt Procurement Campaigns. Of the smelters identified in the Conflict Minerals Campaign, 15% indicated sourcing from the DRC and 96% were conflict-free certified. This brought the total amount of low-risk smelters to 98%, when considering those engaged in the Responsible Minerals Assurance Process (RMAP), RMI's assessment which validates smelters' management processes for responsible mineral procurement. Our Cobalt Procurement Campaign was run separately, and of the smelters identified, 86% were either certified or were engaged in RMAP.

Better Mining

Since December 2020, TTI has also supported the RCS Global Group by donating to and participating in the implementation of the Better Mining initiative. Better Mining is a mineral agnostic assurance and impact program that continuously improves conditions on and around Artisanal and Small-scale Mining (ASM) sites. Advocacy organizations and media reports have identified ASM in the DRC as one of the key sources for potential human rights and other responsible sourcing risks in the cobalt supply chain. As per our Cobalt Procurement Policy, we are taking action to tackle this risk.

Through Better Mining, TTI receives in-depth due diligence data on risks at ASM sites. Measures implemented at ASM sites include training on security and human rights, as well as sensitization campaigns around child labor, corruption, theft and gender-based violence. These continuous improvement practices on ASM sites illustrate the benefits of our engagement with Better Mining. Considering that approximately two million people in the DRC count on ASM for their livelihoods, we believe that supporting Better Mining and the improvement of ASM conditions is paramount. TTI has taken on this action in accordance with the principles of the RBA and to fulfill our commitment to support communities.

Performance Metrics

Consolidation of Sustainability Data

Environmental Performance

		Americas		ANZ	
	Unit	2019	2020	2019	2020
Production Value	US$ million	435.0	**560.6**	–	**–**
GHG Emissions[1]					
Scope 1	tCO_2e	8,432*	**33,931**	1,817	**3,123**
Scope 2	tCO_2e	40,945	**44,966**	2,250	**2,293**
Scope 3[†]	tCO_2e	11,597	**13,599**	823	**848**
Total GHG Emissions	tCO_2e	60,974	**92,496**	4,890	**6,264**
GHG Emission Intensity					
Scope 1	tCO_2e per production value (US$ million)	19.4	**60.5**	–	**–**
Scope 2	tCO_2e per production value (US$ million)	94.1	**80.2**	–	**–**
Scope 3[†]	tCO_2e per production value (US$ million)	26.7	**24.4**	–	**–**
Total GHG Emission Intensity	tCO_2e per production value (US$ million)	140.2	**165.1**	–	**–**
Energy[2]					
Electricity (Grid)	kWh	106,236,720*	**117,366,987**	2,744,740*	**2,822,072**
Electricity (Non-grid)	kWh	–	**–**	–	**–**
Fuel	kWh	10,639,718	**14,935,520**	–	**1,572,023**
Total Energy Consumption	kWh	116,876,438	**132,302,504**	2,744,740	**4,394,096**
Electricity intensity	kWh per production value (US$ million)	244,222	**209,360**	–	**–**
Fuel intensity	kWh per production value (US$ million)	24,459	**26,642**	–	**–**
Water					
Water 'withdrawal'	m^3	97,779	**131,756**	262	**127**
Wastewater					
Discharged	m^3	435	**745**	–	**–**
Recycled	m^3	–	**–**	–	**–**
Total Wastewater	m^3	435	**745**	–	**–**
Total Water Consumption[3]	m^3	97,344	**131,011**	262	**127**
Water consumption intensity[3]	m^3 per production value (US$ million)	223.8	**233.7**	–	**–**

Asia		EMEA		Total		
2019	2020	2019	2020	2019	2020	2020 vs. 2019 % Difference
2,906.0	**4,241.7**	111.0	**83.4**	3,451.4	**4,885.7**	**–**
5,771	**5,107**	5,061	**2,479**	21,081*	**44,641**	**113%**
51,435	**57,299**	4,850	**5,012**	99,480*	**109,569**	**10%**
28,772*	**32,642**	18,705*	**19,078**	59,897*	**66,169**	**10%**
85,978	**95,049**	28,616	**26,569**	180,458	**220,379**	**22%**
2.0	**1.2**	45.7	**29.7**	6.1	**9.1**	**50%**
17.7	**13.5**	43.8	**60.1**	28.8	**22.4**	**-22%**
9.9	**7.7**	169.0	**228.6**	17.4	**13.5**	**-22%**
29.6	**22.4**	258.5	**318.4**	52.3	**45.0**	**-14%**
82,097,774*	**95,163,500**	11,851,196*	**12,774,389**	202,934,419	**228,126,948**	**12%**
–	**–**	4,056	**4,270**	4,056	**4,270**	**5%**
13,892,880	**7,389,311**	16,581,006	**5,057,514**	41,113,604	**28,954,368**	**-30%**
96,538,546	**102,552,812**	28,436,190	**17,831,902**	244,595,914	**257,081,314**	**5%**
28,443	**22,435**	107,056	**40,105**	379,721	**271,658**	**-28%**
4,781	**1,742**	149,783	**15,883**	179,024	**44,267**	**-75%**
1,106,456	**1,184,407**	11,425	**11,411**	1,215,922	**1,327,701**	**9%**
646,975	**705,405**	5,067	**4,368**	652,477	**710,518**	**9%**
195,955*	**219,017**	–	**–**	195,955	**219,017**	**12%**
842,930*	**924,422**	5,067	**4,368**	848,432	**929,535**	**10%**
459,481	**479,002**	6,358	**7,043**	563,445	**617,183**	**10%**
158.1	**112.9**	57.4	**84.4**	163.3	**126.3**	**-23%**

Consolidation of Sustainability Data (continued)

Environmental Performance (continued)

		Americas		ANZ	
	Unit	2019	2020	2019	2020
Paper Consumption (Office)					
Paper	Tonnes	96.0	**40.8**	4.7	**3.7**
Recycled paper	Tonnes	–	**–**	4.7	**1.5**
Packaging Consumption (Including Paper for Instruction Manuals)					
Packaging material used for finished products	Tonnes	104.9	**273.0**	–	**–**
Total weight of recycled materials used in packaging	Tonnes	–	**–**	–	**–**
Waste					
Non-hazardous waste	Tonnes	15,623*^	**19,569^**	1,099*^	**693^**
Hazardous waste	Tonnes	132^	**163^**	–	**114^**
Total Waste	Tonnes	15,755^	**19,732^**	1,099^	**808^**
Waste intensity	Tonnes per production value (US$ million)	36.2	**35.2**	–	**–**
Recyclable Waste					
Non-hazardous	Tonnes	–	**–**	–	**–**
Hazardous	Tonnes	–	**–**	–	**–**
Total Recyclable Waste	Tonnes	–	**–**	–	**–**

Asia		EMEA		Total		
2019	2020	2019	2020	2019	2020	2020 vs. 2019 % Difference
51.9	**49.5**	152.0	**195.0**	304.6	**289.0**	**-5%**
0.02	**0.02**	3.6	**3.2**	8.3	**4.7**	**-44%**
36,181	**56,569**	1,877.5	**2,180.6**	38,163	**59,023**	**55%**
–	**51,741**	–	**–**	–	**51,741**	**–**
14,168*^	**20,573^**	7,161*^	**10,921^**	38,051*^	**51,756^**	**36%**
271*^	**302^**	2,800*^	**1,664^**	3,204*^	**2,244^**	**-30%**
14,439^	**20,875^**	9,961^	**12,585^**	41,254^	**54,000^**	**31%**
5.0	**4.9**	90.0	**150.8**	12.0	**11.1**	**-8%**
–	**–**	–	**–**	18,461.4	**23,613.5**	**28%**
–	**–**	–	**–**	1,931.5	**1,940.8**	**0.5%**
–	**–**	–	**–**	20,392.9	**25,554.3**	**25%**

Consolidation of Sustainability Data (continued)

Environmental Performance (continued)

		AIP			
	Unit	2018	2019	2020	2020 vs. 2019 % Difference
Production Value	US$ million	2,692	2,794	**3,000**	**7%**
GHG Emissions[1]					
Scope 1	Tonnes of CO_2e	4,802	4,683*	**4,362**	**-7%**
Scope 2	Tonnes of CO_2e	41,242	42,785*	**45,113**	**5%**
Scope 3‡	Tonnes of CO_2e	363	25,494*	**26,759**	**5%**
Total	Tonnes of CO_2e	46,407	72,962	**76,234**	**4%**
GHG Emission Intensity					
Scope 1	tCO_2e per production value (US$ million)	1.8	1.7	**1.5**	**-13%**
Scope 2	tCO_2e per production value (US$ million)	15.3	15.3	**15.0**	**-2%**
Scope 3‡	tCO_2e per production value (US$ million)	0.13	9.1	**8.9**	**-2%**
Total	tCO_2e per production value (US$ million)	17.2	26.1*	**25.4**	**-3%**
Energy[2]					
Electricity					
Standard grid (general)	kWh	65,464,155	68,346,004	**72,725,564**	**6%**
Electricity intensity	kWh per production value (US$ million)	24,318	24,461	**24,241**	**-1%**
Total Fuel	kWh	8,230,498	7,406,523	**5,847,817**	**-21%**
Fuel intensity	kWh per production value (US$ million)	3,057	2,651	**1,949**	**-26%**
Total Energy Consumption	kWh	73,694,653	75,752,527	**78,573,381**	**-4%**

	Unit	AIP 2018	2019	2020	2020 vs. 2019 % Difference
Water					
Water 'withdrawal'	m^3	1,054,058	1,105,146	**1,015,723**	**-8%**
Wastewater					
Discharged	m^3	–	589,044*	**584,834**	**-1%**
Recycled	m^3	–	195,955	**219,017**	**12%**
Total Wastewater	m^3	–	784,999	**803,851**	**2%**
Total Water Consumption	m^3	–	516,102	**430,889**	**-17%**
Water consumption intensity	m^3 per production value (US$ million)	–	184.07	**143.63**	**-22%**
Packaging Consumption					
Packaging material used for finished products	Tonnes	–	33,830	**35,953**	**6%**
Total weight of recycled materials used in packaging	Tonnes	–	30,921	**33,221**	**7%**
Waste					
Non-hazardous waste	Tonnes	–	13,060.4	**13,634**	**4%**
Hazardous waste	Tonnes	–	242.7	**225**	**-7%**
Total Waste Consumption	Tonnes	–	13,303.1	**13,859**	**4%**
Waste intensity	Tonnes per production value (US$ million)	–	4.8	**4.6**	**-3%**

* 2019 data restated due to technical modification/adjustment or additional data available.

† Scope 3 excludes freight but includes emissions from travel and flights for certain locations.

‡ Scope 3 excludes emissions from business travel.

^ Including Batteries and WEEE (Batteries-Consumer).

Notes:

1 GHG emission data was calculated based on the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" (GHG Protocol) issued by the World Resources Institute: country specific and internationally recognized emission factors used include the GHG Protocol, IEA, EPA, DEFRA, NGA and CGGI.

2 Energy consumption data was based on the amount of purchased electricity and fuel consumed and the relevant conversion factors provided by the Department for Environment, Food and Rural Affairs (DEFRA) in the UK.

3 Total water consumption is calculated following the GRI standard.

Consolidation of Sustainability Data (continued)

Workforce Metrics

	2020				
Total Number of Employees	**Americas**	**ANZ**	**Asia**	**EMEA**	**Total**
Total Employees	11,884	779	33,412	2,216	48,291
By Gender and Age Group					
Females					
18-20 years old†	83	6	976	12	1,077
21-30 years old	1,882	81	4,843	136	6,942
31-40 years old	931	51	3,621	181	4,784
41-50 years old	775	42	1,620	158	2,595
51-60 years old	576	34	103	101	814
60+ years old	186	8	4	13	211
Total Female Employees	4,433	222	11,167	601	16,423
Males					
18-20 years old†	122	4	2,018	24	2,168
21-30 years old	3,313	133	10,835	356	14,637
31-40 years old	1,769	193	6,509	523	8,994
41-50 years old	1,134	127	2,552	406	4,219
51-60 years old	821	74	313	256	1,464
60+ years old	285	26	18	50	379
Total Male Employees	7,444	557	22,245	1,615	31,861
Non-binary					
18-20 years old†	1	–	–	–	1
21-30 years old	3	–	–	–	3
31-40 years old	1	–	–	–	1
41-50 years old	1	–	–	–	1
51-60 years old	1	–	–	–	1
60+ years old	–	–	–	–	–
Total Non-binary Employees	7	–	–	–	7
By Job Role					
Females					
Director or above	44	–	40	15	99
Managerial*	462	23	500	67	1,052
General employee	3,927	199	10,627	519	15,272
Males					
Director or above	306	3	150	46	505
Managerial*	1,133	120	1,166	210	2,629
General employee	6,005	434	20,929	1,359	28,727
Non-binary					
Director or above	–	–	–	–	–
Managerial*	–	–	–	–	–
General employee	7	–	–	–	7
By Management Role					
Total employees in management	1,945	146	1,856	338	4,285
Percentage of females in management	26%	16%	29%	24%	27%

	2020				
Global Employment	**Americas**	**ANZ**	**Asia**	**EMEA**	**Total**
By Full-time and Part-time					
Females					
Full-time	4,413	196	11,166	524	16,299
Part-time	20	26	1	77	124
Males					
Full-time	7,420	540	22,244	1,600	31,804
Part-time	24	17	1	15	57
Non-binary					
Full-time	7	–	–	–	7
Part-time	–	–	–	–	–
Total Full-time	11,840	736	33,410	2,124	48,110
Total Part-time	44	43	2	92	181
By Permanent and Temporary					
Females					
Permanent	4,385	206	8,927	577	14,095
Temporary	48	16	2,240	24	2,328
Males					
Permanent	7,368	544	18,311	1,570	27,793
Temporary	76	13	3,934	45	4,068
Non-binary					
Permanent	5	–	–	–	5
Temporary	2	–	–	–	2
Total Permanent	11,758	750	27,238	2,147	41,893
Total Temporary	126	29	6,174	69	6,398
Total Number and Rate of New Hires					
By Gender					
Females	3,141	70	15,400	125	18,736
% females new hires	43%	34%	31%	28%	33%
Males	4,169	133	34,207	328	38,837
% males new hires	57%	66%	69%	72%	68%
Non-binary	–	–	–	–	–
% Non-binary	–	–	–	–	–
Total	7,310	203	49,607	453	57,573
By Age					
18-20 years old†	270	10	6,998	23	7,301
% new hires aged 18-20	4%	5%	14%	5%	13%
21-30 years old	3,875	81	27,159	173	31,288
% new hires aged 21-30	53%	40%	55%	38%	54%
31-40 years old	1,698	53	11,410	152	13,313
% new hires aged 31-40	23%	26%	23%	34%	23%
41-50 years old	993	42	3,990	73	5,098
% new hires aged 41-50	14%	21%	8%	16%	9%
51-60 years old	415	15	50	26	506
% new hires aged 51-60	6%	7%	–	6%	1%
60+ years old	59	2	–	6	67
% new hires aged 60+	1%	1%	–	1%	–

Consolidation of Sustainability Data (continued)

Workforce Metrics (continued)

	2020				
Total Number and Rate of Departures	**Americas**	**ANZ**	**Asia**	**EMEA**	**Total**
By Gender					
Females	1,578	30	10,373	73	12,054
% females	42%	32%	29%	27%	31%
Males	2,145	64	24,832	198	27,239
% males	58%	68%	71%	73%	69%
Non-binary	1	–	–	–	1
% Non-binary	–	–	–	–	–
Total	3,724	94	35,205	271	39,294
By Age					
18-20 years old†	197	3	4,156	7	4,363
% aged 18-20	5%	3%	12%	3%	11%
21-30 years old	1,770	34	18,560	94	20,458
% aged 21-30	48%	36%	53%	35%	52%
31-40 years old	936	29	8,797	82	9,844
% aged 31-40	25%	31%	25%	30%	25%
41-50 years old	529	19	3,578	51	4,177
% aged 41-50	14%	20%	10%	19%	11%
51-60 years old	192	8	113	24	337
% aged 51-60	5%	9%	–	9%	1%
60+ years old	100	1	1	13	115
% aged 60+	3%	1%	–	5%	–
Turnover Rate					
By Gender					
Females	36%	14%	93%	12%	73%
Males	29%	11%	112%	12%	85%
Non-binary	14%	–	–	–	14%
Average turnover rate	31%	12%	105%	12%	81%
By Age					
18-20 years old†	96%	30%	139%	19%	134%
21-30 years old	34%	16%	118%	19%	95%
31-40 years old	35%	12%	87%	12%	71%
41-50 years old	28%	11%	86%	9%	61%
51-60 years old	14%	7%	27%	7%	15%
60+ years old	21%	3%	5%	21%	19%

	2020				
Parental Leave	**Americas**	**ANZ**	**Asia**	**EMEA**	**Total**
Total Number of Employees Entitled to Parental Leave					
Females	3,044	160	5,418	463	9,085
Males	5,171	420	12,773	711	19,075
Non-binary	7	–	–	–	7
Total	8,222	580	18,191	1,174	28,167
Total Number of Employees that Took Parental Leave					
Females	50	11	191	28	280
Males	33	–	300	43	376
Non-binary	–	–	–	–	–
Total	83	11	491	71	656
Return to Work in the Reporting Period after Parental Leave Ended					
Females	47	–	171	6	224
Males	33	–	292	38	363
Non-binary	–	–	–	–	–
Total	80	–	463	44	587
Total Number of Employees still Employed 12 Months after Taking Parental Leave					
Females	43	3	149	24	219
Males	36	–	291	40	367
Non-binary	–	–	–	–	–
Total	79	3	440	64	586
Rate of Employees Return to Work after Taking Parental Leave					
Females	94%	–	90%	21%	80%
Males	100%	–	97%	88%	97%
Non-binary	–	–	–	–	–

Consolidation of Sustainability Data (continued)

Workforce Metrics (continued)

TTI Work Injuries by Region	Unit	2020 Americas	ANZ	Asia	EMEA	Total
Total Number of Work Days Lost due to Work Injuries	Days	105	346.71	2,459.50	893	3,804.21
Total Number of Recordable Injuries	Employees	41	17	49	29	136
Total High Consequences Injuries	Employees	15	–	–	2	17
By Type of Recordable Work Injury						
Injuries from being struck by a moving object	Employees	–	1	5	1	7
Injuries from being struck by a moving vehicle	Employees	–	–	3	2	5
Injuries from being trapped by something collapsing/ overturning	Employees	–	–	1	–	1
Injuries from contact with moving machinery	Employees	3	–	19	2	24
Injuries from falls from height	Employees	–	–	2	–	2
Injuries from other causes	Employees	38	16	19	24	97
By Type of Recordable High Consequence Work Injury						
Injuries from being struck by a moving object	Employees	–	–	–	1	1
Injuries from being struck by a moving vehicle	Employees	–	–	–	–	–
Injuries from being trapped by something collapsing/ overturning	Employees	–	–	–	–	–
Injuries from contact with moving machinery	Employees	3	–	–	–	3
Injuries from falls from height	Employees	–	–	–	–	–
Injuries from other causes	Employees	12	–	–	1	13
Total Number of Fatalities	Employees	1	–	–	–	–

Training Data	2020									
	Americas		ANZ		Asia		EMEA		Total	
	E-learning	Other Training	E-learning	Other Training	E-learning	Other Training	E-learning	Other Training	E-learning	Other Training
Percentage of Employees who Recieved Training by Gender and by Job Role‡										
Females										
Director or above	55%	48%	–	–	90%	88%	53%	100%	69%	72%
Managerial*	80%	37%	88%	–	77%	22%	69%	100%	78%	33%
General employee	44%	70%	100%	–	13%	89%	61%	86%	24%	83%
Males										
Director or above	42%	37%	–	–	92%	45%	63%	98%	59%	44%
Managerial*	86%	88%	100%	–	72%	35%	81%	100%	80%	62%
General employee	68%	80%	100%	–	11%	100%	69%	100%	27%	94%
Non-binary										
Director or above	–	–	–	–	–	–	–	–	–	–
Managerial*	–	–	–	–	–	–	–	–	–	–
General employee	–	100%	–	–	–	–	–	–	–	100%

Training Data	2020				
	Americas	ANZ	Asia	EMEA	Total
Average Hours Per Employee by Gender and by Job Role‡					
Females					
Director or above	6.61	–	5.22	3.01	5.50
Managerial*	19.34	2.55	6.70	10.62	12.40
General employee	22.00	55.47	2.77	6.14	8.50
Overall Average	21.57	49.99	2.96	6.57	8.75
Males					
Director or above	9.11	–	6.64	6.68	8.10
Managerial*	26.68	5.00	5.67	11.91	15.20
General employee	29.35	14.59	3.69	12.27	9.60
Overall Average	28.11	12.44	3.81	12.07	10.06
Non-binary					
Director or above	6.57	–	–	–	6.57
Managerial*	–	–	–	–	–
General employee	7.87	–	–	–	7.87
Overall Average	7.73	–	–	–	7.73
Total	25.66	23.14	3.52	10.57	9.61

* Including assistant managers

† Including interns

‡ Total number of employees who received training divided by the 2020 year end reported total workforce. Some of the employees may be counted for under both categories of trainings.

Legend and List of Business Units Under Each Region

Region/Name of Business Division	Abbreviation	Country/Location
Asia		
Techtronic Industries (Dongguan) Company Limited	TTI AIP	Dongguan, PRC
Techtronic Asia Company Limited	TTI HK	Hong Kong
Techtronic Industries Company Limited	TTI HK	Hong Kong
Techtronic Industries Korea LLC	TTI Korea	Korea
Techtronic Cordless GP – Sucursal De Macau	TTI Macau	Macau
Techtronic Power Tools (M) Sdn Bhd	TTI Malaysia	Malaysia
Techtronic Product Development Limited Philippines Branch Office	TTI Philippines	Philippines
Techtronic Trading (Shanghai) Limited	TTI Shanghai	Shanghai, PRC
Techtronic Industries (Taiwan) Company Limited	TTI Taichung	Taichung, Taiwan
Techtronic Tools Limited Taiwan Branch	TTI Taipei	Taipei, Taiwan
Techtronic Industries (Thailand) Limited	TTI Thailand	Thailand
Techtronic Industries Vietnam Company Limited	TTI Vietnam	Vietnam
Techtronic Industries Vietnam Manufacturing Company Limited	TTI Vietnam Manufacturing	Vietnam
Techtronic Industries (Zhuhai) Company Limited	TTI Zhuhai	Zhuhai, PRC
ANZ		
Techtronic Industries Australia Pty Limited	TTI ANZ	Australia
Techtronic Industries N.Z. Limited	TTI ANZ	New Zealand
Americas		
TTI Canada Inc.	TTI Canada	Canada
Techtronic Industries Co. Mexico, S. De R. L. de C. V.	TTI Mexico	Mexico
DreBo America Inc.	DreBo US	North America
Milwaukee Electric Tool Corporation	Milwaukee	North America
Techtronic Industries Floor Care North America	TTI FC	North America
Techtronic Industries North America Inc.	TTI NA	North America
Techtronic Power Equipment	TTI PE	North America

Region/Name of Business Division	Abbreviation	Country/Location
EMEA		
Techtronic Industries Central Europe GmbH	TTI Central Europe	Germany
Techtronic Industries Manufacturing CZ s.r.o.	TTI CZ	Czech Republic
Techtronic Industries Eastern Europe Sp. z o.o.	TTI Eastern Europe	Eastern Europe
Techtronic Industries France S.A.S	TTI France	France
DreBo Werkzeugfabrik GmbH	DreBo Germany	Germany
Techtronic Industries ELC GmbH	TTI ELC	Germany
Techtronic Industries GmbH	TTI GMBH	Germany
Techtronic Industries Italia SRL	TTI Italia	Italy
Techtronic Industries Nordic Aps	TTI Nordic	Nordic
Techtronic Industries Iberia SL	TTI Iberia	Spain
Techtronic Industries Switzerland AG	TTI Switzerland	Switzerland
Techtronic Industries Middle East and Africa FZCO	TTI MEA	United Arab Emirates
Techtronic Industries EMEA ltd	TTI UK	United Kingdom
Techtronic Industries UK Limited	TTI UK	United Kingdom
Vax Ltd	VAX UK	United Kingdom

Report of the Directors

The directors have the pleasure in presenting their annual report and the audited financial statements for the year ended December 31, 2020.

Principal Activities and Business Review

The Company acts as an investment holding company.

The principal activities of the principal subsidiaries and associates are set out in Notes 49 and 50 to the consolidated financial statements, respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Company Ordinance"), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred, and an indication of likely future development in the Group's business, can be found in the "Chairman's Statement", "Chief Executive Officer's Message", "Review of Operations", "Management's Discussion and Analysis", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Financial Summary" sections of this Annual Report. The above sections form part of this report.

Results and Appropriations

The results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 159.

An interim dividend of HK53.00 cents (approximately US6.82 cents) per share amounting to approximately US$124,949,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK82.00 cents (approximately US10.55 cents) per share to the shareholders on the register of members on May 24, 2021, amounting to approximately US$193,404,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately US$177,000 on freehold land and land and buildings, acquired moulds and tooling for approximately US$3,584,000, office equipment, furniture and fixtures for approximately US$15,766,000 and plant and machinery for approximately US$34,373,000. Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 38 to the consolidated financial statements.

Other than the 2,120,000 shares of the Company purchased on-market for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in the Corporate Governance Report), neither the Company nor any of its subsidiaries has, during the year, purchased, sold or redeemed any listed securities of the Company.

Directors

The directors of the Company during the year and up to the date of this report were:

Group Executive Directors:

Mr Horst Julius Pudwill, *Chairman*
Mr Stephan Horst Pudwill, *Vice Chairman*
Mr Joseph Galli Jr, *Chief Executive Officer*
Mr Kin Wah Chan
Mr Chi Chung Chan

Non-executive Directors:

Prof Roy Chi Ping Chung *GBS BBS JP*
Mr Camille Jojo

Independent Non-executive Directors:

Mr Christopher Patrick Langley *OBE*
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz

In accordance with Article 107(A) of the Company's Articles of Association, Messrs. Stephan Horst Pudwill, Chi Chung Chan, Roy Chi Ping Chung and Christopher Patrick Langley will retire at the forthcoming Annual General Meeting. With the exception of Mr Christopher Patrick Langley *OBE* who will not stand for re-election, all other retiring Directors, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Terms of Office of Non-executive Directors and Independent Non-executive Directors

The term of office for each of the Non-executive Directors and Independent Non-executive Directors is the period up to his retirement by rotation in accordance with Article 107(A) of the Company's Articles of Association.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended December 31, 2020 and during the period from January 1, 2021 to the date of this Report are available on the Company's website (www.ttigroup.com).

Directors' and Chief Executive's Interests

As at December 31, 2020, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of directors	Capacity/Nature of interests	Interests in shares (other than pursuant to equity derivatives)[1]	Interests in underlying shares pursuant to equity derivatives[1]	Total interests in shares/ underlying shares	Approximate aggregate percentage of interests
Mr Horst Julius Pudwill	Beneficial owner	150,778,500[2]	144,000	367,842,294	20.07%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	216,159,794[3]	—		
Mr Stephan Horst Pudwill	Beneficial owner	5,109,500[4]	4,750,000	43,867,000	2.39%
	Beneficiary of a trust	34,007,500[5]	—		
Mr Joseph Galli Jr	Beneficial owner	16,806,000[6]	—	16,806,000	0.92%
Mr Kin Wah Chan	Beneficial owner	525,000[7]	4,000,000	4,525,000	0.25%
Mr Chi Chung Chan	Beneficial owner	700,000[8]	4,200,000	4,900,000	0.27%
Prof Roy Chi Ping Chung GBS BBS JP	Beneficial owner	49,015,948[9]	544,000	86,634,978	4.73%
	Interests of controlled corporation	37,075,030[10]	—		
Mr Camille Jojo	Beneficial owner	160,000[11]	244,000	404,000	0.02%
Mr Christopher Patrick Langley OBE	Beneficial owner	210,000[12]	374,000	584,000	0.03%
Mr Peter David Sullivan	Beneficial owner	10,000[13]	544,000	554,000	0.03%
Mr Vincent Ting Kau Cheung	Beneficial owner	4,250,000[14]	194,000	4,444,000	0.24%
Mr Johannes-Gerhard Hesse	Beneficial owner	10,000[15]	379,000	389,000	0.02%
Mr Robert Hinman Getz	Beneficial owner	55,674[16]	122,000	177,674	0.01%

Notes:

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

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

(2) These included Mr Horst Julius Pudwill's interests in 950,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Horst Julius Pudwill's awarded shares are set out in the Corporate Governance Report.

Directors' and Chief Executive's Interests (continued)

Notes: (continued)

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

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

(4) These included Mr Stephan Horst Pudwill's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Stephan Horst Pudwill's awarded shares are set out in the Corporate Governance Report.

(5) These shares were held by a trust of which Mr Stephan Horst Pudwill is one of the beneficiaries.

(6) These included Mr Joseph Galli Jr's interests in 1,257,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020; 4,000,000 awarded shares which agreed to be granted to Mr Galli in the year between 2021 to 2024 in four equal tranches (i.e. 1,000,000 awarded shares each year) provided the Company meets certain performance criteria; and the agreement for the 1,000,000 shares, 1,000,000 shares and 5,000,000 shares might be granted subject to, inter alia, the achievement of performance criteria for the year of 2020, the year of 2021 and the years between 2022 to 2026 respectively. Details of Mr Joseph Galli Jr's awarded shares are set out in the Corporate Governance Report.

(7) These included Mr Kin Wah Chan's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Kin Wah Chan's awarded shares are set out in the Corporate Governance Report.

(8) These included Mr Chi Chung Chan's interests in 75,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Chi Chung Chan's awarded shares are set out in the Corporate Governance Report.

(9) These included Prof Roy Chi Ping Chung GBS BBS JP's interests in 10,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Prof Roy Chi Ping Chung GBS BBS JP's awarded shares are set out in the Corporate Governance Report.

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

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

(11) These included Mr Camille Jojo's interests in 110,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Camille Jojo's awarded shares are set out in the Corporate Governance Report.

(12) These included Mr Christopher Patrick Langley OBE's interests in 10,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Christopher Patrick Langley OBE's awarded shares are set out in the Corporate Governance Report.

(13) These included Mr Peter David Sullivan's interests in 10,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Peter David Sullivan's awarded shares are set out in the Corporate Governance Report.

(14) These included Mr Vincent Ting Kau Cheung's interests in 10,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Vincent Ting Kau Cheung's awarded shares are set out in the Corporate Governance Report.

(15) These included Mr Johannes-Gerhard Hesse's interests in 10,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Johannes-Gerhard Hesse's awarded shares are set out in the Corporate Governance Report.

(16) These included Mr Robert Hinman Getz's interests in 10,000 awarded shares which remained unvested under the share award schemes of the Company as of December 31, 2020. Details of Mr Robert Hinman Getz's awarded shares are set out in the Corporate Governance Report.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2020.

Share Options

Share Option Schemes

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. The scheme rules of both Scheme D and Scheme E are substantially identical and below are the summary of the principal terms of both schemes:

The Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Directors; or

(iii) secondees; or

(iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or

(v) business partners; or

(vi) suppliers; or

(vii) customers; or

(viii) advisers of the Group.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer.

The maximum number of shares in respect of which share options may be granted under the respective share option scheme is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of the shares in issue as at the adoption date of the respective share option scheme. No person shall be granted an option which exceeds 1.0% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Options may be exercised at any time after the first or second anniversary of the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

The following tables disclose movements in the Company's share options during the year:

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	11.9.2015	D	168,000	—	(168,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	155,500	—	(155,500)	—	—	32.100	17.3.2018 – 16.3.2027
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Stephan Horst Pudwill	20.3.2014	D	1,000,000	—	(250,000)	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Mr Kin Wah Chan	20.3.2014	D	1,000,000	—	(1,000,000)	—	—	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Mr Chi Chung Chan	20.3.2014	D	600,000	—	(400,000)	—	200,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030

Share Options (continued)

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors (continued)									
Mr Camille Jojo	17.3.2017	D	250,000	—	(250,000)	—	—	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Christopher Patrick Langley OBE	17.3.2017	D	150,000	—	(20,000)	—	130,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Peter David Sullivan	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Vincent Ting Kau Cheung	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Robert Hinman Getz	15.5.2020	E	—	75,000	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Total for Directors			**9,787,500**	**7,951,000**	**(2,243,500)**	**—**	**15,495,000**		
Employees	17.1.2011	D	20,000	—	(20,000)	—	—	10.436	17.1.2012 – 16.1.2021
	23.3.2017	D	200,000	—	(100,000)	—	100,000	32.150	23.3.2018 – 22.3.2027
	19.6.2017	E	350,000	—	(250,000)	—	100,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
Total for employees			**670,000**	**—**	**(370,000)**	**—**	**300,000**		
Total for all categories			**10,457,500**	**7,951,000**	**(2,613,500)**	**—**	**15,795,000**		

The weighted average closing price of the Company's shares immediately before the various dates on which the share options were granted during 2020 was HK$98.44 (2019: HK$50.15).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$63.80 to HK$107.00 in 2020 (2019: HK$50.15).

The weighted average closing prices of the Company's shares immediately before various dates during 2020 and 2019 on which the share options were exercised were HK$83.11 and HK$55.67 respectively.

The fair value of the share options granted in 2020 measured at various dates on which the share options were granted was ranged from HK$15.26 to HK$24.57 (2019: HK$12.69). The weighted average fair value of the share options granted in 2020 was HK$22.73 (2019: HK$12.69) per option.

Arrangements to Purchase Shares or Debentures

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in this Annual Report), at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Director's Interests in Transactions, Arrangements and Contracts of Significance

No transactions, arrangements and contracts of significance, to which the Company, or any of its subsidiaries, was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Indemnities

Pursuant to the Company's Articles of Association, every director of the Company shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance) which he/she may sustain or incur in or about the execution of the duties of his/her office. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Equity-linked Agreements

Other than as disclosed above and for satisfying the awarded shares granted under the Company's share award schemes (details of which are set out in this Annual Report), the Group has not entered into any equity-linked agreements during the year.

Substantial Shareholders' Interests

As at December 31, 2020, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Total interests in shares	(L/S/LP)*	Approximate aggregate percentage of interests
Artisan Partners Asset Management Inc.[1]	94,073,945	(L)	5.13%
JPMorgan Chase & Co.[2]	146,684,919	(L)	8.00%
	2,877,100	(S)	0.16%
	44,214,794	(LP)	2.41%
The Bank of New York Mellon Corporation[3]	109,614,700	(L)	5.98%
	32,484,810	(S)	1.77%
	72,595,741	(LP)	3.96%

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

Substantial Shareholders' Interests (continued)

Notes:

(1) The following is a breakdown of the interest in shares in the Company held by Artisan Partners Asset Management Inc.:

		Total interests in shares				
Name	Remarks	Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	Approximate percentage of interests
Artisan Partners Asset Management Inc.	(1a)	—	—	94,073,945	(L)	5.13%
Artisan Partners Holdings LP	(1b)	—	—	94,073,945	(L)	5.13%
Artisan Investments GP LLC	(1b)	—	—	94,073,945	(L)	5.13%
Artisan Partners Limited Partnership	(1b)	94,073,945	(L)	—	—	5.13%

Remarks:

(1a) Artisan Partners Asset Management Inc. is listed on The New York Stock Exchange. The capacity of Artisan Partners Asset Management Inc. in holding the 94,073,945 shares of long position was as controlled corporation.

(1b) Artisan Partners Holdings LP, Artisan Investments GP LLC and Artisan Partners Limited Partnership were all directly or indirectly owned by Artisan Partners Asset Management Inc. and by virtue of the SFO, Artisan Partners Asset Management Inc. was deemed to be interested in the shares held by these subsidiaries.

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

		Total interests in shares				
Name	Remarks	Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	Approximate percentage of interests
JPMorgan Chase & Co.	(2a)	—	—	146,684,919	(L)	8.00%
		—	—	2,877,100	(S)	0.16%
		—	—	44,214,794	(LP)	2.41%
JPMorgan Asset Management (Taiwan) Limited	(2b)	465,000	(L)	—	—	0.03%
J.P. Morgan AG	(2b)	3,000	(L)	—	—	0.00%
J.P. Morgan Securities LLC	(2b)	965,038	(L)	—	—	0.05%
		243,000	(S)	—	—	0.01%
JPMORGAN CHASE BANK, N.A. – LONDON BRANCH	(2b)	44,214,794	(L)	—	—	2.41%
J.P. Morgan Prime Inc.	(2b)	2,000	(L)	—	—	0.00%
		2,000	(S)	—	—	0.00%
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	(2b)	4,567,000	(L)	—	—	0.25%
J.P. Morgan Investment Management Inc.	(2b)	70,828,000	(L)	—	—	3.86%
JPMorgan Asset Management (Japan) Limited	(2b)	755,272	(L)	—	—	0.04%
J.P. Morgan Trust Company of Delaware	(2b)	76,340	(L)	—	—	0.00%
JPMorgan Chase Bank, National Association	(2b)	6,705,576	(L)	—	—	0.37%
JPMorgan Asset Management (Asia Pacific) Limited	(2b)	13,149,000	(L)	—	—	0.72%
J.P. MORGAN SECURITIES PLC	(2b)	4,953,899	(L)	—	—	0.27%
		2,632,100	(S)	—	—	0.14%

Substantial Shareholders' Interests (continued)

Notes: (continued)

Name	Remarks	Total interests in shares: Direct interests	(L/S/LP)*	Deemed interests	(L/S/LP)*	Approximate percentage of interests
JPMorgan Asset Management (Asia) Inc.	(2b)	—	—	14,369,272	(L)	0.78%
JPMorgan Asset Management Holdings Inc.	(2b)	—	—	89,764,272	(L)	4.90%
JPMorgan Chase Holdings LLC	(2b)	—	—	90,807,650	(L)	4.96%
		—	—	245,000	(S)	0.01%
J.P. Morgan International Finance Limited	(2b)	—	—	4,956,899	(L)	0.27%
		—	—	2,632,100	(S)	0.14%
JPMorgan Chase Bank, National Association	(2b)	—	—	49,171,693	(L)	2.68%
		—	—	2,632,100	(S)	0.14%
J.P. Morgan Broker-Dealer Holdings Inc.	(2b)	—	—	967,038	(L)	0.05%
		—	—	245,000	(S)	0.01%
J.P. Morgan Securities LLC	(2b)	—	—	2,000	(L)	0.00%
		—	—	2,000	(S)	0.00%
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	(2b)	—	—	4,567,000	(L)	0.25%
J.P. Morgan Equity Holdings, Inc.	(2b)	—	—	76,340	(L)	0.00%
J.P. MORGAN CAPITAL HOLDINGS LIMITED	(2b)	—	—	4,953,899	(L)	0.27%
		—	—	2,632,100	(S)	0.14%

Remarks:

(2a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 146,684,919 shares of long position, 2,877,100 shares of short position and 44,214,794 shares of lending pool respectively was as controlled corporation.

(2b) JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan AG, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, J.P. Morgan Prime Inc., JPMORGAN ASSET MANAGEMENT (UK) LIMITED, J.P. Morgan Investment Management Inc., JPMorgan Asset Management (Japan) Limited, J.P. Morgan Trust Company of Delaware, JPMorgan Chase Bank, National Association, JPMorgan Asset Management (Asia Pacific) Limited, J.P. MORGAN SECURITIES PLC, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, J.P. Morgan International Finance Limited, JPMorgan Chase Bank, National Association, J.P. Morgan Broker-Dealer Holdings Inc., J.P. Morgan Securities LLC, JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, J.P. Morgan Equity Holdings, Inc. and J.P. MORGAN CAPITAL HOLDINGS LIMITED were all directly or indirectly owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholders' Interests (continued)

Notes: (continued)

(3) The following is a breakdown of the interest in shares in the Company held by The Bank of New York Mellon Corporation:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)***	**Deemed interests**	**(L/S/LP)***	**Approximate percentage of interests**
The Bank of New York Mellon Corporation	(3a)	—	—	109,614,700	(L)	5.98%
		—	—	32,484,810	(S)	1.77%
		—	—	72,595,741	(LP)	3.96%
The Bank of New York Mellon	(3b)	109,562,340	(L)	—	—	5.98%
		32,484,810	(S)	—	—	1.77%
BNY Mellon, National Association	(3b)	51,395	(L)	—	—	0.00%
B.N.Y. Holdings (Delaware) Corporation	(3b)	—	—	965	(L)	0.00%
BNY Mellon Trust of Delaware	(3b)	965	(L)	—	—	0.00%

Remarks:

(3a) The Bank of New York Mellon Corporation is listed on New York Stock Exchange. The capacity of The Bank of New York Mellon Corporation in holding the 109,614,700 shares of long position, 32,484,810 shares of short position and 72,595,741 shares of lending pool respectively was as controlled corporation.

(3b) The Bank of New York Mellon, BNY Mellon, National Association, B.N.Y. Holdings (Delaware) Corporation and BNY Mellon Trust of Delaware were all directly or indirectly owned by The Bank of New York Mellon Corporation and by virtue of the SFO, The Bank of New York Mellon Corporation was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at December 31, 2020.

Dividend Policy

Stable dividend payment to shareholders of the Company is our primary objective. The Board of Directors of the Company determines the interim dividend and recommends the final dividend which requires the approval of shareholders of the Company. In proposing any dividend payout, the Board of Directors shall take into account, inter alia, the Group's operations, earnings, financial condition, cash availability, capital expenditure and future development requirements and other factors that may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Ordinance and the Company's Articles of Association.

Environmental, Social and Governance ("ESG")

The Company has adopted the latest ESG reporting guidelines issued by the Stock Exchange. A report on TTI's environmental, social and governance commitment can be found on pages 72 to 145.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2020.

Donations

During the year, the Group made charitable and other donations totalling US$1,463,000.

Auditor

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

Horst Julius Pudwill
Chairman
Hong Kong

March 3, 2021

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF TECHTRONIC INDUSTRIES COMPANY LIMITED
創科實業有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Techtronic Industries Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 159 to 246, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Capitalization of Deferred Development Costs We identified the capitalization of costs as internally-generated intangible assets as a key audit matter which requires estimations and assumptions about the expected future economic benefits to be generated by the products resulting from these development activities. The Group conducts a significant level of development activities and has to apply judgement in identifying those projects meeting the criteria for capitalization under the requirements of the accounting standards, and the expected life of the products. As disclosed in Note 19 to the consolidated financial statements, as at December 31, 2020 the carrying value of deferred development costs was US$394 million with the additions and amortization charge during the year being US$146 million and US$102 million respectively.	Our procedures in relation to capitalization of deferred development costs included: • Obtaining an understanding of management's process and relevant controls over the capitalization of deferred development costs; • Evaluating the nature of development expenses incurred that are capitalized into intangible assets; • Assessing the reasonableness of the capitalization based on our knowledge of the Group's business strategy, historical track record and sales forecasts prepared by management; and • Evaluating the appropriateness of expenses capitalized, on a sample basis, by agreeing the cost incurred to external invoices and internal records.
Recognition of income and deferred tax We identified the recognition of income and deferred tax as a key audit matter as the Group operates in a complex multinational tax environment, in which the tax amounts, including provisions for potential tax exposures, and the realizability of the deferred tax assets, which depends on whether sufficient taxable profits or taxable temporary differences will be available in the future, are associated with a high degree of estimates and judgement. As disclosed in Note 10 and Note 41 to the consolidated financial statements, as at December 31, 2020, the Group has recognized US$60 million of income tax expense in the consolidated statement of profit or loss and other comprehensive income and US$75 million deferred tax assets in the consolidated statement of financial position, respectively.	Our procedures in relation to management's assessment about the recognition of income and deferred tax included: • Obtaining an understanding of management's process and relevant controls regarding the tax exposures and estimating the provision for income tax and deferred tax assets to be recognized; • Understanding and evaluating management's estimates and judgements by considering the status of current tax authority inquiries, judgmental positions taken in the tax returns, the outcome of previous inquiries and current estimates and developments in the tax environment; • Using our tax specialists to evaluate and challenge the adequacy of management's key assumptions and read the latest correspondence with the tax authorities to assess management's estimates; and • Evaluating management's assessment of the sufficiency of future taxable profits supporting the recognition of deferred tax assets.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Stephen David Smart.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 3, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	Notes	2020 US$'000	2019 US$'000
Revenue	6	**9,811,941**	7,666,721
Cost of sales		**(6,058,859)**	(4,774,065)
Gross profit		**3,753,082**	2,892,656
Other income	7	**11,164**	10,542
Interest income	8	**36,787**	40,215
Selling, distribution and advertising expenses		**(1,573,048)**	(1,195,138)
Administrative expenses		**(1,006,327)**	(804,989)
Research and development costs		**(316,614)**	(229,796)
Finance costs	9	**(44,222)**	(52,323)
Profit before share of results of associates and taxation		**860,822**	661,167
Share of results of associates		**432**	119
Profit before taxation		**861,254**	661,286
Taxation charge	10	**(60,258)**	(46,290)
Profit for the year	11	**800,996**	614,996
Other comprehensive (loss) income:			
Item that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		**(6,718)**	(8,361)
Items that may be reclassified subsequently to profit or loss, net of related income tax:			
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting		**(90,897)**	(10,856)
Exchange differences on translation of foreign operations		**63,537**	(8,071)
Other comprehensive loss for the year		**(34,078)**	(27,288)
Total comprehensive income for the year		**766,918**	587,708
Profit for the year attributable to:			
Owners of the Company		**800,760**	614,900
Non-controlling interests		**236**	96
		800,996	614,996
Total comprehensive income attributable to:			
Owners of the Company		**766,682**	587,612
Non-controlling interests		**236**	96
		766,918	587,708
Earnings per share (US cents)	15		
Basic		**43.80**	33.67
Diluted		**43.63**	33.55

Consolidated Statement of Financial Position

As at December 31, 2020

	Notes	2020 US$'000	2019 US$'000
Non-current assets			
Property, plant and equipment	16	**1,332,960**	1,086,559
Right of use assets	17	**383,718**	247,144
Goodwill	18	**578,461**	580,866
Intangible assets	19	**663,674**	666,705
Interests in associates	21	**2,021**	3,243
Financial assets at fair value through profit or loss	22	**6,535**	5,796
Derivative financial instruments	28	**8,494**	8,929
Deferred tax assets	41	**74,501**	74,947
		3,050,364	2,674,189
Current assets			
Inventories	23	**3,223,748**	2,112,931
Right to returned goods asset	24	**9,266**	15,342
Trade and other receivables	25	**1,367,286**	1,228,573
Deposits and prepayments		**139,677**	169,076
Bills receivable	26	**7,660**	6,076
Tax recoverable		**27,181**	23,887
Trade receivables from associates	27	**4,240**	6,494
Derivative financial instruments	28	**9,341**	25,065
Financial assets at fair value through profit or loss	22	**17,763**	24,597
Bank balances, deposits and cash	29	**1,533,876**	1,411,821
		6,340,038	5,023,862
Current liabilities			
Trade and other payables	30	**3,247,808**	2,177,417
Bills payable	31	**61,791**	46,170
Warranty provision	32	**156,671**	115,210
Tax payable		**32,336**	19,596
Derivative financial instruments	28	**96,135**	17,493
Lease liabilities	33	**73,331**	63,878
Discounted bills with recourse	34	**1,436**	9,089
Unsecured borrowings – due within one year	37	**385,214**	732,380
Refund liabilities from right of return	24	**26,713**	36,474
		4,081,435	3,217,707
Net current assets		**2,258,603**	1,806,155
Total assets less current liabilities		**5,308,967**	4,480,344

Consolidated Statement of Financial Position
As at December 31, 2020

	Notes	2020 US$'000	2019 US$'000
Capital and Reserves			
Share capital	38	**673,141**	662,379
Reserves		**3,229,864**	2,732,266
Equity attributable to Owners of the Company		**3,903,005**	3,394,645
Non-controlling interests		**(98)**	(334)
Total equity		**3,902,907**	3,394,311
Non-current Liabilities			
Lease liabilities	33	**301,076**	174,490
Unsecured borrowings – due after one year	37	**940,220**	754,628
Retirement benefit obligations	40	**92,318**	107,967
Other payables	30	**58,524**	35,494
Deferred tax liabilities	41	**13,922**	13,454
		1,406,060	1,086,033
Total equity and non-current liabilities		**5,308,967**	4,480,344

The consolidated financial statements on pages 159 to 246 were approved and authorized for issue by the Board of Directors on March 3, 2021 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to Owners of the Company								Attributable to non-controlling interests	
	Share capital US$'000	Shares held for share award scheme US$'000	Translation reserve US$'000	Employee share-based compensation reserve US$'000	Defined benefit obligations remeasurement reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000	Share of net assets of subsidiaries US$'000	Total US$'000
At January 1, 2019	654,991	(25,115)	(143,231)	11,032	(20,532)	21,448	2,540,425	3,039,018	(430)	3,038,588
Profit for the year	—	—	—	—	—	—	614,900	614,900	96	614,996
Remeasurement of defined benefit obligations	—	—	—	—	(9,076)	—	—	(9,076)	—	(9,076)
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	—	—	—	(12,106)	—	(12,106)	—	(12,106)
Deferred tax asset on remeasurement of defined benefit obligations	—	—	—	—	715	—	—	715	—	715
Deferred tax liability on hedging reserve	—	—	—	—	—	1,250	—	1,250	—	1,250
Exchange differences on translation of foreign operations	—	—	(8,071)	—	—	—	—	(8,071)	—	(8,071)
Other comprehensive loss for the year	—	—	(8,071)	—	(8,361)	(10,856)	—	(27,288)	—	(27,288)
Total comprehensive (loss) income for the year	—	—	(8,071)	—	(8,361)	(10,856)	614,900	587,612	96	587,708
Shares issued on exercise of options	7,388	—	—	(1,450)	—	—	—	5,938	—	5,938
Repurchase and cancellation of shares	—	—	—	—	—	—	(12,644)	(12,644)	—	(12,644)
Vesting of awarded shares	—	1,765	—	(1,765)	—	—	—	—	—	—
Shares for share award scheme	—	(8,477)	—	—	—	—	—	(8,477)	—	(8,477)
Recognition of share-based payments	—	—	—	6,792	—	—	—	6,792	—	6,792
Lapse of share options	—	—	—	(10)	—	—	10	—	—	—
Final dividend – 2018	—	—	—	—	—	—	(117,621)	(117,621)	—	(117,621)
Interim dividend – 2019	—	—	—	—	—	—	(105,973)	(105,973)	—	(105,973)
At December 31, 2019	662,379	(31,827)	(151,302)	14,599	(28,893)	10,592	2,919,097	3,394,645	(334)	3,394,311
Profit for the year	—	—	—	—	—	—	800,760	800,760	236	800,996
Remeasurement of defined benefit obligations	—	—	—	—	(3,213)	—	—	(3,213)	—	(3,213)
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	—	—	—	(91,219)	—	(91,219)	—	(91,219)
Termination of a defined benefit plan	—	—	—	—	15,991	—	(15,991)	—	—	—
Deferred tax asset on remeasurement of defined benefit obligations	—	—	—	—	(80)	—	—	(80)	—	(80)
Release of deferred tax upon termination of a defined benefit plan	—	—	—	—	(3,425)	—	—	(3,425)	—	(3,425)
Deferred tax liability on hedging reserve	—	—	—	—	—	322	—	322	—	322
Exchange differences on translation of foreign operations	—	—	63,537	—	—	—	—	63,537	—	63,537
Other comprehensive income (loss) for the year	—	—	63,537	—	9,273	(90,897)	(15,991)	(34,078)	—	(34,078)
Total comprehensive income (loss) for the year	—	—	63,537	—	9,273	(90,897)	784,769	766,682	236	766,918
Shares issued on exercise of options	10,762	—	—	(2,168)	—	—	—	8,594	—	8,594
Vesting of awarded shares	—	12,798	—	(12,798)	—	—	—	—	—	—
Shares for share award scheme	—	(23,057)	—	—	—	—	—	(23,057)	—	(23,057)
Recognition of share-based payments	—	—	—	17,778	—	—	—	17,778	—	17,778
Final dividend – 2019	—	—	—	—	—	—	(136,688)	(136,688)	—	(136,688)
Interim dividend – 2020	—	—	—	—	—	—	(124,949)	(124,949)	—	(124,949)
At December 31, 2020	**673,141**	**(42,086)**	**(87,765)**	**17,411**	**(19,620)**	**(80,305)**	**3,442,229**	**3,903,005**	**(98)**	**3,902,907**

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 US$'000	2019 US$'000
Operating Activities		
Profit before taxation	**861,254**	661,286
Adjustments for:		
Amortization/write-off of intangible assets	**161,217**	113,101
Depreciation of right of use assets	**77,038**	67,719
Depreciation on property, plant and equipment	**165,893**	144,663
Share-based payments expense	**17,778**	6,792
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps	**3,750**	13,432
Fair value loss on listed equity securities	**8,061**	8,231
Fair value gain on club membership debentures	**—**	(145)
Fair value loss on acquisition right of certain property, plant and equipment	**435**	512
Finance costs	**44,222**	52,323
Gain on early termination of leases	**(31)**	(3,500)
Goodwill written off	**3,861**	—
Impairment loss on trade receivables under expected credit loss model	**22,489**	1,321
Interest income	**(36,787)**	(40,215)
Loss on disposal of property, plant and equipment	**62,436**	6,330
Share of results of associates	**(432)**	(119)
Write down of inventories	**32,139**	34,455
Operating cash flows before movements in working capital	**1,423,323**	1,066,186
Increase in inventories	**(1,117,840)**	(383,721)
Increase in trade and other receivables, deposits and prepayments	**(120,690)**	(147,290)
Decrease (increase) in right to returned goods assets	**6,076**	(1,337)
Increase in bills receivable	**(1,584)**	(1,019)
Decrease (increase) in trade receivables from associates	**3,908**	(3,701)
Increase in trade and other payables	**1,098,206**	257,994
(Decrease) increase in refund liabilities from right of return	**(9,761)**	3,207
Increase in bills payable	**15,621**	5,006
Increase in warranty provision	**37,673**	9,900
(Decrease) increase in retirement benefit obligations	**(54,356)**	14,411
Net payment for purchase of shares for share award scheme	**(23,057)**	(8,477)
Cash generated from operations	**1,257,519**	811,159
Interest paid	**(44,222)**	(52,323)
Hong Kong Profits Tax paid	**(6,413)**	(3,568)
Overseas tax paid	**(53,757)**	(35,072)
Hong Kong Profits Tax refunded	**102**	965
Overseas tax refunded	**5,836**	3,112
Net Cash from Operating Activities	**1,159,065**	724,273

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 US$'000	2019 US$'000
Investing Activities		
Additions to intangible assets	**(158,186)**	(158,971)
Interest received	**36,787**	40,215
(Payment for) proceeds from early termination of leases	**(38)**	25
Proceeds from disposal of property, plant and equipment	**2,078**	7,154
Purchase of club membership debenture	**(752)**	—
Purchase of listed equity securities	**(1,227)**	—
Purchase of property, plant and equipment	**(458,928)**	(456,608)
Purchase of unlisted equity securities	**—**	(301)
Net Cash used in Investing Activities	**(580,266)**	(568,486)
Financing Activities		
Decrease in discounted bills with recourse	**(7,653)**	(234,271)
Dividends paid	**(261,637)**	(223,594)
New bank loans obtained	**3,693,536**	4,041,720
Proceeds from issue of shares	**8,594**	5,938
Repayment of bank loans	**(3,855,110)**	(3,350,154)
Repayment of lease liabilities	**(75,823)**	(64,230)
Payment on repurchase and cancellation of shares	**—**	(12,644)
Net Cash (used in) from Financing Activities	**(498,093)**	162,765
Net Increase in Cash and Cash Equivalents	**80,706**	318,552
Cash and Cash Equivalents at Beginning of the Year	**1,411,821**	1,103,880
Effect of Foreign Exchange Rate Changes	**41,349**	(10,611)
Cash and Cash Equivalents at End of the Year	**1,533,876**	1,411,821
Analysis of the Balances of Cash and Cash Equivalents		
Represented by:		
Bank balances, deposits and cash	**1,533,876**	1,411,821
	1,533,876	1,411,821

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. General Information

Techtronic Industries Company Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacturing and trading of electrical and electronic products.

The consolidated financial statements are presented in United States dollars ("US$"), which is also the functional currency of the Company.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 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 year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The Group has floating rate debt, linked to London Interbank Offered Rate ("LIBOR"), which it cash flow hedges using cross-currency interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

The Group retained the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The application of the amendments has no impact on the Group's consolidated financial statements.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after June 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2021.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at December 31, 2020, the Group had several LIBOR bank loans which will be subject to the interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change and the Group is in the process of assessing the impact of the application which may have a potential impact on the hedge accounting and related disclosures made in the consolidated financial statements of the Group resulting from the reform on application of the amendments.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at December 31, 2020, the application of the amendments will not result in a reclassification of the Group's liabilities.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Basis of Preparation of Consolidated Financial Statements (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Business Combinations or Asset Acquisitions

Optional concentration test

Effective from January 1, 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right of use assets ("ROU assets") are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Business Combinations or Asset Acquisitions (continued)

Business Combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of associates is disclosed below.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Business Combinations or Asset Acquisitions (continued)

Interests in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of loss of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associates is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in associates but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Intangible Assets

Intangible Assets Acquired Separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially measured at their fair value at the acquisition date. The cost of these intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses. Amortization of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Internally-Generated Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Leases

Definition of a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a Lessee

Allocation of Consideration to Components of a Contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases of premises, plant and machinery and motor vehicles as disclosed that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

ROU Assets

The cost of ROU assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

ROU assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents ROU assets as a separate line item on the consolidated statement of financial position.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Leases (continued)

The Group as a Lessee (continued)

Refundable Rental Deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of ROU assets.

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease Modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant ROU asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

Property, Plant & Equipment ("PP&E")

PP&E including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress. PP&E are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation is recognized so as to write-off the cost of items of PP&E, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Property, Plant & Equipment ("PP&E") (continued)

PP&E in the course of construction for production, supply or administrative purpose is carried at cost, less any recognized impairment loss. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of PP&E when completed and ready for its intended use. Depreciation of these assets, on the same basis as other PP&E, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold is presented as "ROU assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as PP&E.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Impairment PP&E, ROU Assets and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its PP&E, ROU assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of PP&E, ROU assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Assets

Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except for derivatives designated as cash flow hedge relationship and, that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Amortized Cost and Interest Income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL except for derivatives designated as cash flow hedge relationship.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

Impairment of Financial Assets and Other Item

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, bills receivable, trade receivables from associates, bank balances, deposits and cash) and other items (financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant Increase in Credit Risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item (continued)

(i) Significant Increase in Credit Risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item (continued)

(iii) Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Assets (continued)

Classification and Subsequent Measurement of Financial Assets (continued)

Impairment of Financial Assets and Other Item (continued)

(v) Measurement and Recognition of ECL (continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset (i.e. gross carrying amount less loss allowance for ECL).

Except for financial guarantee contracts, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Buy-back of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial Liabilities at Amortized Cost

Financial liabilities (including unsecured borrowings, trade and other payables, bills payable and discounted bills with recourse) are subsequently measured at amortized cost, using the effective interest method.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Liabilities and Equity (continued)

Financial Liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) 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.

Assessment of Hedging Relationship and Effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial Liabilities and Equity (continued)

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in the hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

For the purpose of reclassifying the amount of gains and losses 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.

Amounts previously recognized in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of Hedge Accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance determined in accordance with HKFRS 9; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized over the guarantee period.

Derecognition of Financial Assets and Liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Financial Instruments (continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Revenue from Contracts with Customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

Over time Revenue Recognition (Commission and Royalty Income): Measurement of Progress towards Complete Satisfaction of a Performance Obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (i.e. royalty income), the Group recognizes revenue in the amount to which the Group has the right to invoice.

Refund Liabilities

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Sale with a Right of Return/Exchange

For a sale of products with a right of return/exchange for dissimilar products, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned/exchanged);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the ROU assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the ROU assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to ROU assets and lease liabilities are assessed on a net basis. Excess of depreciation on ROU assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Taxation (continued)

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used, by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal or partial disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognized in the other comprehensive income.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Equity-Settled Share-Based Payment Transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognized in employee share-based compensation reserve would be transferred to share capital. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the employee share-based compensation reserve would be transferred to retained profits.

When the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognized on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under the share award scheme. Accordingly, the related expense of the granted shares vested is reversed from the employee share-based compensation reserve. The difference arising from this transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimate of the number of shares that are expected to ultimately vest. The impact of the revision of the estimate, if any, is recognized in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognized as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

Retirement Benefit Schemes

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefits plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in reserves and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligations recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Short-term and other Long-term Employee Benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interests and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. Key Sources of Accounting Estimates

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of their recoverable amounts, which is the higher of the value in use and fair value less costs of disposal of the cash-generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward version of discount rate, a material impairment loss or further impairment loss may arise. As at December 31, 2020, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately US$578,461,000 (2019: US$580,866,000) and approximately US$224,440,000 (2019: US$227,640,000) respectively. Details of the recoverable amount calculation are disclosed in Note 20. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

Capitalization, Useful Lives and Estimated Impairment of Deferred Development Costs

Determining the development costs, including the time and costs for individual projects, to be capitalized requires estimations and assumptions based on the expected future economic benefits to be generated by the products resulting from these development costs. Other important estimations and assumptions in this assessment process are the feasibility of mass production, the distinction between research and development and the estimated useful life. As at December 31, 2020, the carrying amounts of deferred development costs of the Group are US$394,144,000 (2019: US$388,018,000). The estimation of their useful lives impacts the level of annual amortization recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material impairment loss may arise and need to be recognized. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates that adjustments are required.

Income Taxes

As at December 31, 2020, deferred tax assets of US$25,362,000 (2019: US$28,165,000) in relation to unused tax losses and US$39,452,000 (2019: US$31,984,000) in relation to employee related provisions has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax assets mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of the deferred tax assets may arise, which would be recognized in profit or loss for the period in which the reversal or further recognition takes place. During the year, deferred tax assets of approximately US$6,703,000 (2019: US$2,563,000) in relation to unused tax losses were utilized.

5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods sold.

The principal categories of goods supplied are "Power Equipment" and "Floorcare". The Group's operating segments under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE, EMPIRE, AEG, RYOBI, HOMELITE and HART brands plus original equipment manufacturer ("OEM") customers.

2. Floorcare – sales of floorcare products and floorcare accessories under the HOOVER, DIRT DEVIL, VAX and ORECK brands plus OEM customers.

Information regarding the above segments is reported below.

Segment Revenue and Results

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

For the year ended December 31, 2020

	Power Equipment US$'000	Floorcare US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	8,729,841	1,082,100	—	9,811,941
Inter-segment sales	—	4,018	(4,018)	—
Total segment revenue	8,729,841	1,086,118	(4,018)	9,811,941

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	843,831	24,622	—	868,453
Interest income				36,787
Finance costs				(44,222)
Profit before tax				861,018

5. Segment Information (continued)

Segment Revenue and Results (continued)

For the year ended December 31, 2019

	Power Equipment US$'000	Floorcare US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	6,791,514	875,207	—	7,666,721
Inter-segment sales	—	205	(205)	—
Total segment revenue	6,791,514	875,412	(205)	7,666,721

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	662,954	10,344	—	673,298
Interest income				40,215
Finance costs				(52,323)
Profit before tax				661,190

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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.

Other Segment Information

For the year ended December 31, 2020

Amounts included in the measure of segment results:

	Power Equipment US$'000	**Floorcare US$'000**	**Consolidated US$'000**
Loss on disposal of property, plant and equipment	**55,070**	**7,366**	**62,436**
Write down of inventories	**29,974**	**2,165**	**32,139**
Impairment loss on trade receivables under expected credit loss model	**16,222**	**6,267**	**22,489**
Write-off of intangible assets	**43,320**	**5,481**	**48,801**
Depreciation and amortization	**308,564**	**46,783**	**355,347**
Gain on early termination of leases	**(31)**	**—**	**(31)**

5. Segment Information (continued)

Other Segment Information (continued)

For the year ended December 31, 2019

Amounts included in the measure of segment results:

	Power Equipment US$'000	Floorcare US$'000	Consolidated US$'000
Loss on disposal of property, plant and equipment	5,779	551	6,330
Write down of inventories	33,632	823	34,455
(Reversal of impairment loss) impairment loss on trade receivables under expected credit loss model	(1,876)	3,197	1,321
Write-off of intangible assets	3,882	182	4,064
Depreciation and amortization	269,489	51,930	321,419
Gain on early termination of leases	(3,500)	—	(3,500)

Revenue from Major Products

The following is an analysis of the Group's disaggregated revenue from its major products:

	2020 US$'000	2019 US$'000
Power Equipment	**8,729,841**	6,791,514
Floorcare	**1,082,100**	875,207
Total	**9,811,941**	7,666,721

Geographical Information

The Group's revenue from external customers by geographical location, determined based on the location of the customer and information about its non-current assets, by geographical location, determined based on the location of the group entity owning the assets are detailed below:

	Revenue from external customers		**Non-Current Assets***	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
North America	**7,650,370**	5,909,781	**1,764,007**	1,456,518
Europe	**1,382,707**	1,160,614	**173,873**	172,451
Other countries	**778,864**	596,326	**1,020,933**	952,305
Total	**9,811,941**	7,666,721	**2,958,813**	2,581,274

* Non-current assets exclude interests in associates, financial assets at FVTPL, derivative financial instruments and deferred tax assets.

Information about Major Customer

During the years ended December 31, 2020 and 2019, the Group's largest customer contributed total revenue of US$4,793,600,000 (2019: US$3,586,339,000), of which US$4,742,534,000 (2019: US$3,530,735,000) was under the Power Equipment segment and US$51,066,000 (2019: US$55,604,000) was under the Floorcare segment. There is no other customer contributing more than 10% of total revenue.

6. Revenue

Revenue represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission and royalty income received during the year and is analyzed as follows:

	2020 US$'000	2019 US$'000
Sales of goods	**9,801,240**	7,641,865
Commission and royalty income	**10,701**	24,856
	9,811,941	7,666,721

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

The Group sells products mainly to the wholesale market. Revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery).

Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognized for sales which are considered highly probable and that a significant reversal of the cumulative revenue recognized will not occur. A contract liability is recognized for sales in which revenue has not yet been recognized. The Group's right to recover the product when customers exercise their right to return products is recognized as a right to returned goods asset and a corresponding adjustment to cost of sales.

As at December 31, 2020, revenue for unsatisfied contracts to be recognized by the Group over one year is immaterial. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for contracts with period of one year or less is not disclosed.

7. Other Income

Other income in both 2020 and 2019 mainly comprises of the sale of scrap materials and claims and reimbursements from customers and vendors.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2020 US$'000	2019 US$'000
Interest on:		
Bank borrowings	**36,648**	45,620
Lease liabilities	**7,574**	6,703
	44,222	52,323

10. Taxation Charge

	2020 US$'000	2019 US$'000
Current tax:		
Hong Kong Profits Tax	(260)	(1,309)
Over provision in prior years	995	596
	735	(713)
Overseas taxation	(58,505)	(32,279)
Under provision in prior years	(2,033)	(324)
	(60,538)	(32,603)
Deferred tax (Note 41):		
Current year	8,075	4,203
Deferred tax asset impairment	(8,521)	(16,653)
Change in tax rates	(9)	(524)
	(455)	(12,974)
	(60,258)	(46,290)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The taxation charge for the year is reconciled as follows:

	2020 US$'000	2020 %	2019 US$'000	2019 %
Profit before taxation	861,254		661,286	
Tax at Hong Kong Profits Tax rate	(142,107)	16.5%	(109,112)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	111,836	(13.0%)	128,326	(19.4%)
Tax effect of expenses not deductible for tax purposes	(42,289)	4.9%	(25,431)	3.8%
Tax effect of income not taxable for tax purposes	2,962	(0.3%)	2,175	(0.3%)
Utilization of deductible temporary differences previously not recognized	6,703	(0.8%)	2,563	(0.4%)
Tax effect of tax losses and deductible temporary differences not recognized	12,134	(1.4%)	(28,025)	4.2%
Deferred tax asset impairment	(8,521)	1.0%	(16,653)	2.5%
(Under) over provision in respect of prior years	(1,038)	0.1%	272	(0.0%)
Tax effect of changes in tax rates	(9)	0.0%	(524)	0.1%
Tax effect of share of results of associates	71	(0.0%)	119	(0.0%)
Taxation charge for the year	(60,258)	7.0%	(46,290)	7.0%

Details of deferred tax are set out in Note 41.

11. Profit for the Year

	2020 US$'000	2019 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortization of intangible assets	**112,416**	109,037
Auditors' remuneration	**3,027**	3,247
Cost of inventories recognized as an expense	**6,058,859**	4,774,065
Depreciation of right of use assets	**77,038**	67,719
Depreciation of property, plant and equipment	**165,893**	144,663
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps	**3,750**	13,432
Fair value loss on listed equity securities	**8,061**	8,231
Fair value gain on club membership debentures	**—**	(145)
Fair value loss on acquisition right of certain property, plant and equipment	**435**	512
Gain on early termination of leases	**(31)**	(3,500)
Impairment loss on trade receivables under expected credit loss model	**22,489**	1,321
Goodwill written off	**3,861**	—
Loss on disposal of property, plant and equipment	**62,436**	6,330
Net exchange loss (gain)	**1,633**	(3,128)
Operating lease expenses/expenses relating to short-term leases and low-value assets recognized in respect of:		
Motor vehicles	**934**	640
Plant and machinery	**11,522**	10,198
Premises	**9,716**	8,162
Other assets	**510**	601
Share of results of associates	**(432)**	(119)
Unconditional government grants	**(657)**	(322)
Write down of inventories	**32,139**	34,455
Write-off of intangible assets	**48,801**	4,064
Staff costs		
Directors' remuneration		
Fees	**539**	491
Other emoluments	**63,754**	48,663
	64,293	49,154
Other staff costs	**1,293,422**	1,097,733
Contributions to retirement benefits schemes (other than those included in the Directors' emoluments)		
Defined contribution plans	**17,608**	14,155
Defined benefit plans (Note 40)	**808**	1,660
	1,376,131	1,162,702

Staff costs disclosed above do not include an amount of US$207,699,000 (2019: US$174,477,000) of staff costs incurred relating to research and development activities.

12. Directors' Emoluments

The emoluments paid or payable to each of the twelve (2019: twelve) directors, disclosed pursuant to the applicable Listing Rules and the CO, was as follows:

For the year ended December 31, 2020

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,671	2	12,412	3,795	17,880
Mr Stephan Horst Pudwill (Note i)	—	537	2	2,225	1,191	3,955
Mr Joseph Galli Jr (Note i)	—	1,753	383	19,100	7,211	28,447
Mr Kin Wah Chan (Note i)	—	870	2	2,645	1,191	4,708
Mr Chi Chung Chan (Note i)	—	867	—	4,750	1,191	6,808
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	77	—	—	816	81	974
Mr Camille Jojo (Note ii)	77	27	—	—	521	625
Mr Christopher Patrick Langley OBE (Note iii)	77	15	—	—	81	173
Mr Peter David Sullivan (Note iii)	77	37	—	—	81	195
Mr Vincent Ting Kau Cheung (Note iii)	77	40	—	—	81	198
Mr Johannes-Gerhard Hesse (Note iii)	77	27	—	—	81	185
Mr Robert Hinman Getz (Note iii)	77	7	—	—	61	145
Total	539	5,851	389	41,948	15,566	64,293

12. Directors' Emoluments (continued)

For the year ended December 31, 2019

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,671	2	15,066	1,186	17,925
Mr Stephan Horst Pudwill (Note i)	—	390	2	2,057	601	3,050
Mr Joseph Galli Jr (Note i)	—	1,633	180	14,100	648	16,561
Mr Kin Wah Chan (Note i)	—	826	2	2,345	601	3,774
Mr Chi Chung Chan (Note i)	—	823	—	4,585	601	6,009
Prof Roy Chi Ping Chung GBS BBS JP (Note ii)	77	—	—	—	135	212
Mr Camille Jojo (Note ii)	77	15	—	—	453	545
Mr Christopher Patrick Langley OBE (Note iii)	77	15	—	—	135	227
Mr Manfred Kuhlmann (Note iii)	29	13	—	—	61	103
Mr Peter David Sullivan (Note iii)	77	37	—	—	135	249
Mr Vincent Ting Kau Cheung (Note iii)	77	40	—	—	135	252
Mr Johannes-Gerhard Hesse (Note iii)	77	26	—	—	144	247
Total	491	5,489	186	38,153	4,835	49,154

Note i: The individuals represent the Executive Directors of the Company and the Group. The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group. Mr Joseph Galli Jr serves as the Chief Executive Officer of the Group.

Note ii: The individuals represent the Non-Executive Directors of the Company. The Non-Executive Directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

Note iii: The individuals represent the independent Non-executive Directors of the Company. The Independent Non-executive Directors' emoluments shown above were mainly for their services as directors of the Company.

The bonuses were based on past performance of the Group.

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option schemes and share award scheme, respectively, as estimated at the date of grant and award. Details of these benefits in kind are disclosed under the sections "Share Options" and "Share Award Scheme" in Notes 43 and 44 respectively.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2019: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2019: one) individuals for the year ended December 31, 2020 were as follows:

	2020 US$'000	2019 US$'000
Basic salaries and allowances	**1,677**	787
Contributions to retirement benefits schemes	**152**	74
Bonus	**10,578**	2,587
Other benefit	**—**	—
Share-based payments	**1,948**	1,635
	14,355	5,083

The emoluments of these two (2019: one) highest paid individuals for the year ended December 31, 2020 were within the following bands:

	No. of persons	
HK$	**2020**	2019
39,000,001 to 39,500,000	**—**	1
51,000,001 to 51,500,000	**1**	—
60,000,001 to 60,500,000	**1**	—

During each of the two years ended December 31, 2020 and 2019, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

14. Dividends

	2020 US$'000	2019 US$'000
Dividends recognized as distributions during the year:		
Final dividend paid:		
2019: HK58.00 cents (approximately US7.46 cents)		
(2018: HK50.00 cents (approximately US6.44 cents) per share	**136,688**	117,621
Interim dividend paid:		
2020: HK53.00 cents (approximately US6.82 cents)		
(2019: HK45.00 cents (approximately US5.79 cents)) per share	**124,949**	105,973
	261,637	223,594

The final dividend of HK82.00 cents (approximately US10.55 cents) per share with a total of approximately US$193,404,000 in respect of the year ended December 31, 2020 (2019: final dividend of HK58.00 cents (approximately US7.46 cents) per share in respect of the year ended December 31, 2019) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

15. 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:

	2020 US$'000	2019 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**800,760**	614,900
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,828,388,789**	1,826,362,982
Effect of dilutive potential ordinary shares:		
Share options	**4,816,658**	5,004,102
Share award	**1,980,218**	1,155,989
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,835,185,665**	1,832,523,073

16. Property, Plant and Equipment

	Freehold land and land and buildings (Note) US$'000	Leasehold improvements US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Moulds and tooling US$'000	Vessels US$'000	Aircraft US$'000	Construction in progress US$'000	Total US$'000
Cost										
At January 1, 2019	202,505	89,416	237,617	336,745	5,498	343,625	7,106	31,283	187,791	1,441,586
Currency realignment	1,080	302	(8,305)	1,316	197	(1,108)	—	—	(46)	(6,564)
Additions	31,687	3,989	16,212	31,554	409	4,626	—	312	367,819	456,608
Disposals	(307)	(3,786)	(19,494)	(7,104)	(440)	(28,892)	—	(3,900)	(3,882)	(67,805)
Reclassification	165,256	2,626	21,743	33,078	2,383	71,930	—	—	(297,016)	—
At December 31, 2019	400,221	92,547	247,773	395,589	8,047	390,181	7,106	27,695	254,666	1,823,825
Currency realignment	**3,163**	**2,989**	**5,255**	**16,765**	**142**	**7,142**	**—**	**—**	**2,567**	**38,023**
Additions	**177**	**5,289**	**15,766**	**34,373**	**1,303**	**3,584**	**—**	**—**	**398,436**	**458,928**
Disposals	**(11,478)**	**(17,160)**	**(19,858)**	**(8,641)**	**(1,485)**	**(139,383)**	**—**	**—**	**(17,259)**	**(215,264)**
Reclassification	**67,597**	**6,766**	**36,791**	**43,623**	**657**	**99,119**	**—**	**—**	**(254,553)**	**—**
At December 31, 2020	**459,680**	**90,431**	**285,727**	**481,709**	**8,664**	**360,643**	**7,106**	**27,695**	**383,857**	**2,105,512**
Depreciation and Impairment										
At January 1, 2019	34,350	44,617	160,137	183,611	3,802	221,591	3,023	234	—	651,365
Currency realignment	867	225	(6,021)	1,052	76	(640)	—	—	—	(4,441)
Provided for the year	9,026	7,509	22,579	33,611	1,050	67,789	1,198	1,901	—	144,663
Eliminated on disposals	(216)	(2,595)	(18,935)	(5,763)	(311)	(26,501)	—	—	—	(54,321)
At December 31, 2019	44,027	49,756	157,760	212,511	4,617	262,239	4,221	2,135	—	737,266
Currency realignment	**1,282**	**1,532**	**3,795**	**7,681**	**87**	**5,766**	**—**	**—**	**—**	**20,143**
Provided for the year	**11,295**	**10,269**	**30,543**	**41,610**	**1,410**	**67,662**	**1,198**	**1,906**	**—**	**165,893**
Eliminated on disposals	**(4,110)**	**(12,316)**	**(13,530)**	**(8,364)**	**(1,084)**	**(111,346)**	**—**	**—**	**—**	**(150,750)**
At December 31, 2020	**52,494**	**49,241**	**178,568**	**253,438**	**5,030**	**224,321**	**5,419**	**4,041**	**—**	**772,552**
Carrying amounts										
At December 31, 2020	**407,186**	**41,190**	**107,159**	**228,271**	**3,634**	**136,322**	**1,687**	**23,654**	**383,857**	**1,332,960**
At December 31, 2019	356,194	42,791	90,013	183,078	3,430	127,942	2,885	25,560	254,666	1,086,559

Note: Buildings with a carrying amount of US$15,099,000 (2019: US$16,655,000) are erected on leasehold land that is presented as ROU assets on the consolidated statement of financial position.

16. Property, Plant and Equipment (continued)

The above PP&E, other than construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Land and buildings	Over the shorter of lease term or useful life of fifteen to fifty years
Leasehold improvements	4% – $37\frac{1}{2}$%
Office equipment, furniture and fixtures	10% – $33\frac{1}{3}$%
Plant and machinery	9% – 25%
Motor vehicles	10% – $33\frac{1}{3}$%
Moulds and tooling	18% – $33\frac{1}{3}$%
Vessels	20% – 25%
Aircraft	6% – $16\frac{2}{3}$%

The carrying amounts of properties shown above comprise:

	2020 US$'000	2019 US$'000
Properties situated outside Hong Kong are analyzed as follows:		
Freehold land	**329,951**	276,007
Leasehold land and buildings	**15,099**	16,655
	345,050	292,662
Land and buildings situated in Hong Kong	**62,136**	63,532
	407,186	356,194

The cost of the Group's PP&E includes amounts of US$347,619,000 (2019: US$342,522,000) in respect of fully depreciated PP&E that are still in use.

17. Right of Use Assets

	Land and buildings US$'000	Office equipment, furniture and fixtures US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Aircraft US$'000	Leasehold land US$'000	Total US$'000
Cost							
At January 1, 2019	352,851	4,313	4,842	64,143	12,582	35,955	474,686
Currency realignment	(992)	32	51	(597)	—	(436)	(1,942)
Additions	52,426	4,075	1,716	30,899	—	—	89,116
Termination of leases	(74,091)	(1,206)	—	(13,028)	—	(34)	(88,359)
At December 31, 2019	330,194	7,214	6,609	81,417	12,582	35,485	473,501
Currency realignment	**12,102**	**(9)**	**269**	**2,759**	**—**	**2,369**	**17,490**
Additions	**175,919**	**1,701**	**176**	**33,636**	**—**	**—**	**211,432**
Early termination/end of leases	**(21,957)**	**(596)**	**(601)**	**(12,954)**	**—**	**—**	**(36,108)**
At December 31, 2020	**496,258**	**8,310**	**6,453**	**104,858**	**12,582**	**37,854**	**666,315**
Depreciation							
At January 1, 2019	142,136	1,785	1,912	29,180	7,445	7,480	189,938
Currency realignment	(842)	3	40	(521)	—	(96)	(1,416)
Provided for the year	43,668	1,392	1,149	19,537	1,258	715	67,719
Elimination on termination of leases	(16,903)	(879)	—	(12,102)	—	—	(29,884)
At December 31, 2019	168,059	2,301	3,101	36,094	8,703	8,099	226,357
Currency realignment	**7,366**	**10**	**180**	**1,548**	**—**	**580**	**9,684**
Provided for the year	**48,979**	**1,756**	**1,576**	**22,753**	**1,258**	**716**	**77,038**
Elimination on early termination/end of leases	**(17,596)**	**(568)**	**(550)**	**(11,768)**	**—**	**—**	**(30,482)**
At December 31, 2020	**206,808**	**3,499**	**4,307**	**48,627**	**9,961**	**9,395**	**282,597**
Carrying amounts							
At December 31, 2020	**289,450**	**4,811**	**2,146**	**56,231**	**2,621**	**28,459**	**383,718**
At December 31, 2019	162,135	4,913	3,508	45,323	3,879	27,386	247,144

	2020 US$'000	2019 US$'000
Expense relating to short-term leases	**12,911**	11,844
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**9,771**	7,757
Total cash outflow for leases	**106,079**	90,534

17. Right of Use Assets (continued)

For both years, the Group leases land and buildings, office equipment, furniture and fixtures, plant and machinery, motor vehicles and aircraft for its operations. Lease contracts are entered into for term of up to 18 years (2019: 18 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for premises, plant and machinery and motor vehicles. As at December 31, 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases Committed

As at December 31, 2020, the Group entered into new leases for certain PP&E that have not yet commenced, with average non-cancellable period that ranges from 1 to 6 years (2019: 1 to 10 years) with extension options, the total future undiscounted cash flows under which amounts to US$7,294,000 (2019: US$33,475,000) over the non-cancellable period.

Details of the lease maturity analysis of the lease liabilities are set out in Note 33.

18. Goodwill

	US$'000
At January 1, 2019	581,215
Currency realignment	(349)
At December 31, 2019	580,866
Currency realignment	**1,456**
Written off during the year	**(3,861)**
At December 31, 2020	**578,461**

Particulars regarding impairment testing of goodwill are disclosed in Note 20.

19. Intangible Assets

	Deferred development costs US$'000	Patents US$'000	Trademarks US$'000	Manufacturing know-how US$'000	Retailer and service relationships US$'000	Non compete agreement US$'000	Total US$'000
Cost							
At January 1, 2019	916,548	99,814	242,412	1,753	16,400	1,300	1,278,227
Currency realignment	53	—	—	—	—	—	53
Additions	151,931	7,040	—	—	—	—	158,971
Written off in the year	(6,075)	(198)	—	—	—	—	(6,273)
At December 31, 2019	1,062,457	106,656	242,412	1,753	16,400	1,300	1,430,978
Currency realignment	**108**	**—**	**—**	**—**	**—**	**—**	**108**
Additions	**145,707**	**12,479**	**—**	**—**	**—**	**—**	**158,186**
Written off in the year	**(444,763)**	**(23,482)**	**(3,200)**	**—**	**(6,500)**	**—**	**(477,945)**
At December 31, 2020	**763,509**	**95,653**	**239,212**	**1,753**	**9,900**	**1,300**	**1,111,327**
Amortization							
At January 1, 2019	578,318	60,070	13,591	486	4,896	65	657,426
Currency realignment	19	—	—	—	—	—	19
Provided for the year	98,311	8,898	453	130	718	527	109,037
Eliminated on write-off	(2,209)	—	—	—	—	—	(2,209)
At December 31, 2019	674,439	68,968	14,044	616	5,614	592	764,273
Currency realignment	**108**	**—**	**—**	**—**	**—**	**—**	**108**
Provided for the year	**102,116**	**8,504**	**453**	**130**	**664**	**549**	**112,416**
Eliminated on write-off	**(407,298)**	**(17,675)**	**—**	**—**	**(4,171)**	**—**	**(429,144)**
At December 31, 2020	**369,365**	**59,797**	**14,497**	**746**	**2,107**	**1,141**	**447,653**
Carrying amounts							
At December 31, 2020	**394,144**	**35,856**	**224,715**	**1,007**	**7,793**	**159**	**663,674**
At December 31, 2019	388,018	37,688	228,368	1,137	10,786	708	666,705

The retailer and service relationships were acquired through business combinations which related to the relationships with retailers and service centers.

Deferred development costs are internally-generated by capitalizing the costs pertaining to the development of new or enhancement of existing products.

Included in trademarks of the Group, US$224,440,000 (2019: US$227,640,000) are trademarks considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the Group's net cash inflows indefinitely. The trademarks will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

The above intangible assets, other than trademarks with indefinite useful lives, are amortized on a straight-line basis, at the following rates per annum:

Deferred development costs	20% – $33\frac{1}{3}$%
Patents	10% – 25%
Trademarks with finite useful lives	$6\frac{2}{3}$%
Manufacturing know-how	10%
Retailer and service relationships	5% – $6\frac{2}{3}$%
Non compete agreement	$6\frac{2}{3}$%

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

As explained in Note 5, the Group uses the types of goods sold for preparing the operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19, the majority of the amounts have been allocated to four major individual cash-generating units ("CGUs"), including three units in the Power Equipment segment and one unit in the Floorcare segment. The carrying amounts of goodwill and trademarks as at December 31, 2020 allocated to these units are as follows:

	Goodwill		Trademarks	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Power Equipment – MET	**443,264**	443,264	**126,607**	126,607
Power Equipment – HCP	**16,509**	7,492	**30,648**	30,648
Power Equipment – Drebo	**23,234**	21,779	**—**	—
Power Equipment – Baja	**—**	9,017	**—**	3,200
Floorcare – RAM/Hoover/VAX	**75,748**	75,748	**67,179**	67,179
Others	**19,706**	23,566	**6**	6
	578,461	580,866	**224,440**	227,640

In line with operation changes made during the year, the goodwill and intangible assets included in the Power Equipment – Baja CGU were aggregated to this Power Equipment – HCP as at December 31, 2020.

During the year ended December 31, 2020, management of the Group wrote off goodwill of US$3,861,000 and trademarks of US$3,200,000 pertaining to amounts included in the Others CGU and Power Equipment Baja CGU respectively.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Power Equipment – MET ("MET")

The recoverable amounts of MET's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 8.5% (2019: 10.0%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on MET's past performance, management's expectations of the market development, the success of the new products launched, managing the working capital and the continuance of costs controlling strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2019: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of MET's goodwill and intangible assets to exceed the estimated recoverable amounts.

Power Equipment – HCP ("HCP")

The recoverable amounts of HCP's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10.0% (2019: 11.0%) per annum.

Cash flow projections during the budget period for HCP are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on HCP's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of HCP's goodwill and intangible assets to exceed the estimated recoverable amounts.

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives (continued)

Power Equipment – Drebo ("Drebo")

The recoverable amounts of Drebo's goodwill have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9.0% (2019: 10.0%) per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimations are based on Drebo's past performance, management's expectations of the market development, the success of the new products launched and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a 3.0% (2019: 1.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Drebo's goodwill to exceed the estimated recoverable amount.

Floorcare – RAM/Hoover/VAX ("RAM/Hoover/VAX")

The recoverable amounts of RAM/Hoover/VAX's goodwill and intangible assets have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 12.5% (2019: 13.5%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimations are based on RAM/Hoover/VAX's past performance, management's expectations of the market development, managing the working capital and the continuance of costs controlling strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2019: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of RAM/Hoover/VAX's goodwill and intangibles to exceed the estimated aggregate recoverable amounts.

21. Interests in Associates

	2020 **US$'000**	2019 US$'000
Cost of investment in associates	**1,470**	1,470
Share of post-acquisition profits	**551**	119
Share of net assets	**2,021**	1,589
Amounts due from associates	**—**	1,654
	2,021	3,243

Summarized financial information in respect of Wuerth Master Power Tools Limited ("Wuerth") is set out below. The summarized financial information below represents amounts shown in Wuerth's financial statements prepared in accordance with HKFRSs.

21. Interests in Associates (continued)

Wuerth is accounted for using equity method in the consolidated financial statements.

	2020 US$'000	2019 US$'000
Non-current assets	**1,875**	1,681
Current assets	**7,034**	7,484
Current liabilities	**4,437**	5,922
Non-current liabilities	**347**	—
Net assets	**4,125**	3,243

	2020 US$'000	2019 US$'000
Revenue	**45,095**	44,386
Profit for the year	**882**	242

Reconciliation of the above summarized financial information to the carrying amount of the interest in Wuerth recognized in the consolidated financial statements:

	2020 US$'000	2019 US$'000
Net assets	**4,125**	3,243
Proportion of the Group's ownership interest	**49.0%**	49.0%
The Group's share of net assets	**2,021**	1,589
Carrying amount of the Group's interest	**2,021**	1,589

Particulars of the principal associates as at December 31, 2020 and 2019 are set out in Note 50.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

22. Financial Assets at FVTPL

	Notes	2020 US$'000	2019 US$'000
Club membership debentures	(a)	**3,189**	2,450
Unlisted equity securities	(b)	**3,301**	3,301
Listed equity securities	(c)	**17,763**	24,597
Other		**45**	45
		24,298	30,393
Analyzed for reporting purposes as:			
Current assets		**17,763**	24,597
Non-current assets		**6,535**	5,796
		24,298	30,393

Notes:

(a) As at December 31, 2020 and 2019, the club membership debentures measured at fair value with reference to recent transaction prices for similar comparables with similar characteristic.

(b) As at December 31, 2020 and 2019, the unlisted equity securities represented the interest in a private company incorporated in the United States of America ("US"). The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in a private market.

(c) The Group's listed equity securities were carried at fair value using the market bid prices on the reporting date.

23. Inventories

	2020 US$'000	2019 US$'000
Raw materials	**401,837**	209,495
Work in progress	**53,703**	43,832
Finished goods	**2,768,208**	1,859,604
	3,223,748	2,112,931

24. Right to Returned Goods Asset/Refund Liabilities from Right of Return

The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's various returns policies. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

The refund liabilities relate to customers' right to return products within certain days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for the sold products expected to be returned. The Group uses its accumulated historical experience to estimate the dollar value of returns on a portfolio level based on the expected return level.

25. Trade and Other Receivables

	2020 **US$'000**	2019 US$'000
Trade receivables	**1,359,988**	1,195,630
Less: Allowances for credit losses	**(52,932)**	(34,529)
	1,307,056	1,161,101
Other receivables	**60,230**	67,472
	1,367,286	1,228,573

As at January 1, 2019, all trade receivables amounted US$1,140,923,000 are derived from contracts with customers.

The ageing 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:

	2020 **US$'000**	2019 US$'000
0 to 60 days	**1,016,581**	966,306
61 to 120 days	**232,640**	137,389
121 days or above	**57,835**	57,406
Total trade receivables	**1,307,056**	1,161,101

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

As at December 31, 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$307,439,000 (2019: US$334,794,000) which are past due as at the reporting date. The past due over 90 days balances that are presumed in default according with the Group's accounting policy of US$254,508,000 (2019: US$303,196,000) are not considered as in default as they are due from a number of independent customers that have a good payment track record with the Group.

The Group had a policy of allowing credit periods ranging mainly from 30 days to 120 days.

In accordance with receivables purchase agreements, certain trade receivables have been factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group has continued to recognize the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of US$10,000,000 (2019: US$68,700,000) were recognized as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

26. Bills Receivable

All the Group's bills receivable at December 31, 2020 and 2019 are aged within 120 days based on invoice date.

27. Trade Receivables from Associates

The trade receivables from associates are aged within 120 days based on invoice date.

28. Derivative Financial Instruments

	2020 US$'000	2019 US$'000
Assets		
Acquisition right of certain property, plant and equipment	**8,494**	8,929
Foreign currency forward contracts – under hedge accounting	**9,341**	25,065
	17,835	33,994

	2020 US$'000	2019 US$'000
Liabilities		
Foreign currency forward contracts – under hedge accounting	**51,458**	10,688
Foreign currency forward contracts – not under hedge accounting	**16,400**	4,380
Cross-currency interest rate swaps – under hedge accounting	**28,277**	2,425
	96,135	17,493

Acquisition Right of Certain PP&E

As at December 31, 2020 and 2019, the Group owned a right to acquire certain PP&E which was acquired as part of the acquisition of the Oreck business from the Oreck Bankruptcy Estate. The right is expected to be exercised in 2032. The fair value of the PP&E was US$8,494,000 valued on September 30, 2020 (2019: US$8,929,000 valued on September 30, 2019) by Duff & Phelps, LLC., an independent valuer not related to the Group.

Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Foreign Currency Forward Contracts under Hedge Accounting

At the end of the reporting period, the Group had the following foreign currency forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to future foreign currency sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

28. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts under Hedge Accounting (continued)

Major terms of the foreign currency forward contracts under hedge accounting are as follows:

2020

Notional amounts in millions ("M")	**Maturity**
Sell AUD 537M, Buy US$	**January 28, 2021 to December 30, 2021**
Sell EUR 780.2M, Buy US$	**January 11, 2021 to December 29, 2022**
Sell GBP 90.8M, Buy US$	**January 8, 2021 to March 18, 2022**
Sell US$270.8M, Buy RMB	**July 29, 2021 to December 30, 2021**
Sell US$16M, Buy EUR	**January 5, 2021 to August 24, 2021**
Sell GBP 18M, Buy EUR	**January 14, 2021 to September 16, 2021**
Sell CHF 4.4M, Buy EUR	**January 14, 2021 to December 16, 2021**
Sell SEK 333M, Buy EUR	**January 14, 2021 to December 16, 2021**

2019

Notional amounts in M	Maturity
Sell AUD 430M, Buy US$	January 30, 2020 to December 30, 2020
Sell EUR 589M, Buy US$	January 31, 2020 to December 30, 2021
Sell US$354.3M, Buy RMB	January 31, 2020 to December 30, 2020
Sell US$9M, Buy EUR	January 3, 2020 to May 22, 2020
Sell GBP 36.5M, Buy EUR	January 16, 2020 to December 10, 2020
Sell CHF 3M, Buy EUR	January 16, 2020 to December 10, 2020
Sell SEK 285M, Buy EUR	January 16, 2020 to December 10, 2020
Buy US$95.9M, Sell GBP	January 3, 2020 to June 11, 2021

As at December 31, 2020, a fair value loss of US$75,838,000 (December 31, 2019: fair value loss of US$9,681,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to be reclassified to profit or loss.

During the year, a fair value gain of US$12,896,000 (2019: fair value gain of US$21,448,000) was reclassified from reserves to profit or loss.

28. Derivative Financial Instruments (continued)

Foreign Currency Forward Contracts not under Hedge Accounting

Major terms of the foreign currency forward contracts not under hedge accounting are as follows:

2020

Notional amounts in M	Maturity
Buy EUR 4.8M, Sell AUD	**January 13, 2021 to December 13, 2021**
Buy US$27M, Sell AUD	**January 20, 2021 to December 20, 2021**
Buy US$33.5M, Sell NZD	**January 20, 2021 to December 20, 2021**
Buy US$381.7M, Sell CAD	**January 29, 2021 to October 8, 2021**

2019

Notional amounts in M	Maturity
Buy EUR 4.8M, Sell AUD	January 21, 2020 to December 18, 2020
Buy US$21M, Sell AUD	January 21, 2020 to December 18, 2020
Buy US$35.9M, Sell NZD	January 17, 2020 to December 18, 2020
Buy US$308.4M, Sell CAD	January 31, 2020 to August 21, 2020

Cross-currency Interest Rate Swaps

The Group uses cross-currency interest rate swaps designated as effective hedging instrument to minimize its exposures to interest rate risk on US$ floating borrowings and foreign currency risk on the intercompany advances which affects the consolidated profit or loss.

The cross-currency interest rate swaps with notional amount of US$210,300,000 (2019: US$165,300,000) have fixed currency payments in EUR at exchange rate of EUR to US$ at 1.102 and 1.077 (2019: at 1.102), fixed interest payments monthly in EUR at 0.305% and 0.520% per annum (2019: 0.305% per annum) for periods up until October 2023, October 2024, April 2024 and April 2025 (2019: October 2023 and October 2024).

The floating rate index and the currency exposure of the cross currency interest rate swaps match with the floating rate US$ bank borrowings and the currency exposure of the intercompany advances respectively.

As at December 31, 2020, a fair value loss of US$28,277,000 (December 31, 2019: fair value loss of US$2,425,000) has been recognized in other comprehensive income and accumulated in hedging reserve and is expected to the reclassified to profit or loss.

The fair value of the cross-currency interest swaps is determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between US$ and EUR estimated at the end of the reporting period.

The Group is exposed to the LIBOR within its hedge accounting relationships, which are subject to interest rate benchmark reform. As disclosed above, the hedged item is the variable-rate US$ unsecured borrowings.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators regarding the transition away from LIBOR. In response to the announcements, the Group has set up an LIBOR transition programme comprised of the following work streams: tax, treasury, legal, accounting and systems. The aim of the programme is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates.

None of the Group's current LIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different LIBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's cross-currency interest rate swaps, the International Swaps and Derivatives Association's ("ISDA") fall back clauses were made available at the end of 2019 and the Group will begin discussion with its banks with the aim to implement this language into its ISDA agreements within 2021.

28. Derivative Financial Instruments (continued)

Cross-currency Interest Rate Swaps (continued)

For the Group's variable-rate US$ unsecured borrowings, the Group has started discussions with the lenders to amend the US$ LIBOR unsecured borrowings so that the reference benchmark interest rate will change to Secured Overnight Financing Rate. The Group aims to finalise this amendment within 2021.

The Group will continue to apply the amendments to HKFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's LIBOR contracts are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders.

Major terms of the cross-currency interest rate swaps were as follows:

2020

Notional amounts	**Maturity**	**Receive floating**	**Pay fixed**
US$66,120,000	**October 16, 2023**	**LIBOR +0.85%**	**0.305%**
US$99,180,000	**October 9, 2024**	**LIBOR +0.85%**	**0.305%**
US$18,000,000	**April 23, 2024**	**LIBOR +0.85%**	**0.520%**
US$27,000,000	**April 23, 2025**	**LIBOR +0.85%**	**0.520%**

2019

Notional amounts	Maturity	Receive floating	Pay fixed
US$66,120,000	October 16, 2023	LIBOR +0.85%	0.305%
US$99,180,000	October 9, 2024	LIBOR +0.85%	0.305%

29. Bank Balances, Deposits and Cash

Bank balances carry interest at market rates which ranged from 0.001% to 1.75% (2019: 0.001% to 3.95%) per annum.

30. Trade and other Payables

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

	2020 US$'000	2019 US$'000
0 to 60 days	**1,315,379**	908,313
61 to 120 days	**389,775**	217,144
121 days or above	**17,988**	5,829
Total trade payables	**1,723,142**	1,131,286
Other payables	**1,583,190**	1,081,625
Total trade and other payables	**3,306,332**	2,212,911
Non-current portion of other payables	**(58,524)**	(35,494)
	3,247,808	2,177,417

The credit period on the purchase of goods ranges from 30 days to 120 days (2019: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The other payables mainly represents accruals of various selling, general and administrative expenses of US$1,385,793,000 (2019: US$980,404,000) and non-trading nature payables to vendors US$138,873,000 (2019: US$65,727,000). The non-current other payables mainly represents accruals of long-term incentive benefit offered to certain management executives of the Group.

31. Bills Payable

All the Group's bills payable at December 31, 2020 and 2019 are aged within 120 days based on invoice date.

32. Warranty Provision

	US$'000
At January 1, 2019	105,215
Currency realignment	95
Provision in the year	127,237
Utilization of provision	(117,337)
At December 31, 2019	115,210
Currency realignment	**3,788**
Provision in the year	**141,803**
Utilization of provision	**(104,130)**
At December 31, 2020	**156,671**

The warranty provision represents management's best estimate of the Group's service commitments arising from products sold, based on past claims and industry averages for defective products. It is expected that the majority of this expenditure will be utilized in the next financial year.

33. Lease Liabilities

	2020 US$'000	2019 US$'000
Amounts payable under lease liabilities:		
Within one year	**73,331**	63,878
In more than one year but not more than two years	**69,439**	53,152
In more than two years but not more than five years	**111,206**	82,080
More than five years	**120,431**	39,258
	374,407	238,368
Less: Amount due for settlement with 12 months shown under current liabilities	**(73,331)**	(63,878)
Amount due for settlement after 12 months shown under non-current liabilities	**301,076**	174,490

The weighted average incremental borrowing rates applied to lease liabilities ranged from 2.20% to 2.80% (2019: 2.80%).

Lease obligations that are denominated in major currencies other than the functional currencies of the relevant group entities are set out below:

	EUR US$'000	**AUD US$'000**	**VND US$'000**	**GBP US$'000**
As at December 31, 2020	**32,706**	**24,388**	**23,686**	**16,922**
As at December 31, 2019	30,372	20,417	8,589	17,765

34. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 3.88% per annum (2019: 2.93% per annum) have maturity profiles of less than 120 days.

35. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt which includes unsecured borrowings, and discounted bills with recourse, net of cash and cash equivalents and equity attributable to Owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing Ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not exceeding 35% determined as the proportion of net debt to equity. The Group will continue to execute very disciplined control and management of its working capital and generate free cash inflows through the growth of the business.

The gearing ratio at the year end was as follows:

	2020 **US$'000**	2019 US$'000
Bank balances, deposits and cash	**1,533,876**	1,411,821
Debt(i)	**(1,316,870)**	(1,427,397)
Net cash (debt)	**217,006**	(15,576)
Equity(ii)	**3,903,005**	3,394,645
Net debt to equity ratio	**(5.56%)**	0.46%

(i) Debt comprises discounted bills with recourse and unsecured borrowings but excludes bank advances from factored trade receivables as detailed in Notes 34, 37 and 25 respectively.

(ii) Equity includes all capital and reserves attributable to the owners of the Company.

In addition, based on management recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

36. Financial Instruments

36.1 Categories of Financial Instruments

	2020 US$'000	2019 US$'000
Financial assets		
FVTPL		
Financial assets at FVTPL	**24,298**	30,393
	24,298	30,393
Derivative financial instruments		
Acquisition right of certain property, plant and equipment	**8,494**	8,929
Foreign currency forward contracts – under hedge accounting	**9,341**	25,065
	17,835	33,994
Financial assets at amortized cost		
Trade and other receivables	**1,367,286**	1,228,573
Bills receivable	**7,660**	6,076
Trade receivables from associates	**4,240**	6,494
Bank balances, deposits and cash	**1,533,876**	1,411,821
	2,913,062	2,652,964
Financial liabilities		
Derivative financial instruments		
Foreign currency forward contracts – under hedge accounting	**51,458**	10,688
Foreign currency forward contracts – not under hedge accounting	**16,400**	4,380
Cross-currency interest rate swaps – under hedge accounting	**28,277**	2,425
	96,135	17,493
Financial liabilities at amortized cost		
Trade and other payables	**3,306,332**	2,212,911
Bills payable	**61,791**	46,170
Discounted bills with recourse	**1,436**	9,089
Unsecured borrowings	**1,325,434**	1,487,008
	4,694,993	3,755,178

36.2 Financial Risk Management Objectives and Policies

The Group's corporate treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed internally on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 20.4% (2019: 21.0%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 14.4% (2019: 38.2%) of purchases are denominated in the group entity's respective functional currency.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Foreign Currency				
EUR	**448,945**	17,754	**676,921**	137,377
US$	**2,974,968**	2,714,382	**1,715,483**	2,017,052

Note: For group entities with their functional currency as the US$, monetary assets and monetary liabilities denominated in Hong Kong dollars have no material foreign currency risk exposure as the Hong Kong dollar is pegged with the US$.

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposure. The exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into forward contracts in relation to the foreign currency amounting to US$946,737,000 (2019: US$660,461,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness (see Note 28 for details).

The Group also uses cross-currency interest rate swaps to reduce currency exposure to hedge against the debts which are effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings.

Sensitivity Analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the functional currency against foreign currency without considering the cross-currency interest rate swaps entered at end of the reporting period. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of cross-currency interest rate swaps held at the reporting date. A positive number below indicates an increase in profit for the year where functional currency weakens 5% (2019: 5%) against foreign currency.

	Impact of US$		Impact of EUR	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
(Loss) profit for the year[(i)]	**(58,567)**	(32,426)	**10,601**	5,562

(i) This is mainly attributable to the net exposure on receivables, payables and bank borrowings denominated in US$ & EUR as foreign currency at the reporting date.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.2 Interest Rate Risk Management

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note. The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowing (see Note 37 for details of these borrowings), discounted bills with recourse, bank balances and deposits. The Group's cash flow interest rate risk is mainly concentrated on LIBOR arising from the Group's US$ and EUR denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk to be low. The management continuously monitors interest rate fluctuations and will consider further hedging the interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 37 for details of these borrowings) and lease liabilities.

During the year, the Group obtained new bank borrowings of US$3,694 million (2019: US$4,042 million) which are either at a fixed rate or LIBOR based. The proceeds were used for refinancing the Group's borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. The Group is closely monitoring the transition to new benchmark interest rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year without considering the cross-currency interest rate swaps entered at the end of the reporting period. A 50 basis points (2019: 50 basis points) increase or decrease in LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2020 would decrease/increase by US$3,992,000 (2019: decrease/increase by US$6,120,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the decrease in variable-rate debt instruments.

36.2.3 Other Price Risk

The Group is exposed to price risk mainly through its listed equity securities.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of listed equity securities measured at fair value at the reporting date.

If the prices of the listed equity securities had been 10% higher, the profit for the year ended December 31, 2020 of the Group would increase by US$1,776,000 (2019: increase by US$2,460,000) as a result of the changes in the fair values of the listed equity securities.

36.2.4 Credit Risk Management and Impairment Assessment

As at December 31, 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk of US$2,913,062,000 (2019: US$2,652,964,000), the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group is disclosed in Note 42. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 Credit Risk Management and Impairment Assessment (continued)

Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment using an ECL model upon application of HKFRS 9 based on a provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 35.0% (2019: 25.8%) and 53.6% (2019: 42.8%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. In order to minimize the credit risk, the management of Group has delegated a team responsible for determination of credit limits and credit approvals.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ Other items
No risk	The counterparty has no risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired	12m ECL
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor occasionally repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 Credit Risk Management and Impairment Assessment (continued)

The tables below detail the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or lifetime ECL	2020 External credit rating	2020 Gross carrying amount US$'000	2019 External credit rating	2019 Gross carrying amount US$'000
Trade receivables	25	(Note 2)	Lifetime ECL (not credit-impaired)	**N/A**	**1,359,988**	N/A	1,195,630
Other receivables	25	(Note 1)	12m ECL	**N/A**	**60,230**	N/A	67,472
Bills receivable	26	N/A	12m ECL	**A- To A**	**7,660**	A- To A	6,076
Trade receivables from associates	27	(Note 1)	12m ECL	**N/A**	**4,240**	N/A	6,494
Bank balances, deposits and cash	29	N/A	12m ECL	**A To A+**	**1,533,876**	A To AA-	1,411,821
Financial guarantee contracts	42	(Note 3)	12m ECL	**N/A**	**—**	N/A	8,877

Notes:

1. Trade receivables from associates and other receivables amounted to US$4,240,000 and US$60,230,000 (2019: US$6,494,000 and US$67,472,000) respectively have no fixed repayment terms. The Group has assessed these balances on a 12-month ECL basis as there has been no significant increase in the credit risk since initial recognition.
2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix grouped by internal credit rating.
3. For financial guarantee contracts, the gross carrying amount in 2019 represented the maximum amount the Group had guaranteed under the respective contracts.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively as at December 31, 2020.

	2020 Average loss rate	2020 Gross carrying amount US$'000	2020 Allowances for credit losses US$'000	2019 Average loss rate	2019 Gross carrying amount US$'000	2019 Allowances for credit losses US$'000
Internal credit rating						
No risk	**Less than 1%**	**380,494**	**—**	Less than 1%	224,368	—
Low risk	**1-5%**	**920,879**	**30,534**	1-5%	904,009	12,777
Medium risk	**6-20%**	**31,255**	**2,624**	6-20%	42,682	4,498
High risk	**Over 20%**	**27,360**	**19,774**	Over 20%	24,571	17,254
		1,359,988	**52,932**		1,195,630	34,529

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended December 31, 2020, the Group provided US$52,932,000 (2019: US$34,529,000) for credit losses allowances for trade receivables.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulties and there is no realistic prospect of recovery.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.4 Credit Risk Management and Impairment Assessment (continued)

The following table shows the movement in the lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) US$'000
As at January 1, 2019	51,760
Currency realignment	(290)
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,122,661,000	(33,208)
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,195,630,000	34,529
Write-offs	(18,262)
As at December 31, 2019	34,529
Currency realignment	**(581)**
Impairment losses reversed upon settlement in full of trade debtors with a gross carrying amount of US$1,192,125,000	**(30,443)**
Impairment losses recognized on new trade receivables with a gross carrying amount of US$1,359,988,000	**52,932**
Write-offs	**(3,505)**
As at December 31, 2020	**52,932**

36.2.5 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2020, the Group has available unutilized overdrafts facilities and short and medium term bank loan facilities of approximately US$351 million (2019: US$345 million) and US$2,220 million (2019: US$1,506 million) respectively.

Liquidity Tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The tables have been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on agreed repayment dates. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and (outflows) on derivative instruments that settle on a net basis, and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities/settlement as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 Liquidity Risk Management (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2020 US$'000
2020								
Non-derivative financial liabilities								
Trade and other payables	—	(2,300,469)	(792,033)	(155,306)	(58,524)	—	(3,306,332)	(3,306,332)
Bills payable	—	(968)	(31,401)	(29,422)	—	—	(61,791)	(61,791)
Lease liabilities	2.20% – 2.80%	(6,111)	(12,273)	(56,029)	(71,175)	(243,219)	(388,807)	(374,407)
Discounted bills with recourse	3.88%	(1,436)	—	—	—	—	(1,436)	(1,436)
Bank borrowings	0.31% – 3.52%	(219,614)	(44,140)	(123,346)	(250,416)	(721,110)	(1,358,626)	(1,325,434)
Refund liabilities from right of return	—	(18,493)	—	(8,219)	(1,202)	—	(27,914)	(26,713)
		(2,547,091)	(879,847)	(372,322)	(381,317)	(964,329)	(5,144,906)	(5,096,113)
2020								
Derivatives – net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	8,494	8,494	8,494
Cross-currency interest rate swaps contracts	—	102	201	887	1,270	(32,117)	(29,657)	(28,277)
Foreign currency forward contracts								
– US$	—	(721)	(1,822)	(9,373)	—	—	(11,916)	(11,916)
	—	(619)	(1,621)	(8,486)	1,270	(23,623)	(33,079)	(31,699)
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	30,161	16,873	44,614	—	—	91,648	91,648
– RMB	—	—	—	281,578	—	—	281,578	281,578
– GBP	—	9,516	18,482	71,366	19,440	—	118,804	118,804
– US$	—	69,698	154,137	733,052	364,074	—	1,320,961	1,320,961
– AUD	—	2,722	5,447	24,505	—	—	32,674	32,674
– NZD	—	2,518	5,000	25,999	—	—	33,517	33,517
	—	114,615	199,939	1,181,114	383,514	—	1,879,182	1,879,182
– outflow								
– EUR	—	(30,793)	(16,941)	(44,598)	—	—	(92,332)	(92,332)
– RMB	—	—	—	(270,378)	—	—	(270,378)	(270,378)
– GBP	—	(9,785)	(18,978)	(74,707)	(20,603)	—	(124,073)	(124,073)
– US$	—	(72,829)	(161,045)	(762,996)	(371,504)	—	(1,368,374)	(1,368,374)
– AUD	—	(2,887)	(5,775)	(25,873)	—	—	(34,535)	(34,535)
– NZD	—	(2,737)	(5,476)	(27,878)	—	—	(36,091)	(36,091)
	—	(119,031)	(208,215)	(1,206,430)	(392,107)	—	(1,925,783)	(1,925,783)
	—	(4,416)	(8,276)	(25,316)	(8,593)	—	(46,601)	(46,601)

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 Liquidity Risk Management (continued)

Liquidity Tables (continued)

	Weighted average effective interest rate %	Less than 1 month/ on demand US$'000	1-3 months US$'000	4 months- 1 year US$'000	1-2 years US$'000	2+ years US$'000	Total undiscounted cash flows US$'000	Total carrying amount at December 31, 2019 US$'000
2019								
Non-derivative financial liabilities								
Trade and other payables	—	(1,517,478)	(583,207)	(76,732)	(35,494)	—	(2,212,911)	(2,212,911)
Bills payable	—	(15,835)	(30,335)	—	—	—	(46,170)	(46,170)
Lease liabilities	2.80%	(5,323)	(10,696)	(48,915)	(54,640)	(128,133)	(247,707)	(238,368)
Discounted bills with recourse	2.93%	(7,233)	(1,866)	—	—	—	(9,099)	(9,089)
Bank borrowings	0.31% – 3.52%	(554,957)	(11,951)	(167,887)	(153,885)	(626,753)	(1,515,433)	(1,487,008)
Refund liabilities from right of return	—	(25,640)	—	(10,834)	—	—	(36,474)	(36,474)
Financial guarantee contracts	—	(8,877)	—	—	—	—	(8,877)	—
		(2,135,343)	(638,055)	(304,368)	(244,019)	(754,886)	(4,076,671)	(4,030,020)
2019								
Derivatives – net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	8,929	8,929	8,929
Cross-currency interest rate swaps contracts	—	308	600	2,571	3,333	(9,745)	(2,933)	(2,425)
Foreign currency forward contracts – US$	—	—	(727)	(2,938)	—	—	(3,665)	(3,665)
	—	308	(127)	(367)	3,333	(816)	2,331	2,839
Derivatives – gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	—	8,318	16,233	63,054	—	—	87,605	87,605
– RMB	—	—	94,794	267,196	—	—	361,990	361,990
– GBP	—	5,000	9,987	51,117	29,168	—	95,272	95,272
– US$	—	24,207	125,575	570,623	268,944	—	989,349	989,349
– AUD	—	2,155	4,307	19,347	—	—	25,809	25,809
– NZD	—	14,163	7,003	15,402	—	—	36,568	36,568
	—	53,843	257,899	986,739	298,112	—	1,596,593	1,596,593
– outflow								
– EUR	—	(8,658)	(16,679)	(64,400)	—	—	(89,737)	(89,737)
– RMB	—	—	(92,678)	(261,661)	—	—	(354,339)	(354,339)
– GBP	—	(5,435)	(10,860)	(52,527)	(28,890)	—	(97,712)	(97,712)
– US$	—	(24,603)	(124,389)	(561,240)	(267,820)	—	(978,052)	(978,052)
– AUD	—	(2,200)	(4,401)	(19,798)	—	—	(26,399)	(26,399)
– NZD	—	(14,209)	(6,964)	(15,519)	—	—	(36,692)	(36,692)
	—	(55,105)	(255,971)	(975,145)	(296,710)	—	(1,582,931)	(1,582,931)
	—	(1,262)	1,928	11,594	1,402	—	13,662	13,662

Note: Maturities are based on the management's estimation of the expected realization of these financial assets.

36. Financial Instruments (continued)

36.2 Financial Risk Management Objectives and Policies (continued)

36.2.5 Liquidity Risk Management (continued)

Liquidity Tables (continued)

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

36.3 Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of cross-currency interest rate swaps is measured by 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;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices or latest purchase/transaction prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Fair Value Measurements Recognized in the Consolidated Statement of Financial Position

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).

36. Financial Instruments (continued)

36.3 Fair Value (continued)

Fair Value Measurements Recognized in the Consolidated Statement of Financial Position (continued)

	Financial assets/financial liabilities	Fair value as at 2020	Fair value as at 2019	Fair value hierarchy	Valuation techniques and key inputs
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$8,929,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 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$9,341,000; and Liabilities – US$67,858,000**	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 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 FVTPL in the consolidated statement of financial position	**Listed shares: US$17,763,000**	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$3,189,000**	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 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$28,277,000**	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.

36. Financial Instruments (continued)

36.3 Fair Value (continued)

Fair Value Measurements Recognized in the Consolidated Statement of Financial Position (continued)

	Level 1 US$'000	Level 2 US$'000	Total US$'000
2020			
Financial assets			
Acquisition right of certain property, plant and equipment	**—**	**8,494**	**8,494**
Foreign currency forward contracts	**—**	**9,341**	**9,341**
Financial assets at FVTPL	**17,763**	**6,535**	**24,298**
Total	**17,763**	**24,370**	**42,133**
Financial liabilities			
Foreign currency forward contracts	**—**	**(67,858)**	**(67,858)**
Cross-currency interest rate swaps	**—**	**(28,277)**	**(28,277)**
Total	**—**	**(96,135)**	**(96,135)**
2019			
Financial assets			
Acquisition right of certain property, plant and equipment	—	8,929	8,929
Foreign currency forward contracts	—	25,065	25,065
Financial assets at FVTPL	24,597	5,796	30,393
Total	24,597	39,790	64,387
Financial liabilities			
Foreign currency forward contracts	—	(15,068)	(15,068)
Cross-currency interest rate swaps	—	(2,425)	(2,425)
Total	—	(17,493)	(17,493)

The Group owns equity interest in a private company incorporated in the US that is classified as financial assets at FVTPL and is measured at fair value at the reporting date.

There were no transfers between level 1 and level 2 during the year.

36.4 Transfers of Financial Assets

The following were the Group's financial assets as at December 31, 2020 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group retained substantially all of the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as discounted bills with recourse (see Note 34) and unsecured borrowings – due within one year (see Note 37). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

The trade and bills receivables discounted with banks with full recourse at the year end was as follows:

	2020 US$'000	2019 US$'000
Carrying amount of transferred assets	**11,436**	77,789
Carrying amount of associated liabilities	**(11,436)**	(77,789)
Net position	**—**	—

37. Unsecured Borrowings

	2020 US$'000	2019 US$'000
Bank advance from Factored Trade Receivables	**10,000**	68,700
Bank loans	**1,205,110**	1,418,308
Medium Term Notes	**110,324**	—
Total borrowings	**1,325,434**	1,487,008

The borrowings of the Group are repayable as follows:

	2020 US$'000	2019 US$'000
Fixed-rate		
Within one year	**20,982**	20,977
In more than one year but not more than two years	**62,960**	20,943
In more than two years but not more than five years	**274,154**	137,960
More than five years	**110,324**	—
Variable-rate		
Within one year	**364,232**	711,403
In more than one year but not more than two years	**182,750**	130,051
In more than two years but not more than five years	**310,032**	465,674
	1,325,434	1,487,008
Less: Amount due within one year shown under current liabilities	**(385,214)**	(732,380)
Amount due after one year	**940,220**	754,628

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2020	2019
Effective interest rate:		
Fixed-rate borrowings	**0.73% to 3.52%**	2.55% to 3.52%
Variable-rate borrowings	**0.31% to 1.15%**	0.31% to 2.85%

The Group's borrowings that are denominated in EUR are set out below:

	US$'000
As at December 31, 2020	**60,745**
As at December 31, 2019	—

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

38. Share Capital

	2020 Number of shares	2019 Number of shares	2020 US$'000	2019 US$'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 year	**1,830,006,941**	1,828,521,941	**662,379**	654,991
Issue of shares upon exercise of share options	**2,613,500**	3,835,000	**10,762**	7,388
Buy-back of shares	**—**	(2,350,000)	**—**	—
At the end of the year	**1,832,620,441**	1,830,006,941	**673,141**	662,379

Details of the share options are set out in Note 43.

During 2019, the Company cancelled its own shares through the Stock Exchange as follows:

Month of cancellation	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid US$'000
January 2019	2,350,000	43.00	40.45	12,644

The shares bought back were settled and cancelled during the year. The consideration paid on the buy-back of the shares of approximately US$12,644,000 was charged to retained profits.

39. Reserves

	Shares held for share award scheme US$'000	Employee share-based compensation reserve US$'000	Hedging reserve US$'000	Retained profits US$'000	Total US$'000
The Company					
At January 1, 2019	(25,115)	11,032	—	718,442	704,359
Profit for the year	—	—	—	23,411,930	23,411,930
Fair value gain on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	—	—	16,522	—	16,522
Total comprehensive income for the year	—	—	16,522	23,411,930	23,428,452
Shares issued on exercise of options	—	(1,450)	—	—	(1,450)
Buy-back of shares	—	—	—	(12,644)	(12,644)
Vesting of awarded shares	1,765	(1,765)	—	—	—
Shares for share award scheme	(8,477)	—	—	—	(8,477)
Recognition of equity-settled share-based payments	—	6,792	—	—	6,792
Lapse of share options	—	(10)	—	10	—
Final dividend – 2018	—	—	—	(117,621)	(117,621)
Interim dividend – 2019	—	—	—	(105,973)	(105,973)
At December 31, 2019	(31,827)	14,599	16,522	23,894,144	23,893,438
Loss for the year	**—**	**—**	**—**	**(60,272)**	**(60,272)**
Fair value loss on foreign currency forward contracts and cross-currency interest rate swaps in hedge accounting	**—**	**—**	**(81,012)**	**—**	**(81,012)**
Total comprehensive loss for the year	**—**	**—**	**(81,012)**	**(60,272)**	**(141,284)**
Shares issued on exercise of options	**—**	**(2,168)**	**—**	**—**	**(2,168)**
Vesting of awarded shares	**12,798**	**(12,798)**	**—**	**—**	**—**
Shares for share award scheme	**(23,057)**	**—**	**—**	**—**	**(23,057)**
Recognition of equity-settled share-based payments	**—**	**17,778**	**—**	**—**	**17,778**
Final dividend – 2019	**—**	**—**	**—**	**(136,688)**	**(136,688)**
Interim dividend – 2020	**—**	**—**	**—**	**(124,949)**	**(124,949)**
At December 31, 2020	**(42,086)**	**17,411**	**(64,490)**	**23,572,235**	**23,483,070**

As at December 31, 2020, the Company's reserves available for distribution to shareholders comprised the retained profits of US$23,572,235,000 (2019: US$23,894,144,000).

40. Retirement Benefit Obligations

Defined Contribution Plans:

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Schemes Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with a maximum amount of HK$18,000 (2019: HK$18,000) per employee per annum, which contribution is matched by the employee.

The employees of the Group's subsidiaries in the People's Republic of China ("PRC") are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group's overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

The total expense recognized in profit or loss of US$17,997,000 (2019: US$14,341,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined Benefits Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The defined benefit plans are administered by separate funds that are legally separated from the Group. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. The major defined benefit plans are as follows:

	2020 **US$'000**	2019 US$'000
Pension plan obligations (Note i)	**90,505**	82,755
Life and medical insurance plan (Note ii)	**1,245**	1,269
Post-employment benefit plan obligations (Note iii)	—	2,884
Others	**568**	21,059
	92,318	107,967

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes an unfunded plan that pays retirement benefits based on the term of service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the qualifying employees are entitled to retirement benefits varying between 10% and 20% of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on January 1, 2021, by BDO AG Wirtschaftsprufungsgesellschaft, Germany, an independent valuer not related to the Group.

Note ii: Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on December 21, 2020 by Willis Towers Watson, an independent valuer not related to the Group.

Note iii: Post-employment benefit plan obligations

The pension plan obligations are provided by Hoover Inc. for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on January 9, 2021 by CBIZ Benefits & Insurance Services, an independent valuer not related to the Group.

40. Retirement Benefit Obligations (continued)

Defined Benefits Plans: (continued)

The plans in Germany and the US expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is reinsured by an external insurance company.

The main actuarial assumptions used were as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020	2019	**2020**	2019	**2020**	2019
Discount rate	**0.45%**	0.30%	**1.75%**	2.50%	**4.14%**	4.14%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**4.14%**	4.14%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%	**N/A**	N/A

The actuarial valuation showed that the market value of plan assets was US$Nil (2019: US$5,994,000) and that the actuarial value of these assets represented 67.5% of the benefits that had accrued to members in 2019.

The effect of an increase of one percentage point in the assumed medical cost trend rate on the aggregate of the current service cost and interest cost; and the accumulated post-employment benefit obligations are as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Current service cost and interest cost	**N/A**	N/A	**1**	2	**N/A**	N/A
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**80**	82	**N/A**	N/A

40. Retirement Benefit Obligations (continued)

Defined Benefits Plans: (continued)

Amounts recognized in other comprehensive income in respect of the defined benefit plans are as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Service cost:						
Current service cost	**485**	409	**—**	—	**—**	—
Net interest expense on defined benefit liabilities	**263**	1,118	**30**	45	**30**	88
Components of defined benefit costs recognized in profit or loss	**748**	1,527	**30**	45	**30**	88
Remeasurement on the net defined benefit liability:						
Actuarial losses (gains) arising from changes in financial assumptions	**3,283**	8,412	**(40)**	(2)	**(30)**	666
Components of defined benefit costs recognized in other comprehensive income	**3,283**	8,412	**(40)**	(2)	**(30)**	666
Total	**4,031**	9,939	**(10)**	43	**—**	754

The charge for the year has been included in staff costs.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the major defined benefit plans is as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
Present value of funded obligations	**—**	—	**—**	—	**—**	8,878
Fair value of plan assets	**—**	—	**—**	—	**—**	(5,994)
	—	—	**—**	—	**—**	2,884
Present value of unfunded obligations	**90,505**	82,755	**1,245**	1,269	**—**	—
	90,505	82,755	**1,245**	1,269	**—**	2,884

Movements in the present value of the defined benefit obligations in the current year in respect of major defined benefit plans were as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
At January 1	**82,755**	77,619	**1,269**	1,257	**8,878**	17,153
Exchange realignment	**7,429**	(933)	**—**	—	**—**	—
Current service cost	**485**	409	**—**	—	**—**	—
Actuarial losses (gains)	**3,283**	8,412	**(40)**	(2)	**(30)**	245
Interest cost	**263**	1,118	**30**	45	**84**	678
Benefit paid	**(3,710)**	(3,870)	**(14)**	(31)	**(8,932)**	(9,198)
At December 31	**90,505**	82,755	**1,245**	1,269	**—**	8,878

40. Retirement Benefit Obligations (continued)

Defined Benefits Plans: (continued)

Movements in the fair value of the plan assets in the current year in respect of certain major defined benefit plans were as follows:

	Pension plan		Life & medical insurance plan		Post-employment benefit plan	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000	**2020 US$'000**	2019 US$'000
At January 1	**N/A**	N/A	**N/A**	N/A	**5,994**	15,024
Exchange realignment	**N/A**	N/A	**N/A**	N/A	**—**	—
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**54**	590
Actuarial losses	**N/A**	N/A	**N/A**	N/A	**—**	(421)
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**4,593**	—
Benefit paid	**N/A**	N/A	**N/A**	N/A	**(10,641)**	(9,199)
At December 31	**N/A**	N/A	**N/A**	N/A	**—**	5,994

The plan assets of the post-employment benefit plan are cash and cash equivalents in a Federated Money Market Fund with an expected return of 4.14% (2019: 4.14%).

The actual return on plan assets was US$54,000 (2019: US$168,000).

The significant actuarial assumption for the determination of the defined obligation is the discount rate. If the discount rate is 100 basis points higher (lower), the effect on defined benefit obligation would be immaterial.

The Group expects to make a contribution of US$Nil (2019: US$4,700,000) to the defined benefit plans during the next financial year.

41. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognized and movements thereon during the current and prior year:

	Accelerated tax depreciation US$'000	Warranty provision US$'000	Employee related provision US$'000	Tax losses US$'000	Inventory provision and LIFO US$'000	Others US$'000	Total US$'000
At January 1, 2019	(28,795)	14,759	23,535	30,608	9,290	19,926	69,323
Adjustment for adoption of HKFRS16	—	—	—	—	—	3,386	3,386
At January 1, 2019 (as restated)	(28,795)	14,759	23,535	30,608	9,290	23,312	72,709
Currency realignment	27	(31)	(2,074)	2,200	(28)	(301)	(207)
Charge to hedging reserve	—	—	—	—	—	1,250	1,250
(Charge) credit to profit or loss	(9,347)	1,547	9,779	(4,125)	5,992	(16,296)	(12,450)
Change in tax rates	211	(5)	29	(518)	(24)	(217)	(524)
Credit to other comprehensive income	—	—	715	—	—	—	715
At December 31, 2019	(37,904)	16,270	31,984	28,165	15,230	7,748	61,493
Currency realignment	**(73)**	**503**	**131**	**369**	**141**	**1,653**	**2,724**
Charge to hedging reserve	**—**	**—**	**—**	**—**	**—**	**322**	**322**
(Charge) credit to profit or loss	**(16,406)**	**4,873**	**10,906**	**(3,277)**	**(14,360)**	**17,818**	**(446)**
Change in tax rates	**36**	**—**	**(64)**	**105**	**4**	**(90)**	**(9)**
Charge to other comprehensive income	**—**	**—**	**(3,505)**	**—**	**—**	**—**	**(3,505)**
At December 31, 2020	**(54,347)**	**21,646**	**39,452**	**25,362**	**1,015**	**27,451**	**60,579**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 US$'000	2019 US$'000
Deferred tax assets	**74,501**	74,947
Deferred tax liabilities	**(13,922)**	(13,454)
	60,579	61,493

At the end of the reporting period, the Group has unused tax losses of US$1,916 million (2019: US$1,737 million) available for offset against future taxable profits. Of the US$1,916 million of unused losses approximately US$447 million expire over the next 8 to 17 years with the remaining loss carryforwards having no useful life limitation. No deferred tax asset has been recognized in respect of tax losses of US$1,802 million (2019: US$1,615 million) due to the lack of probable future taxable profits.

In respect of all unrepatriated foreign earnings, the Group has provided deferred taxes of US$13 million (2019: US$13 million) as these unrepatriated foreign earnings are not considered permanently reinvested.

42. Guarantees

	2020 US$'000	2019 US$'000
Guarantees given to banks in respect of credit facilities utilized by associates	—	8,877

In addition, the Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilized by the subsidiaries as at December 31, 2020 amounted to US$83,227,000 (2019: US$123,959,000).

43. Share Options

Share Option Schemes

The Company has two share option schemes in place – Scheme D and Scheme E. Scheme D was adopted on May 29, 2007 and expired on May 28, 2017, though its provisions shall remain in full force and effect in all other respects. Following the expiry of Scheme D, Scheme E was adopted on May 19, 2017 and will expire on May 18, 2027.

Both Scheme D and Scheme E are aimed for recognition of the contribution to the development and growth of the Group by the eligible persons. The scheme rules of both Scheme D and Scheme E are substantially identical and below are the summary of the principal terms of both schemes:

The Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Directors; or

(iii) secondees; or

(iv) any shareholders of any member of the Group or invested entity or controlling shareholders or any holders of any securities issued by any member of the Group; or

(v) business partners; or

(vi) suppliers; or

(vii) customers; or

(viii) advisers of the Group.

Share options granted must be taken up within 21 days of the date of grant, upon payment of consideration to be determined by the Board of Directors for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer.

The maximum number of shares in respect of which share options may be granted under the respective share option scheme is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of the shares in issue as at the adoption date of the respective share option scheme. No person shall be granted an option which exceeds 1.0% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

Options may be exercised at any time after the first or second anniversary of the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

43. Share Options (continued)

The following tables disclose movements in the Company's share options during the year:

2020

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	11.9.2015	D	168,000	—	(168,000)	—	—	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	155,500	—	(155,500)	—	—	32.100	17.3.2018 – 16.3.2027
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Stephan Horst Pudwill	20.3.2014	D	1,000,000	—	(250,000)	—	750,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Mr Kin Wah Chan	20.3.2014	D	1,000,000	—	(1,000,000)	—	—	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Mr Chi Chung Chan	20.3.2014	D	600,000	—	(400,000)	—	200,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	500,000	—	—	—	500,000	51.080	20.5.2020 – 19.5.2029
	15.5.2020	E	—	500,000	—	—	500,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	2,000,000	—	—	2,000,000	105.500	22.12.2021 – 21.12.2030
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Camille Jojo	17.3.2017	D	250,000	—	(250,000)	—	—	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Christopher Patrick Langley OBE	17.3.2017	D	150,000	—	(20,000)	—	130,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030

43. Share Options (continued)

The following tables disclose movements in the Company's share options during the year: (continued)

2020

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Peter David Sullivan	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Vincent Ting Kau Cheung	14.3.2018	E	50,000	—	—	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	97,000	—	—	—	97,000	51.080	20.5.2020 – 19.5.2029
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Mr Robert Hinman Getz	15.5.2020	E	—	75,000	—	—	75,000	65.250	15.5.2021 – 14.5.2030
	22.12.2020	E	—	47,000	—	—	47,000	105.500	22.12.2021 – 21.12.2030
Total for directors			9,787,500	7,951,000	(2,243,500)	—	15,495,000		
Employees	17.1.2011	D	20,000	—	(20,000)	—	—	10.436	17.1.2012 – 16.1.2021
	23.3.2017	D	200,000	—	(100,000)	—	100,000	32.150	23.3.2018 – 22.3.2027
	19.6.2017	E	350,000	—	(250,000)	—	100,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
Total for employees			670,000	—	(370,000)	—	300,000		
Total for all categories			10,457,500	7,951,000	(2,613,500)	—	15,795,000		
Exercisable at the end of the year							6,754,500		

43. Share Options (continued)

The following tables disclose movements in the Company's share options during the year: (continued)

2019

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Horst Julius Pudwill	20.3.2014	D	230,000	—	(230,000)	—	—	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	168,000	—	—	—	168,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	155,500	—	—	—	155,500	32.100	17.3.2018 – 16.3.2027
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 – 19.5.2029
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	(1,000,000)	—	—	8.742	21.5.2013 – 20.5.2022
	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	500,000	—	—	500,000	51.080	20.5.2020 – 19.5.2029
Mr Joseph Galli Jr	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2010 – 15.11.2019
Mr Kin Wah Chan	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	500,000	—	—	500,000	51.080	20.5.2020 – 19.5.2029
Mr Chi Chung Chan	20.3.2014	D	1,000,000	—	(400,000)	—	600,000	21.600	20.3.2015 – 19.3.2024
	11.9.2015	D	250,000	—	—	—	250,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	500,000	—	—	—	500,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	250,000	—	—	—	250,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	500,000	—	—	500,000	51.080	20.5.2020 – 19.5.2029
Prof Roy Chi Ping Chung GBS BBS JP	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 – 19.5.2029
Mr Camille Jojo	17.3.2017	D	250,000	—	—	—	250,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 – 19.5.2029
Mr Christopher Patrick Langley OBE	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 – 19.5.2029

43. Share Options (continued)

The following tables disclose movements in the Company's share options during the year: (continued)

2019

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HK$	Exercise period
Directors									
Mr Peter David Sullivan	16.11.2009	D	200,000	—	(200,000)	—	—	6.770	16.11.2010 – 15.11.2019
	23.5.2011	D	200,000	—	(200,000)	—	—	9.872	23.5.2012 – 22.5.2021
	21.5.2012	D	250,000	—	(250,000)	—	—	8.742	21.5.2013 – 20.5.2022
	11.9.2015	D	150,000	—	—	—	150,000	29.650	11.9.2016 – 10.9.2025
	17.3.2017	D	150,000	—	—	—	150,000	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 – 19.5.2029
Mr Vincent Ting Kau Cheung	17.3.2017	D	150,000	—	(150,000)	—	—	32.100	17.3.2018 – 16.3.2027
	14.3.2018	E	100,000	—	(50,000)	—	50,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 – 19.5.2029
Mr Johannes-Gerhard Hesse	19.6.2017	E	135,000	—	—	—	135,000	36.300	19.6.2018 – 18.6.2027
	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
	20.5.2019	E	—	97,000	—	—	97,000	51.080	20.5.2020 – 19.5.2029
Mr Manfred Kuhlmann	17.3.2017	D	75,000	—	(75,000)	—	—	32.100	17.3.2018 – 16.3.2027
(retired after the conclusion of the annual general meeting of the Company held on May 17, 2019)	14.3.2018	E	100,000	—	—	—	100,000	47.900	14.3.2019 – 13.3.2028
Total for directors			11,263,500	2,179,000	(3,555,000)	—	9,887,500		
Employees	16.11.2009	D	300,000	—	(250,000)	(50,000)	—	6.770	16.11.2010 – 15.11.2019
	28.12.2009	D	30,000	—	(30,000)	—	—	6.390	28.12.2010 – 27.12.2019
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2012 – 16.1.2021
	23.3.2017	D	200,000	—	—	—	200,000	32.150	23.3.2018 – 22.3.2027
	19.6.2017	E	350,000	—	—	—	350,000	36.300	19.6.2018 – 18.6.2027
Total for employees			900,000	—	(280,000)	(50,000)	570,000		
Total for all categories			12,163,500	2,179,000	(3,835,000)	(50,000)	10,457,500		
Exercisable at the end of the year							7,553,500		

43. Share Options (continued)

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

Date of grant	Exercise price HK$	Expected life of share options	Expected volatility based on historical volatility of share prices	Yields of Hong Kong Government Bonds	Expected annual dividend yield
For the year ended December 31, 2020					
15.5.2020	**65.250**	**3 years**	**38%**	**0.273%**	**1.5%**
22.12.2020	**105.500**	**3 years**	**38%**	**0.178%**	**1.5%**
For the year ended December 31, 2019					
20.5.2019	51.080	3 years	38%	1.678%	1.5%

The share options are vested in parts over 1 to 3 years from the date of grant.

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

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

The weighted average closing price of the Company's shares immediately before the various dates on which the share options were granted during 2020 was HK$98.44 (2019: HK$50.15).

The closing price of the Company's shares immediately before the various dates on which the share options were granted ranged from HK$63.80 to HK$107.00 in 2020 (2019: HK$50.15).

The weighted average closing prices of the Company's shares immediately before various dates during 2020 on which the share options were exercised was HK$83.11 (2019: HK$55.67).

The Group recognized a total expense of US$3,209,000 (2019: US$2,636,000) for the year ended December 31, 2020 in relation to share options granted by the Company.

The fair value of the share options granted in 2020 measured at various dates on which the share options were granted was ranged from HK$15.26 to HK$24.57 (2019: HK$12.69). The weighted average fair value of the share options granted in 2020 was HK$22.73 (2019: HK$12.69) per option.

The Company had 15,795,000 share options outstanding (2019: 10,457,500), which represented approximately 0.86% (2019: 0.57%) of the issued share capital of the Company as at December 31, 2020. No option (2019: Nil) was cancelled and no share options (2019: 50,000) was lapsed during the year.

Total securities available for issue under Scheme D are 150,505,065 shares, which represented approximately 8.21% of the issued shares of the Company as at December 31, 2020. Total securities available for issue under Scheme E are 183,299,194 shares, which represented approximately 10.00% of the issued shares of the Company as at December 31, 2020.

44. Share Award Scheme

The purpose of the share award scheme is to recognize the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the Board of Directors on January 9, 2008 and renewed on January 17, 2018. The Board may, from time to time, at their absolute discretion select any eligible person for participation in the scheme as a selected grantee and determine the number of shares to be awarded or make reference to a nominal amount. The Board of Directors are required to pay the trustee the purchase price and the related expenses. The trustee must either purchase shares from the market or subscribe for new shares. The trustee must hold the shares until they are vested in accordance with the scheme rules. When the selected grantee has satisfied all vesting conditions specified by the Board of Directors at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the selected grantee.

An award of shares automatically lapses when, (i) a selected grantee who is an employee ceases to be an employee; or (ii) the subsidiary by which a selected grantee is employed ceases to be a subsidiary of the Company (or of a member of the Group); or (iii) a selected grantee who is a director of the Company or a subsidiary ceases to be a director of the same; or (iv) an order for the winding-up of the Company is made or a resolution is passed (otherwise than for certain purposes) for the voluntary winding-up of the Company, and, in any such case, the award, unless the Board otherwise agrees, automatically lapses forthwith and all the awarded shares and related income of such award do not vest on the relevant vesting date but become returned shares for the purpose of the scheme.

Recognition of share-based payment expenses under the share award scheme during the year was US$14,569,000 (2019: US$4,156,000). During the year ended December 31, 2020, 2,364,000 shares (2019: 451,000 shares) were transferred to the awardees upon vesting.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

	Number	
	2020	2019
At January 1	**2,423,000**	1,314,000
Awarded (Note (a))	**3,393,000**	1,560,000
Vested	**(2,364,000)**	(451,000)
At December 31 (Note (b))	**3,452,000**	2,423,000

Notes:

(a) All the awarded shares were purchased from the market with the average price of HK$44.08.

(b) At the end of the year, the average fair value per share is HK$44.51 (2019: HK$41.22). The average fair value of the awarded shares is based on the average purchase cost.

(ii) The remaining vesting periods of the awarded shares outstanding are as follows:

	Number of awarded shares	
	2020	2019
Less than 1 year	**1,376,000**	691,000
More than 1 year	**2,076,000**	1,732,000
	3,452,000	2,423,000

45. Capital Commitments

	2020 **US$'000**	2019 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**103,957**	58,380

46. Related Party Transactions

During the year, the Group entered into the following transactions with its associates, which did not constitute connected transactions under Chapter 14A of the Listing Rules:

	2020 **US$'000**	2019 US$'000
Interest income	**7**	150
Sales income	**40,644**	50,014
Service income	**57**	—
Purchases	**520**	3,067

The remuneration of directors and other members of key management during the year was as follows:

	2020 **US$'000**	2019 US$'000
Short-term benefits	**97,852**	76,619
Post-employment benefits	**1,316**	1,918
Share-based payments	**17,522**	6,514
	116,690	85,051

Details of the balances and transactions with related parties are set out in the consolidated statements of financial position and Notes 21, 27 and 42.

47. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Unsecured borrowings Note 37	Discounted bills with recourse Note 34	Lease liabilities Note 33	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2019	—	795,442	243,360	278,710	1,317,512
Financing cash flows	(223,594)	691,566	(234,271)	(64,230)	169,471
New leases entered	—	—	—	86,116	86,116
Early termination of leases	—	—	—	(62,228)	(62,228)
Interest expenses	—	45,620	—	6,703	52,323
Interest paid	—	(45,620)	—	(6,703)	(52,323)
Dividends declared	223,594	—	—	—	223,594
At December 31, 2019	—	1,487,008	9,089	238,368	1,734,465
Currency realignment	**—**	**—**	**—**	**6,124**	**6,124**
Financing cash flows	**(261,637)**	**(161,574)**	**(7,653)**	**(75,823)**	**(506,687)**
New leases entered	**—**	**—**	**—**	**211,432**	**211,432**
Early termination of leases	**—**	**—**	**—**	**(5,694)**	**(5,694)**
Interest expenses	**—**	**36,648**	**—**	**7,574**	**44,222**
Interest paid	**—**	**(36,648)**	**—**	**(7,574)**	**(44,222)**
Dividends declared	**261,637**	**—**	**—**	**—**	**261,637**
At December 31, 2020	**—**	**1,325,434**	**1,436**	**374,407**	**1,701,277**

48. Statement of Financial Position of the Company

As at December 31, 2020

	Note	2020 US$'000	2019 US$'000
Non-current assets			
Property, plant and equipment		**3,643**	4,523
Right of use assets		**1,273**	687
Intangible assets		**30**	12
Investments in subsidiaries		**25,672,357**	25,290,888
Loans to subsidiaries		**33,148**	131,180
Interests in associates		**1,470**	1,831
Financial assets at FVTPL		**5,224**	4,485
		25,717,145	25,433,606
Current assets			
Deposits and prepayments		**19,482**	12,641
Financial assets at FVTPL		**17,763**	24,597
Tax recoverable		**6,068**	4,368
Derivative financial instruments		**11,200**	25,665
Amounts due from subsidiaries		**1,256,348**	814,001
Bank balances, deposits and cash		**415,159**	555,486
		1,726,020	1,436,758
Current liabilities			
Trade and other payables		**130,958**	94,562
Derivative financial instruments		**75,691**	9,142
Lease liabilities		**823**	371
Amounts due to subsidiaries		**1,773,617**	791,840
Unsecured borrowings – due within one year		**365,214**	663,680
		2,346,303	1,559,595
Net current liabilities		**(620,283)**	(122,837)
Total assets less current liabilities		**25,096,862**	25,310,769
Capital and Reserves			
Share capital		**673,141**	662,379
Reserves	39	**23,483,070**	23,893,438
Total equity		**24,156,211**	24,555,817
Non-current Liabilities			
Lease liabilities		**431**	324
Unsecured borrowings – due after one year		**940,220**	754,628
Total equity and non-current liabilities		**25,096,862**	25,310,769

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on March 3, 2021 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Vice Chairman

49. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2020 and December 31, 2019 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company 2020 Directly %	2020 Indirectly %	2019 Directly %	2019 Indirectly %	Principal activities
DreBo Werkzeugfabrik GmbH *	Germany	EUR1,000,000	—	100	—	100	Trading and manufacture of power equipment products
Homelite Consumer Products, Inc.	US	US$10	—	100	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	US$1	—	100	—	100	Trading and manufacture of floorcare products
Hart Consumer Products, Inc.	US	US$10	—	100	—	100	Trading of power equipment and outdoor power equipment products
Milwaukee Electric Tool Corporation	US	US$50,000,000	—	100	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	US	US$10	—	100	—	100	Trading of power equipment products
Royal Appliance Mfg. Co.	US	US$1	—	100	—	100	Trading and manufacture of floorcare products
Sang Tech Industries Limited	Hong Kong	HK$1,000,000	100	—	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK$2,000,000	100	—	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HK$2,000,000	75.725	—	75.725	—	Manufacture of electronic products
Techtronic Cordless GP	US	US$200	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	US$47,000,000	—	100	—	100	Manufacture of power equipment, floorcare and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NTD5,000,000	100	—	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd	United Kingdom	GBP4,000,000	—	100	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD25,575,762	—	100	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR25,600	—	100	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR25,000	—	100	—	100	Trading of power equipment products and outdoor power equipment products

49. Particulars of Principal Subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			2020		2019		
			Directly %	**Indirectly %**	Directly %	Indirectly %	
Techtronic Industries France SAS	France	EUR14,919,832	**—**	**100**	—	100	Trading of power equipment products
Techtronic Industries GmbH	Germany	EUR20,452,500	**100**	**—**	100	—	Trading and manufacture of power equipment products
Techtronic Industries Korea LLC (Formerly known as Techtronic Industries Korea Limited)	Korea	KRW3,400,000,000	**100**	**—**	100	—	Trading of power equipment products
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN50,000 (Serie I) MXN596,964,358 (2019: MXN362,720,990) (Serie II)	**—**	**100**	—	100	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries Co. Mexico, S. De R.L. de C.V.	Mexico	MXN458,386,930 (2019: MXN98,646,170)	**99.99**	**0.01**	99.99	0.01	Manufacture of power equipment products
Techtronic Industries N.Z. Limited	New Zealand	NZD4,165,600 (2019: NZD4,165,500)	**100**	**—**	100	—	Trading of power equipment, floorcare and outdoor power equipment products
Techtronic Industries North America, Inc.	US	US$10	**100**	**—**	100	—	Investment holding
Techtronic Industries Vietnam Manufacturing Co Ltd	Vietnam	VND347,895,000,000 (2019: VND324,810,000,000)	**100**	**—**	100	—	Manufacture of power equipment and outdoor power equipment products
Techtronic Product Development Limited	Hong Kong	HK$2	**100**	**—**	100	—	Engage in research and development activities
Techtronic Trading Limited	Hong Kong	HK$2	**100**	**—**	100	—	Trading of power equipment, floorcare and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$2	**100**	**—**	100	—	Investment holding
Vax Limited	United Kingdom	GBP30,000 (Ordinary A shares) GBP2,500 (Ordinary B shares)	**100**	**—**	100	—	Trading of household electrical and floorcare products

* Exempt from the obligation to publish local financial statements.

\# A wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

49. Particulars of Principal Subsidiaries (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarized as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2020	2019
Manufacture of power equipment, floorcare and outdoor power equipment products	Europe, PRC, US and others	**6**	7
Trading of power equipment, floorcare and outdoor power equipment product	Canada, Europe, Hong Kong, Latin America, PRC, US and others	**44**	38
Investment holding	Australia, BVI, Europe, Hong Kong, US	**22**	25
Dormant	BVI, Europe, Hong Kong, US	**15**	16

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

50. Particulars of Principal Associates

Particulars of the principal associates are as follows:

Name of associates	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company directly		Principal activities
			2020	2019	
			%	%	
Gimelli International (Holdings) Limited	The Cayman Islands	US$6,250	**40.8**	40.8	Investment holding
Wuerth Master Power Tools Limited	Hong Kong	US$3,000,000	**49.0**	49.0	Manufacture and sale of power equipment

Financial Summary

Results

	Year ended December 31				
	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	**2020** **US$'000**
Revenue	5,480,413	6,063,633	7,021,182	7,666,721	**9,811,941**
Profit before taxation	440,029	505,496	594,610	661,286	**861,254**
Taxation charge	(31,242)	(34,972)	(42,070)	(46,290)	**(60,258)**
Profit for the year	408,787	470,524	552,540	614,996	**800,996**
Attributable to:					
Owners of the Company	408,982	470,425	552,463	614,900	**800,760**
Non-controlling interests	(195)	99	77	96	**236**
Profit for the year	408,787	470,524	552,540	614,996	**800,996**
Basic earnings per share (US cents)	22.32	25.66	30.16	33.67	**43.80**

Assets and Liabilities

	As at December 31				
	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	**2020** **US$'000**
Total assets	5,120,407	5,598,477	6,348,862	7,698,051	**9,390,402**
Total liabilities	2,721,475	2,857,759	3,291,521	4,303,740	**5,487,495**
	2,398,932	2,740,718	3,057,341	3,394,311	**3,902,907**
Equity attributable to Owners of the Company	2,399,538	2,741,225	3,057,771	3,394,645	**3,903,005**
Non-controlling interests	(606)	(507)	(430)	(334)	**(98)**
	2,398,932	2,740,718	3,057,341	3,394,311	**3,902,907**

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Stephan Horst Pudwill
Vice Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan

Non-executive Directors

Prof Roy Chi Ping Chung GBS BBS JP
Mr Camille Jojo

Independent Non-executive Directors

Mr Christopher Patrick Langley OBE
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung
Mr Johannes-Gerhard Hesse
Mr Robert Hinman Getz

Financial Calendar 2021

March 3	:	Announcement of 2020 annual results
May 11	:	Last day to register for the entitlement to attend and vote at Annual General Meeting
May 12-14	:	Book closure period for the entitlement to attend and vote at Annual General Meeting
May 14	:	Annual General Meeting
May 21	:	Last day to register for 2020 final dividend
May 24	:	Book closure period for 2020 final dividend
June 18	:	Final dividend payment
June 30	:	Six months interim period end
December 31	:	Financial year end

Investor Relations Contact

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Earnings results, annual/interim reports are available online.

Listing Information

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

Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

BNY Mellon

Principal Bankers

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

Solicitors

Vincent T. K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Company Secretary

Ms Veronica Ka Po Ng

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