Techtronic Industries

Annual Report 2015

Corporate Profile

Techtronic Industries Company Limited (the "Company" or "TTI") is a world-class leader in design, manufacturing and marketing of Power Tools, Accessories, Hand Tools, Outdoor Power Equipment, and Floor Care and Appliances for consumers, professional and industrial users in the home improvement, repair and construction industries. Our unrelenting strategic focus on Powerful Brands, Innovative Products, Operational Excellence and Exceptional People drives our culture.

Our brands and products are recognized worldwide for their deep heritage, superior quality, outstanding performance and compelling innovation. Through a company-wide commitment to innovation and strong customer partnerships, we consistently deliver new products that enhance customer satisfaction and productivity. This focus and drive provides TTI with a powerful platform for sustainable leadership and strong growth.

Founded in 1985 in Hong Kong, TTI has a portfolio of industry leading brands, a worldwide customer reach, and over 20,000 staff. TTI is listed on the Stock Exchange of Hong Kong and in 2015 had worldwide annual sales of US$5.0 billion.

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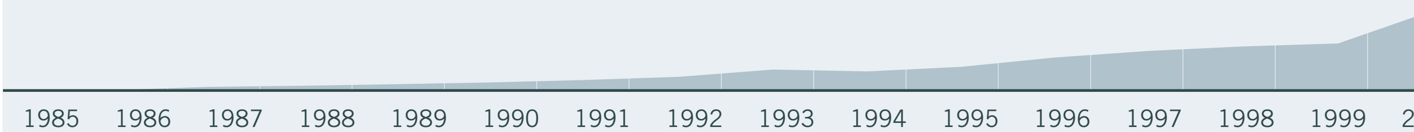
Milestones

1985 **OEM**

2015 **Brands**

CAGR 35.5%



1985
Mr Horst Pudwill founded Techtronic Industries with Prof Roy Chi Ping Chung

1987
Began supplying cordless power tools to a major US distributor

1988
Opened first manufacturing facility in Dongguan, China

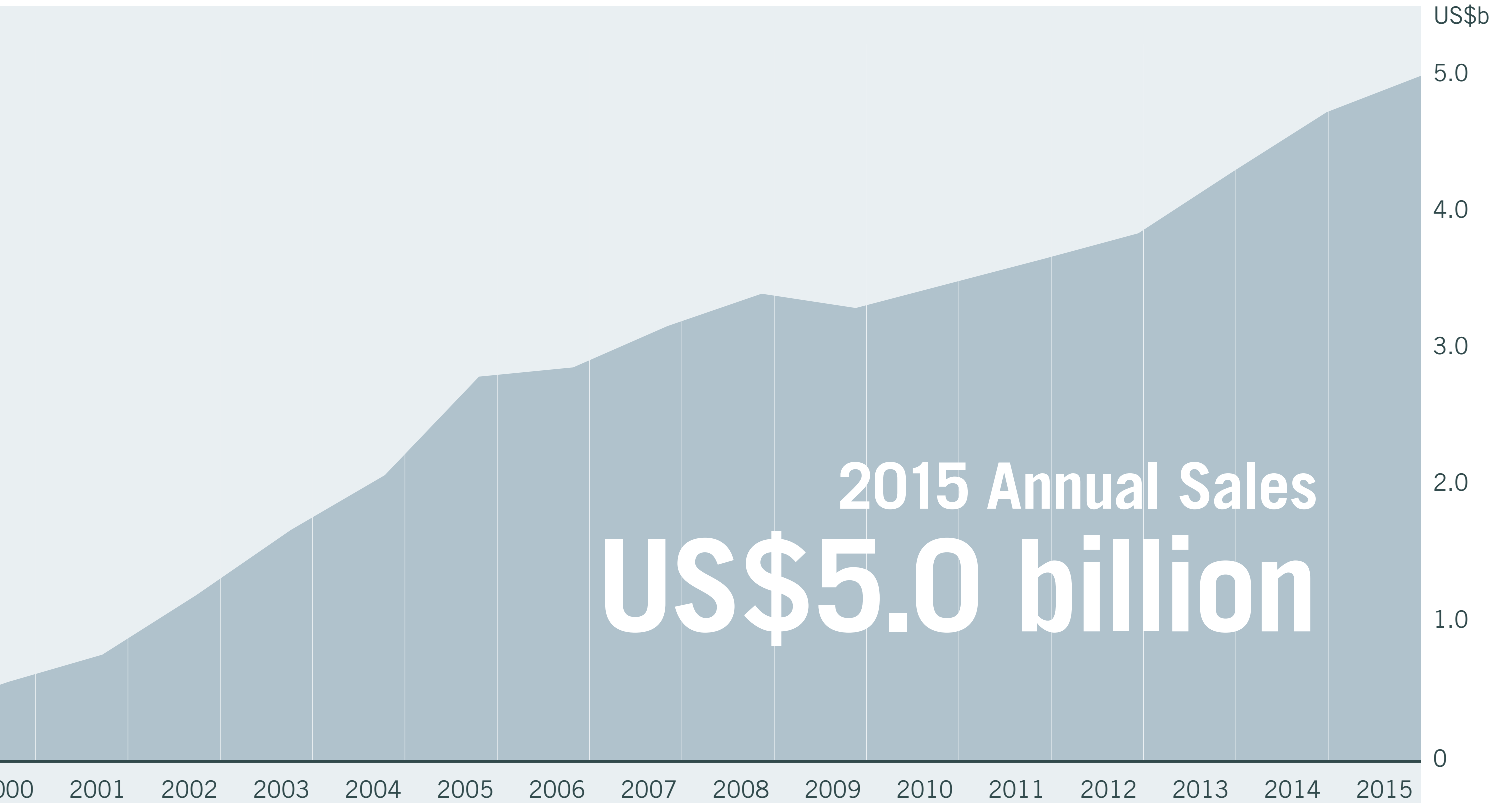
1990
Listed on the Stock Exchange of Hong Kong (stock code: 669)

1994
Established Level 1 American Depository Receipt (“ADR”) program in US (ADR symbol: TTNDY)

1999
Acquired VAX brand and Floor Care business

2000-2004
Acquired RYOBI brand license and businesses for Power Tool and Outdoor Power Equipment

2002
Acquired HOMELITE brand and business for Outdoor Power Equipment



2003

Acquired ROYAL and DIRT DEVIL Floor Care brands and businesses

2005

Acquired MILWAUKEE, AEG and DreBo Electric Power Tools and Accessories brands and businesses

2007

Acquired HOOVER brand and Floor Care business

Acquired STILETTO Hand Tool brand and business

2008

Asia Industrial Park commenced operation in Dongguan, China

2011

Asia Innovation Center opened in Dongguan, China

2013

Acquired ORECK brand and Floor Care business

2014

Acquired EMPIRE Level, Layout and Measuring Tools brand and business

2015

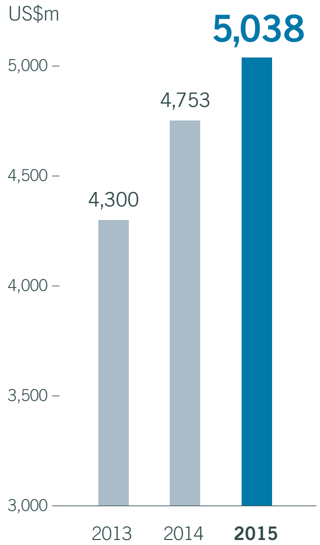
2015 marked TTI's 30th Anniversary. The Company achieved annual sales of US$5.0 billion

Financial Highlights

	2015 US$' million	2014 US$' million	**Changes**
Revenue	**5,038**	4,753	**+6.0%**
Gross profit margin	**35.7%**	35.2%	**+50 bpt**
EBIT	**400**	351	**+14.0%**
Profit attributable to Owners of the Company	**354**	300	**+18.0%**
Basic earnings per share (US cents)	**19.37**	16.41	**+18.0%**
Dividend per share (approx. US cents)	**5.05**	4.05	**+24.6%**

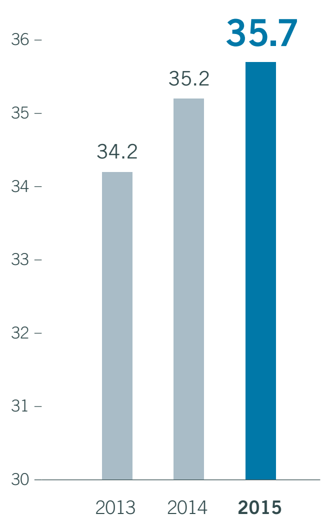
Revenue

US$m



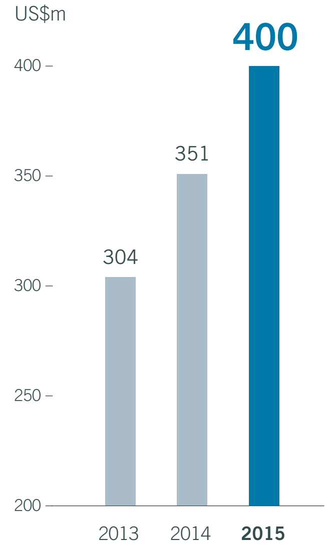
Gross Profit Margin

%



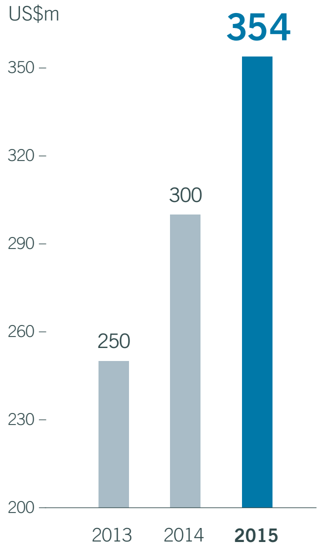
EBIT

US$m



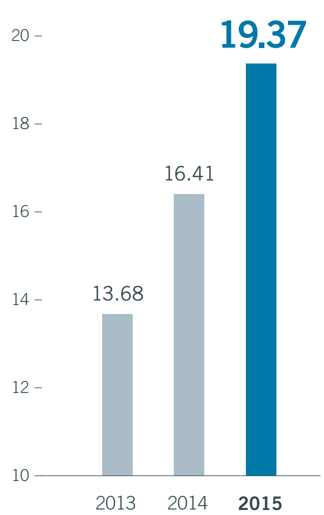
Profit Attributable to Ownders of Company

US$m



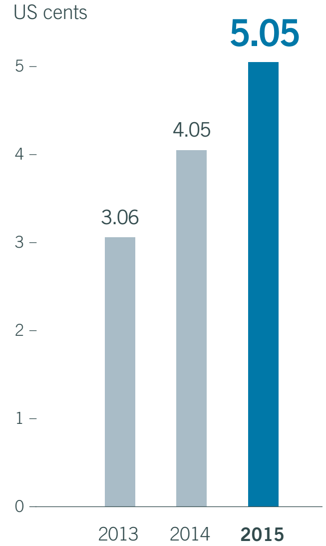
Basic Earnings per Share

US cents



Dividend per Share

US cents



Chairman's Statement

- Sales increased 6.0% to a record US$5.0 billion
- Sales adjusted for foreign currency grew 10.5%
- Our MILWAUKEE business grew 23.7% adjusted for foreign currency
- Gross margin expanded from 35.2% to 35.7%, an increase of 50 basis points
- Net profit increased 18.0% for the year, delivering double-digit growth for eight consecutive years
- Efficient working capital management at 17.0% of sales

I am pleased to report that in 2015 TTI delivered another record year of sales, gross margin, and profit, for our sixth consecutive year.

This year marks a particularly special milestone for TTI as we celebrate our 30th anniversary. Over the years, our disciplined focus on our four key strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence has enabled us to continually improve our financial performance and business milestones. It is precisely these drivers that we will remain committed to in continuing to deliver outstanding results.

Record Financial Performance

Sales for the year ended December 31, 2015 increased 6.0% over 2014 to US$5.0 billion driven by continued investment in new product development and marketing. Sales before currency adjustment rose significantly in all regions demonstrating the strength of our brands and product lines. Our largest business, Power Equipment, had another exceptional year with sales growth of 11.8% to US$4.0 billion, accounting for 78.8% of total sales, and an increase in operating profit by 29.7% compared to 2014. In the Floor Care and Appliance division, consistent with our strategy in the first half of the year, we continued the planned exit of certain non-strategic lower margin businesses and categories with sales for the year declining 11.2% over 2014 to US$1.0 billion. Looking ahead, we are strategically well positioned with our focus on cordless and commercial cleaning, leveraging our revitalised product portfolio and world-class brands.

Our gross profit margin improved for the seventh consecutive year to 35.7% from 35.2% last year driven by new product, volume growth, and productivity gains. Cost improvement initiatives across our global operations delivered significant savings in purchasing, supply chain, value engineering, and manufacturing. Our investments in automation and lean manufacturing continued driving both labor productivity and overall efficiency.

Earnings before interest and taxes, increased by 14.0% to US$400 million, with the margin improving by 50 basis points to 7.9%. Shareholders' profits rose 18.0% to US$354 million, with earnings per share increasing by 18.0% over 2014 to US19.37 cents. Working capital as a percent of sales remained low at 17.0% and our gearing at 13.4%.

The Board is recommending a final dividend of HK23.25 cents (approximately US2.99 cents) per share. Together, with the interim dividend of HK16.00 cents (approximately US2.06 cents) per share, this will result in a full-year dividend of HK39.25 cents (approximately US5.05 cents) per share, against HK31.50 cents (approximately US4.05 cents) per share in 2014, an increase of 24.6%.

Innovative Products

Our powerful brands and innovative products are connecting with a broader base of new customers, as well as deepening their reach with existing users. With our ongoing strategic investment in R&D and expertise applying our innovations to solve end-user needs, we continue to set the pace in lithium cordless technology expanding across platforms and creating exciting new categories in the industrial and consumer tools, outdoor products, and floor care segments. Our technology is continually setting the bar for innovation in our industries, driving transformation. Further, we have expanded our capacity for new product development and are launching product innovations at an even faster pace.

We are committed to delivering the world's most advanced cordless tool technology in our FUEL product family and industry leading lithium cordless platforms in our RYOBI ONE+, RYOBI 36V/40V, AEG 18V Brushless, and MILWAUKEE M12 and M18 ranges. These platforms are being expanded with innovative new products at an unprecedented scale. Break-through development of the MILWAUKEE ONE-KEY program is the first ever digitally controlled platform for cordless tools and equipment. ONE-KEY integrates industry-leading tool electronics with custom-built cloud based technology for diagnostics and tool control, alongside a state-of-the-art tracking platform. We are leading the industry by linking the needs of our end-users more directly with our tools which leads to better product development and new marketing channels.

We are relentlessly applying our lithium cordless technologies to new products in our outdoor and floor care product ranges. We are delivering lithium cordless flexibility and high performance brushless motor technology to demanding outdoor tools like chain saws and walk-behind lawn mowers. Additionally, our product development is on the leading edge of the vacuum industry revolution to lithium cordless. Our superior cleaning technology such as HOOVER WIND TUNNEL coupled with our comprehensive IP portfolio puts us in a leading position in the design and development of exciting new floor care products in both the consumer and commercial segments of the market.

Highly Focused Category Expansion

We systematically search for opportunities to enter new product categories and create new businesses. One example is our successful drive into hand tools which continues to expand with a new range of HART hammer and striking tools, MILWAUKEE tapes, tool storage and plumbing tools and the integration of the EMPIRE brand, setting a foundation for future growth. We are fundamentally changing the way high-force tools are used by plumbers and electricians with our MILWAUKEE FORCE LOGIC range of crimpers, knockout and press fit cordless tools, and we have expanded into the construction lighting space with the new MILWAUKEE M12 and M18 cordless lighting solutions. We continue to invest in new products, technology and manufacturing to drive our expansion in these globally significant markets.

Expanding Global Reach

Our highly selective, targeted expansion into under-represented markets continues to deliver results. The MILWAUKEE business, which grew 17.7% this past year, is expanding its reach in strategic markets across the world, as well as driving gains in North America, Australia and key European markets. We are bringing our new product stream to market by establishing sales, marketing and distribution in these geographies.

Delivering Operational Excellence

We have a deep commitment to operational excellence and continuous improvement which keeps us on the leading edge of our industries and generating value for our customers. Our disciplined processes in lean manufacturing, global purchasing, and value engineering continue to deliver efficiencies, reduce lead-times and improve quality and service levels. Additionally, we are adding production and supply chain capacity to support our growth. Our new technologies and products are fully supported by investments in manufacturing capabilities. These initiatives are driving long-term improvements in our operations, expanding gross margins and reducing working capital requirements.

Outlook Remains Strong

As we reflect on thirty years of accomplishment, we are determined to continue our remarkable growth and lead the industry's cordless revolution forward. Backed by our experience building the best brands, developing the most advanced technologies, and creating innovative products, we enter 2016 with our most dynamic lineup ever, expanding our RYOBI ONE+ system and MILWAUKEE M12, M18 and FUEL platforms across traditional and new ranges and categories. A new powerful AEG 58V PRO Lithium range of outdoor tools will deliver power and run-time professional users demand and the MILWAUKEE ONE-KEY digital platform for tools and equipment will revolutionize the way work gets done. Our cordless floor care and outdoor products are transforming both the consumer and commercial segments of the market, while growth in our hand tool and accessory businesses continues to surge. The future for TTI is indeed a very exciting and bright one.

I would like to thank our loyal customers and business partners for their ongoing support. Our dedicated, skilled and passionate teams are the keys to all that we have been able to accomplish enabling us to deliver consistently outstanding results. We are grateful to our Board of Directors for their ongoing strategic contributions. Our success has been, and will firmly remain, the result of a dedicated team effort.

Horst Julius Pudwill
Chairman
March 15, 2016

Chief Executive Officer's Message

"We believe a powerful key to our success at TTI is a consistent, disciplined adherence to our strategic direction."

This simply underlies our laser focus on delivering great products and developing great people. 2015 was an amazing year at TTI in which we delivered more new break-through products and hired, trained and mentored more management talent, in turn resulting in record results and preparing us for the future. As we look ahead, we are thrilled to share that we have a stronger team, more exciting products, and vast opportunities.

Make Bold Decisions

The considerable momentum we have generated is a result of several critical success factors and it starts with bold decisions that make a difference. Our decisive investments in the development and application of new technologies are the foundation of our game-changing new products. With vast and highly-focused product development resources, we are expanding into strategic product categories and launching product innovations at a faster rate. Gains in global market share are generated through our highly selective moves into under-represented geographies. Another critical success factor we deploy is speed. When a decision is made, we execute with urgency and resolve. A third critical dynamic that empowers TTI to be extraordinary: we continue to set higher goals and raise our standards, challenging our organization to improve to achieve new, higher levels in everything we do. We make bold decisions, set high standards and take action.

Create Great Products

TTI is committed to delivering the best possible products to our customers and doing it better than anyone in our industry. Innovative products are a cornerstone of our strategic drivers. Not only are we continuing to strategically invest in user-driven innovation and break-through technologies, but we have also built a high-speed new product development process that allows us to respond to changing market needs and requirements faster than any of our competitors. TTI has a number of brand-focused innovation centers in key markets dedicated to user research, design, engineering new technology, and delivering innovative products. Our rapid and robust development process is a fundamental competitive advantage and our ongoing investment in research, development, and marketing is vital to the creation of innovative products and technologies.

Innovative Technology

As part of our innovative product strategy, TTI is on the leading edge of lithium cordless technology offering the broadest range and best performing lithium powered products. We continue to expand the discovery, development and delivery of technology to provide customers with exciting products and solutions. The next generation MILWAUKEE FUEL system is unsurpassed in cordless power tool performance and continues to stimulate the conversion from corded to cordless tools. The next industry-changing technology, MILWAUKEE ONE-KEY, is the first cloud-based digital platform for tools and equipment which integrates tool electronics for control and access to information. Technology is bringing higher performance, reduced size, increased durability, and better user interface features which are enhancing our RYOBI ONE+ and 40-volt, AEG, HOOVER, ORECK and VAX lithium ranges. Additionally, as a leader in the hand tool and power equipment accessories businesses, we are applying our rapid product development process from end-user research to new technology deployment, launching innovations in our MILWAUKEE, HART and EMPIRE ranges.

Cultivate Great People

We have built an outstanding team of highly talented people. Our organizational development initiatives have gained traction throughout the world with our Leadership Development Program ("LDP"), now in its tenth year in the US, where we have hired over 1,500 high-potential campus recruits. Our campus recruiting is expanding throughout Europe, Canada, and Asia with LDPs deployed in more than ten countries in a variety of positions. In China we have successfully recruited more than 200 engineering graduates to form a pipeline of talent for our Asia Innovation Center and Asia Industrial Park. These LDPs are being trained, developed and promoted through the system and are taking on a vast array of assignments in product management, sales, marketing, purchasing, and supply chain management. This network of high-potential individuals forms the backbone of future TTI leaders.

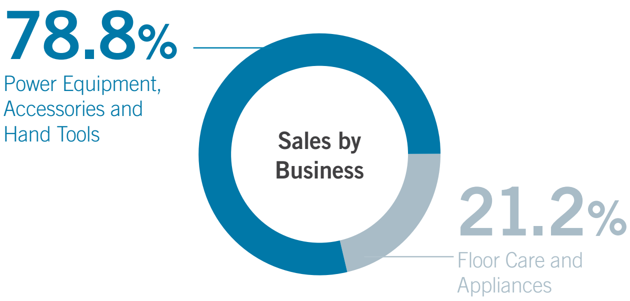
We have a world-class group of senior managers that are leading our business units around the globe and we consider this leadership team as the best in our industry and fundamental to our record breaking success year after year. I extend my appreciation and thanks for their incredible hard work and consistent, outstanding performance.

At TTI, we remain inspired by our visionary Chairman, Horst Pudwill. Throughout the past 30 years, it has been Horst's break-through thinking and innovation that has driven the Company. His bold vision motivates us to continue to achieve spectacular, record breaking results.

Joseph Galli Jr
Chief Executive Officer
March 15, 2016

Review of Operations

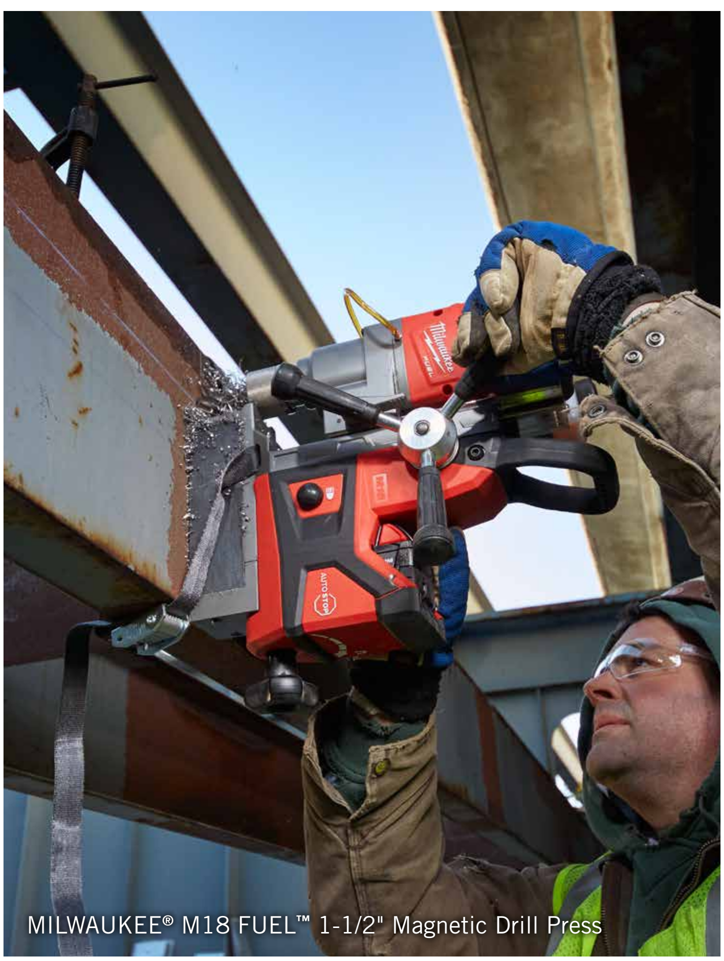
Power Equipment, Accessories and Hand Tools



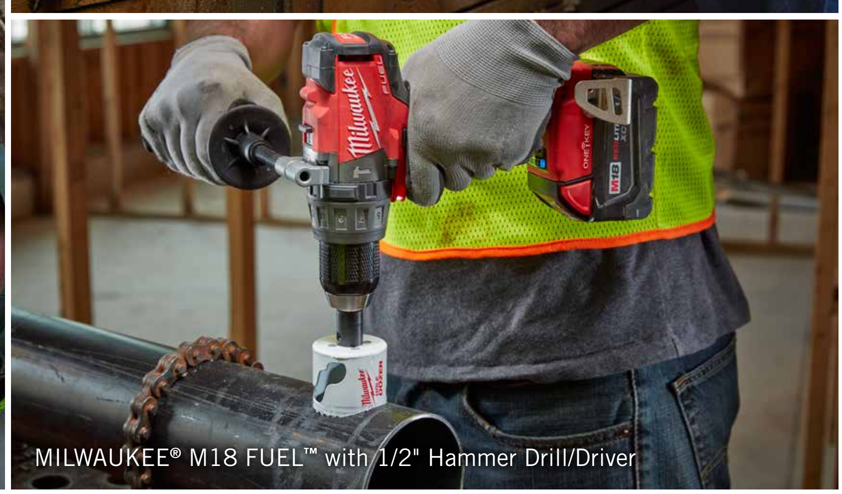
TTI delivered another year of record results in 2015 with revenue increasing 6.0%. Adjusted for foreign currency, sales for the period grew by 10.5% with North America growing 12.1%, Europe growing 5.1% and Rest of World growing 18.9%. This positive result was driven by a continuous flow of innovative new products backed by break-through technologies, including further expansion of our lithium cordless platforms across our brands and product lines and into new categories.

Power Equipment

Sales in Power Equipment, our largest business consisting of power tools, hand tools, outdoor products, and accessories, rose by 11.8% to US$4.0 billion and grew 16.8% adjusted for foreign currency. We delivered growth in all geographic markets with our powerful portfolio of industry leading brands which include MILWAUKEE, AEG, RYOBI, EMPIRE, HART and HOMELITE. The business accounted for 78.8% of Group turnover, compared with 74.7% in 2014, with Earnings growing by 29.7% to US$379 million.


MILWAUKEE® M18 FUEL™ 1-1/2" Magnetic Drill Press


MILWAUKEE® M18 FUEL™ SAWZALL® Reciprocating Saw


MILWAUKEE® M18 FUEL™ with 1/2" Hammer Drill/Driver

Industrial

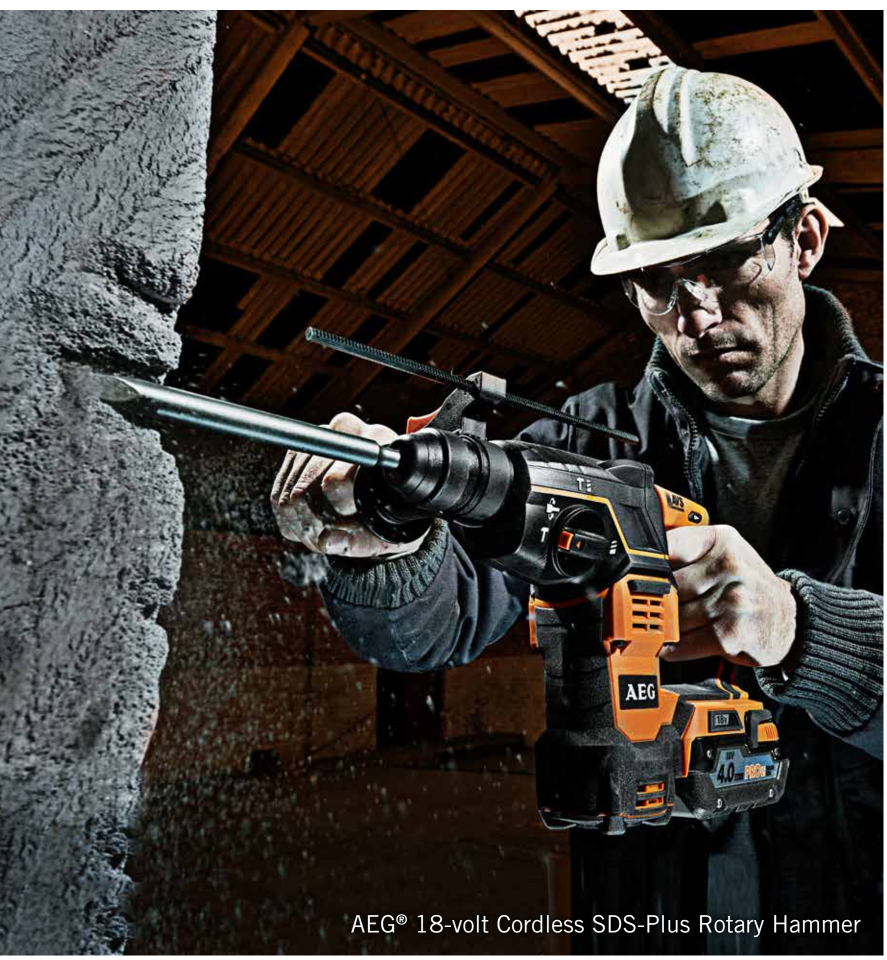
Our MILWAUKEE industrial business had another excellent year, delivering 17.7% sales growth in the global industrial power tool, accessory and hand tool markets. The continued introduction of innovative products, entry into new product categories, execution of aggressive end-user conversion initiatives, and a focus on operational excellence resulted in growth outpacing the market and significant share gains.

Power Tools

With the FUEL cordless technology platform, MILWAUKEE continues to serve as the leader in the power tool corded to cordless revolution. We offer the industry's most comprehensive line of cordless industrial power tools powered by the M12 and M18 battery platforms. Our new M18 FUEL Magnetic Drill Press and M18 FUEL SUPERHAWG drill provide the power of corded tools, while offering the convenience, safety and productivity of cordless. Introduction of the M18 FORCE LOGIC High Force Cutting and Crimping Tools created a strong entry into the global Power Utility space, and our M12 and M18 LED Lighting solutions have laid the foundation for leadership in the global construction lighting space.

Accessories

Our power tool accessory business continued its excellent performance with introductions in the Hole Saw, Twist Drilling and Driver Bit categories. The new HOLE DOZER range of bimetal hole saws drove double digit growth in the hole saw category, and SHOCKWAVE, a leading brand in impact driving accessories, received a comprehensive upgrade with new driver bit technology. The new SHOCKWAVE bits are best in class delivering thirty times longer life compared to many competing ranges of impact rated bits. Our new line of Titanium Coated and Cobalt drill bits feature exclusive RED HELIX geometry for faster drilling and the Titanium Coated drill bits incorporate SHOCKWAVE quick change hex shanks to enable highly productive drilling with impact drivers.



AEG® 18-volt Cordless SDS-Plus Rotary Hammer


EMPIRE® I-Beam 72" Magnetic Aluminum Level

Industrial *(continued)*

Hand Tools

In 2015, MILWAUKEE launched more new hand tools than in any prior year, driving the continued rapid expansion of the business. Key product launches included a new range of Tape Measures designed for carpenters and general contractors that feature a unique blade coating to extend life and a wide base for more effective application during typical layout uses. Our expanded range of Pliers with innovations like reduced weight and optimized handle sizes are making inroads with electrical, plumbing, HVAC, MRO and remodeling specialists. The Interlocking Organizer and Tool Chest Combo are new additions to the growing range of extremely successful storage products. Additionally, Empire Level established itself as a market leader in the US and laid the foundation for future leadership in other key regions with the launch of Laser Etched squares and the innovative TRUE BLUE I-Beam levels.

Consumer and Professional

During the year, RYOBI Power Tools expanded its market share in North America and delivered double digit growth in Europe and Rest of World. The 18V RYOBI ONE+ system of tools and batteries continues to grow by over one million new customers annually, enhanced with a number of pioneering new products for nearly any project. Exciting new additions include the ONE+ 18V Hybrid Work Light for either AC or 18V power source use, ONE+ 3 Speed Impact Wrench giving the end-user greater control, ONE+ Compact Radio with built-in Bluetooth functionality and USB charging, an industry first ONE+ 10-inch Orbital buffer, ONE+ Drain Auger, ONE+ Brushless drill with incredible power and the new ONE+ Evercharge Handheld Vacuum with integrated charging.

AEG power tools continued to gain momentum with professional users. The successful 18V Brushless line of tools deliver best-in-class technology, performance and run time satisfying the needs of the tradesman. The new jobsite blower and random orbital sander have

MILWAUKEE® 10" TORQUE LOCK™ Curved Jaw Locking Pliers

18-volt ONE+® 3-Speed 1/4" Impact Driver been important contributors to the 18V range. Excitingly, AEG 18V was the first-to-market with a high performance 6.0Ah battery. AEG Power Tools will continue to deliver compelling product innovations to the professional user.

Outdoor Products

Outdoor Products delivered a strong year in 2015 across all regions. The expansion of lithium cordless technology across our outdoor product ranges continued with the rollout of new products in our "gas-like-power" 36V/40V RYOBI lithium cordless platform and RYOBI ONE+ 18V line of tools. We are widening our leadership with the launch of the first-in-class brushless motor AEG 58V Lithium Ion Professional Grade cordless product line consisting of a string trimmer, blower, chain saw, hedge trimmer and lawn mower. The tools in this system include highly efficient, long-lasting brushless motors, and cutting edge lithium cordless performance, enabling us to reach a new group of users.

In addition to maintaining our dominance in cordless, we continued expanding sales of our gas categories with enhanced RYOBI gas trimmers featuring professional design engines and a new electric start, as well as a new gas powered pressure washer. The full line of RYOBI electric pressure washers, with premium nozzles for faster cleaning, continue to be well-received delivering best-in-class performance at an incredible value for the consumer.

RYOBI® 40-volt 12" Cordless Chainsaw

RYOBI® 40-volt 20" Brushless Cordless Lawn Mower

RYOBI® 2800 PSI Pressure Washer

Industrial Power Tools

M18 FUEL™ tools continue to be the catalyst for converting global corded tool business to cordless tool solutions. Leveraging industry-leading technologies, M18 FUEL™ tools are built on the best foundation, making them the most powerful, most advanced and longest-lasting tools on the market.

M18 FUEL™ SUPER HAWG™

Optimized for plumbing and HVAC applications, this cordless right angle drill is the first tool of its kind, delivering holes up to 6" and over (75) 2-9/16" holes per charge for a completely cordless rough-in.

M18 FUEL™ SUPER HAWG™ 1/2" Right Angle Drill

M18 FUEL™ SUPER HAWG™ Right Angle Drill with QUIK-LOK™

M18 FUEL™ MAGNETIC DRILL

Powering through up to (40) 13/16" holes per charge, this tool outperforms corded counterparts and offers the strongest magnetic hold on 1/4" steel, providing a safer drilling environment.

M18 FUEL™ 1-1/2" Magnetic Drill

M18 FUEL™ 1-1/2" Lineman Magnetic Drill

M18 FUEL™ SUPER HAWG™ 1/2" Right Angle Drill

M18 FUEL™ 1-1/2" Lineman Magnetic Drill Kit

M18 FUEL™ DRILLS, HAMMER DRILLS & IMPACTS

MILWAUKEE® set the benchmark for performance when M18 FUEL™ Drill/Drivers and Impacts were launched in 2012. The next generation of drilling and fastening products reset user expectations, delivering the most power on the market in a much more compact size.

M18 FUEL™
1/2" Drill/Driver

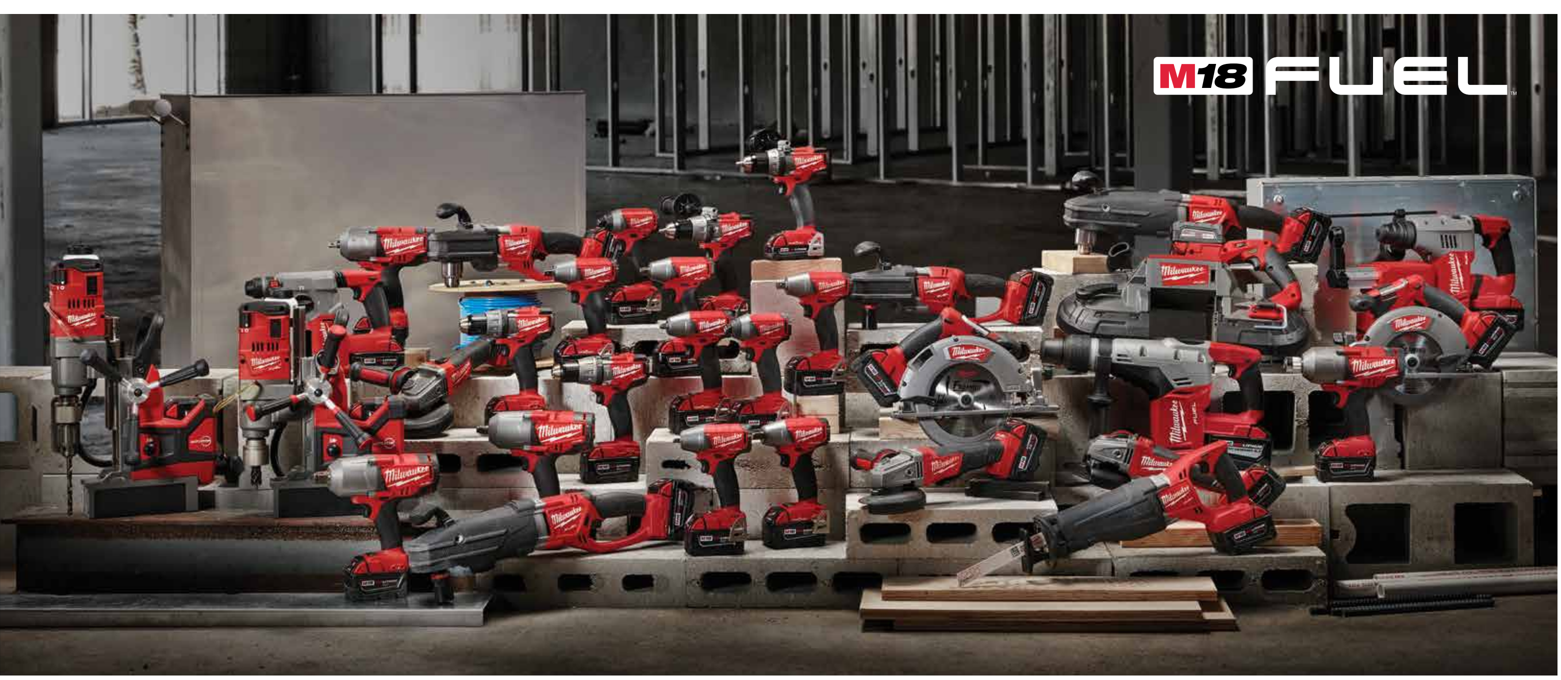
M18 FUEL™
1/2" Hammer Drill/Driver

M18 FUEL™
1/4" Hex Impact Driver

M18 FUEL™ 3/8" Impact
Wrench with Friction Ring

M18 FUEL™ 1/2" Impact
Wrench Kit with Pin Detent

M18 FUEL™ 1/2" Impact
Wrench with Friction Ring



Industrial Power Tools

At the core of the M18™ system expansion is our unrelenting drive to increase user productivity through technological innovation. ONE-KEY™ introduces an unprecedented level of user control by adding wireless integration with smart devices. FORCE LOGIC™ brings our powerful cordless technology to high-force applications, giving users more flexibility in the field and further cementing the MILWAUKEE® reputation as a brand that puts its users' needs first.

By integrating industry-leading tool electronics with a custom-built cloud-based program, ONE-KEY™ will provide a new level of control and access to information that will revolutionize the way work gets done. This will fundamentally change the way users interact with their tools and help solve user problems and frustrations the industry has never before been able to address.

M18 FUEL™
with ONE-KEY™
1/2" Drill/Driver

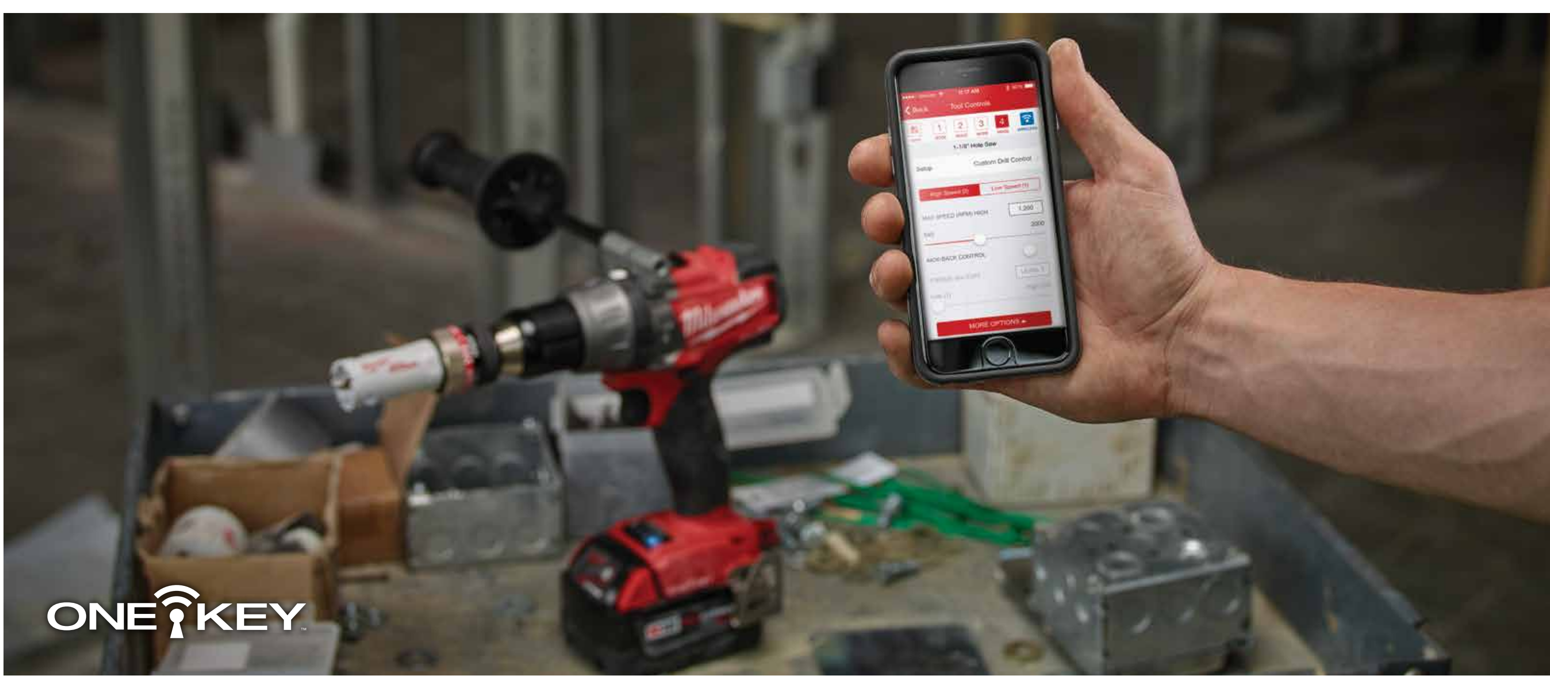
M18 FUEL™
with ONE-KEY™
1/2" Hammer Drill/Driver

M18 FUEL™ with ONE-KEY™
1/4" Hex Impact Driver

M18 FUEL™ with ONE-KEY™
3/8" Impact Wrench
with Friction Ring

M18 FUEL™ with ONE-KEY™
1/2" Impact Wrench Kit
with Pin Detent

M18 FUEL™ with ONE-KEY™
1/2" Impact Wrench
with Friction Ring



M18 FORCELOGIC™

FORCE LOGIC™ is engineered to not only improve upon, but change the way high-force tools are used in the field. Built from the ground up to optimize ergonomics, speed and reliability, these high-force crimpers and cutters will reduce user fatigue and optimize workflow in even the most challenging environments.

M18™ FORCE LOGIC™ Cable Cutter with 750 MCM Cu Jaws

M18™ FORCE LOGIC™ Cable Cutter with 477 ACSR Jaws

M18™ FORCE LOGIC™ 600 MCM Cu/350 MCM Al Crimper

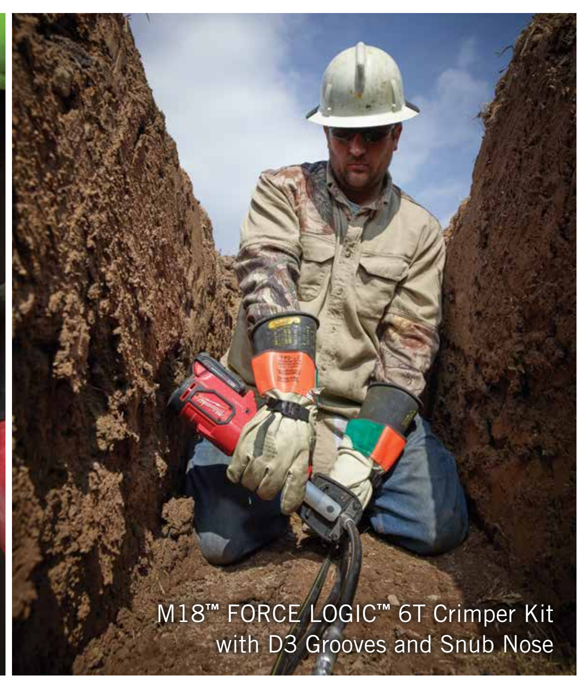
M18™ FORCE LOGIC™ 6T Crimper with D3 Grooves and Snub Nose

M18™ FORCE LOGIC™ 6T Crimper with D3 Grooves and Fixed BG Die

M18™ FORCE LOGIC™ 6T Crimper with Kearney Grooves

M18™ FORCE LOGIC™ 6T Crimper with D3 Grooves and Fixed O Die

M18™ FORCE LOGIC™ Cable Cutter Kit with 750 Cu MCM Jaws



M18™ FORCE LOGIC™ 6T Crimper Kit with D3 Grooves and Snub Nose

Industrial Power Tools

The M18™ & M12™ cordless systems represent the ultimate synergy of professional-grade power, compact size, superior ergonomics and extreme performance. Powered by REDLITHIUM™ battery technology for unmatched run-time, these tools stand alone – transcending the cordless category with patented technologies, innovative motors and advanced electronics. With more than 170 unique solutions, they are a true game changer for professional users.

PLANER

A two-blade design and powerful motor deliver up to 14,000 RPMs for unmatched stock removal and depth control. The special depth dial locks from 0" – 5/64" for increased accuracy.

M18™ 3-1/4" Planer

M18™ and M12™ Rapid Charger

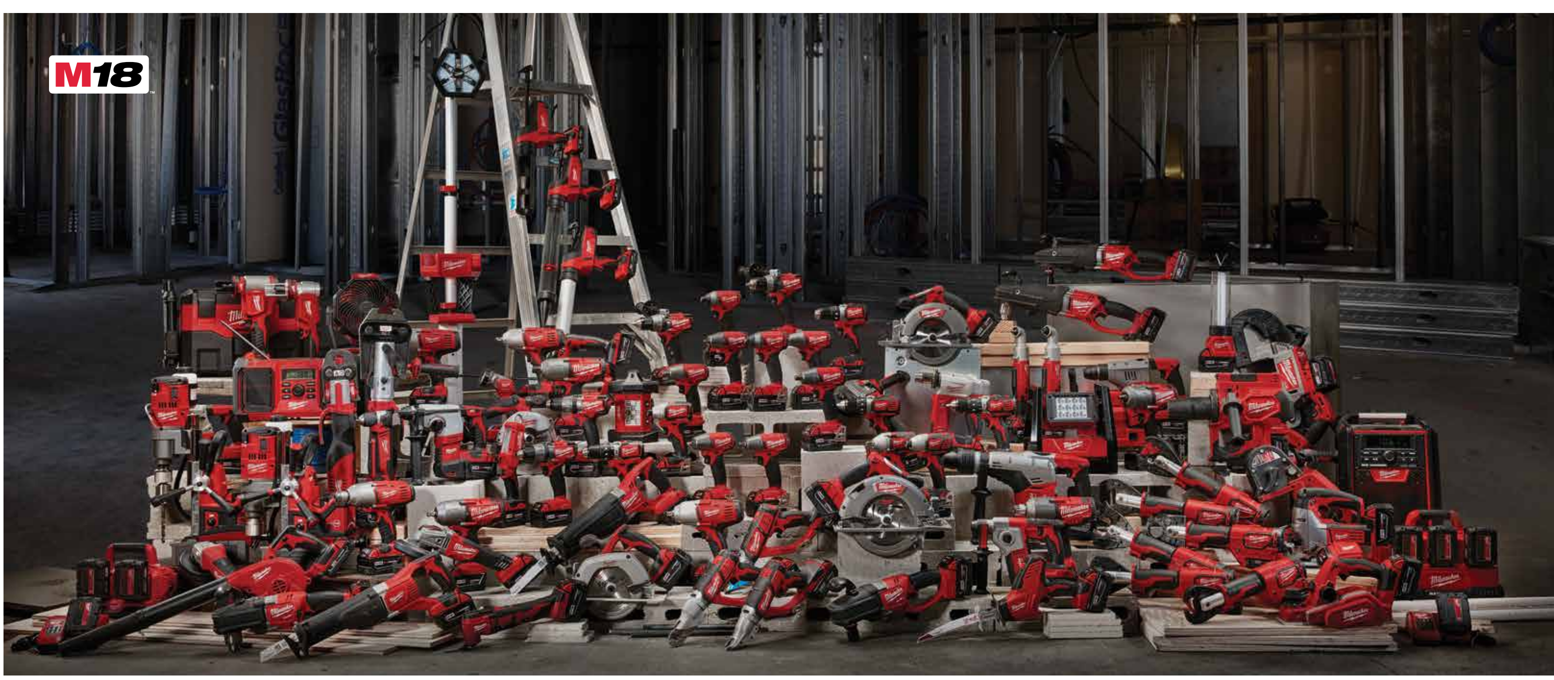
CHARGER

Charging an M18™ or M12™ battery up to 40% faster than standard chargers and protecting the health of the packs with REDLINK™ technology, this charger gives users the ability to minimize downtime and get back to work quickly.

FAN

Featuring best in class power, unmatched run-time, 3 speed settings, 9 stopping positions and a 120° adjustable head, the new fan is designed to meet the demands of any jobsite.

M18™ Jobsite Fan



LED LIGHTING

Utilizing our advanced TRUEVIEW™ LED technology, these lights are the first in the industry to offer full-day run-times in a portable package. Designed with toughness and versatility in mind, they are built to adapt, perform and survive on the professional jobsite.


M12™ LED Work Light


M12™ LED Stick Light


M12™ LED Spot Light


M12™ LED Lantern/Flood Light


M18™ LED Work Light

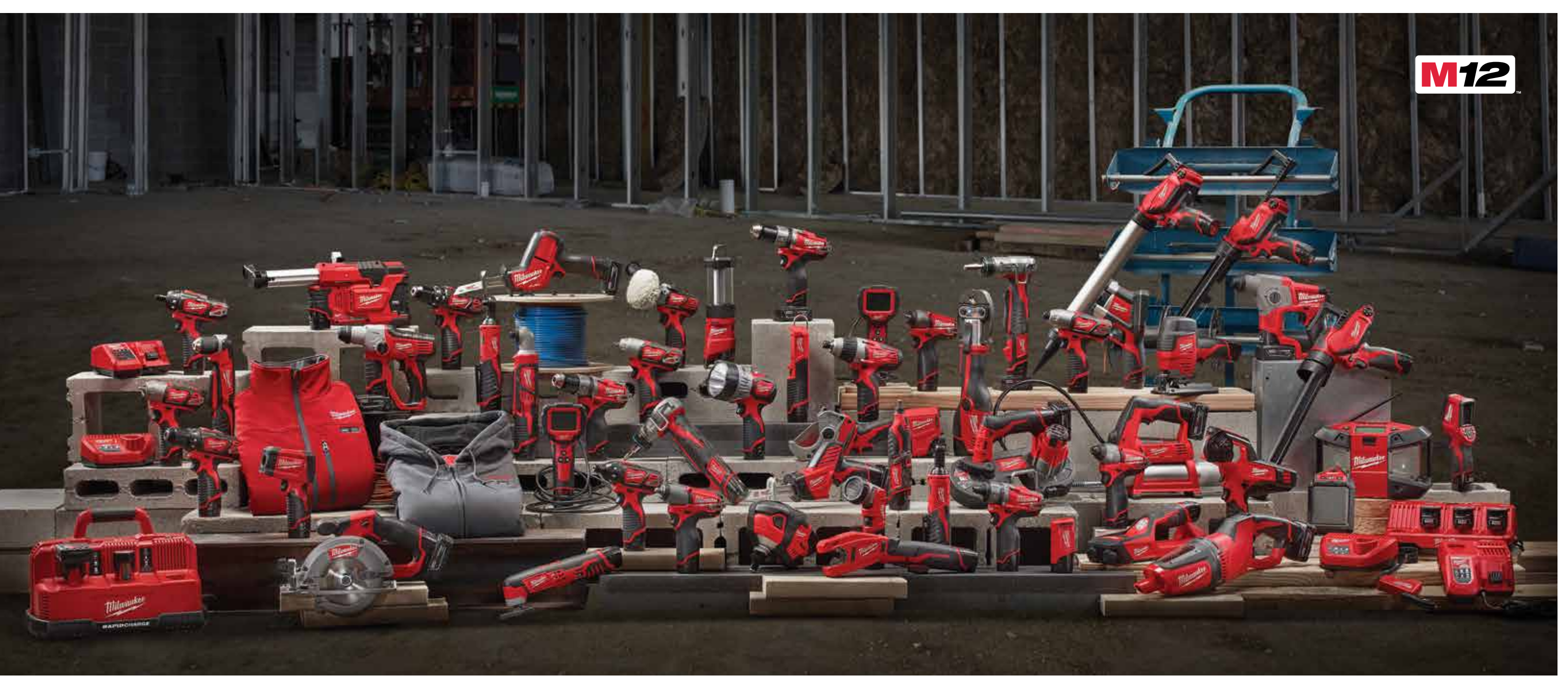

M18™ LED Stick Light


M18™ LED Lantern/Flood Light


M18™ LED Flood Light


M18™ LED HP Flood Light


M18™ LED Stand Light



Accessories

In 2015 the Power Tool Accessories business continued to push the limits of performance to solve jobsite problems and make users more productive. As seen in the launch of our RED HELIX™ and next-generation SHOCKWAVE™ bits, our aggressive user research and investment in new-to-world designs and disruptive manufacturing technologies has positioned our business on the forefront of the industry, delivering game-changing solutions for the most demanding tools and applications.

SHOCKWAVE IMPACT DUTY™

Already known as the leading brand in the impact driver accessories category, MILWAUKEE® is never content to sit still. This new generation of bits has been upgraded with optimized SHOCK ZONE™ geometry, which provides up to 30X longer life and absorbs 3X more torque vs. other impact bits.

HOLE DOZER™
Bi-Metal Hole Saw

HOLE SAWS

Launched in early 2015, these bi-metal hole saws drove double digit growth throughout the year for the category. Backed by RIP GUARD™, the industry's first tooth break warranty, HOLE DOZER™ brings unmatched durability and increased productivity to users across every trade.

HOLE DOZER™
Bi-Metal Hole Saws

TWIST DRILL BITS

Our line of Titanium Coated and Cobalt drill bits have been redesigned based on our game-changing RED HELIX™ geometry. These bits utilize a CHIP BREAKER™ tip design and variable Helix flute geometry to eject material faster, reduce heat and extend bit life. Titanium Coated bits offer SHOCKWAVE™ quick change hex shanks for more productivity and up to 3X longer life than black oxide twist drill bits.

SHOCKWAVE™ RED HELIX™ Titanium Drill Bit

RED HELIX™ Cobalt Drill Bit

Step Drill Bit

STEP DRILL BITS

Designed to deliver jam-free performance, these are the first Step Drill Bits optimized for cordless drills in high speed. They provide contractors with greater control and precision from beginning to end, starting with the all-new RAPID STRIKE™ Tip, which prevents bit walking for fast, accurate starts that generate less heat.

SHOCKWAVE™ RED HELIX™ Titanium Drill Bits

Step Drill Bits

Hand Tools

The Hand Tool business delivered strong growth in 2015. Since the introduction of the category five years ago, MILWAUKEE® launched more new hand tools in 2015 than any prior year. With continued focus on our core trades, MILWAUKEE® built new innovative Hand Tool solutions that deliver increased durability and productivity to our users.

TAPE MEASURES

Offering 10X longer life than the competition, Tape Measures were a focused category again in 2015. Designed with a reinforced frame and nylon blade protection, these products represent the most durable tape measures in the market today.

25ft Magnetic Tape Measure
with Finger Stop

25ft Tape Measure
with Finger Stop

25ft Tape Measure

PLIERS

These products were redesigned from the ground up with optimized handle sizes and less overall weight, without sacrificing innovative features such as reaming edges for removing metal burrs on conduit.

12" Straight Jaw Pliers

9" High-Leverage Lineman's Pliers with Crimper

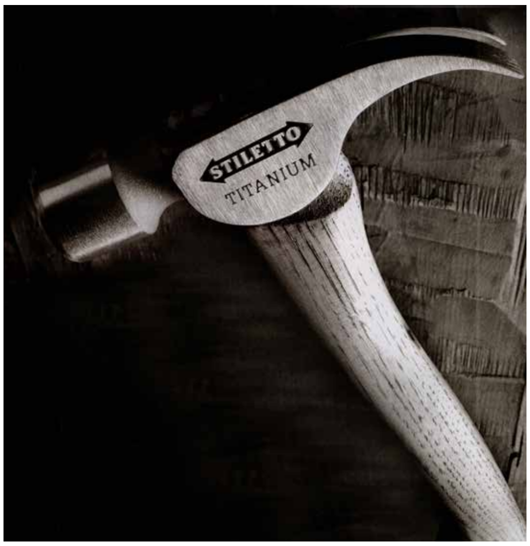
46" 8-Drawer Steel Storage Chest & Cabinet

STORAGE

The MILWAUKEE® line of storage products has been extremely successful, with the launch of a 20" Jobsite Organizer and the 46" Steel Storage Chest. These products will lead to more opportunity for future expansion.

Hand Tools

STILETTO® sets the standard with premium Titanium hand tools and hammers that are 45% lighter than steel, while providing the same striking force and strength. In addition, Titanium tools produce 10X less recoil shock, which means less downtime due to injury, more productivity and most importantly less pain while getting the job done.



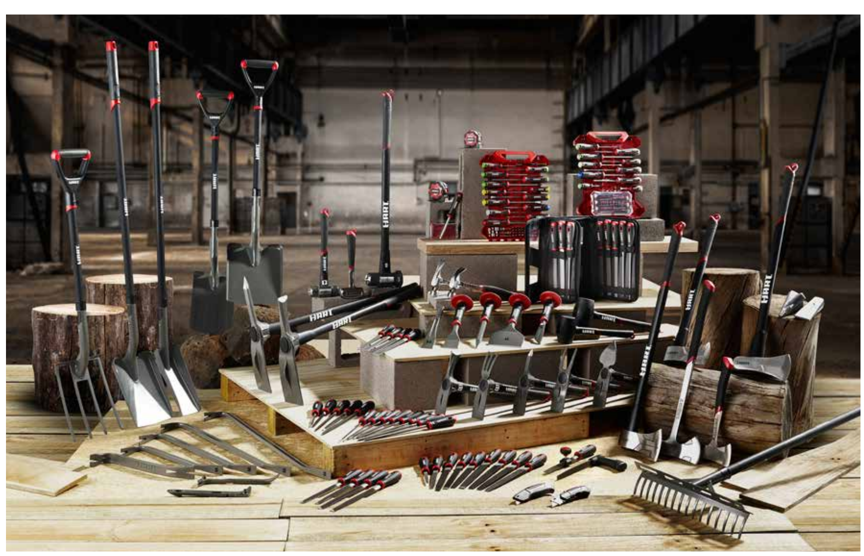
HART® Family of products focus on delivering innovative Signature Features that provide contractors with top quality materials to enhance productivity. Products ranges in Hammers, Sledges, Tiling Tools, Pry Bars, Clamps, Mattocks and Utility Tools insure you have the right products to complete every job.

HART® 15" Pry Bar

HART® 10" Nail Puller

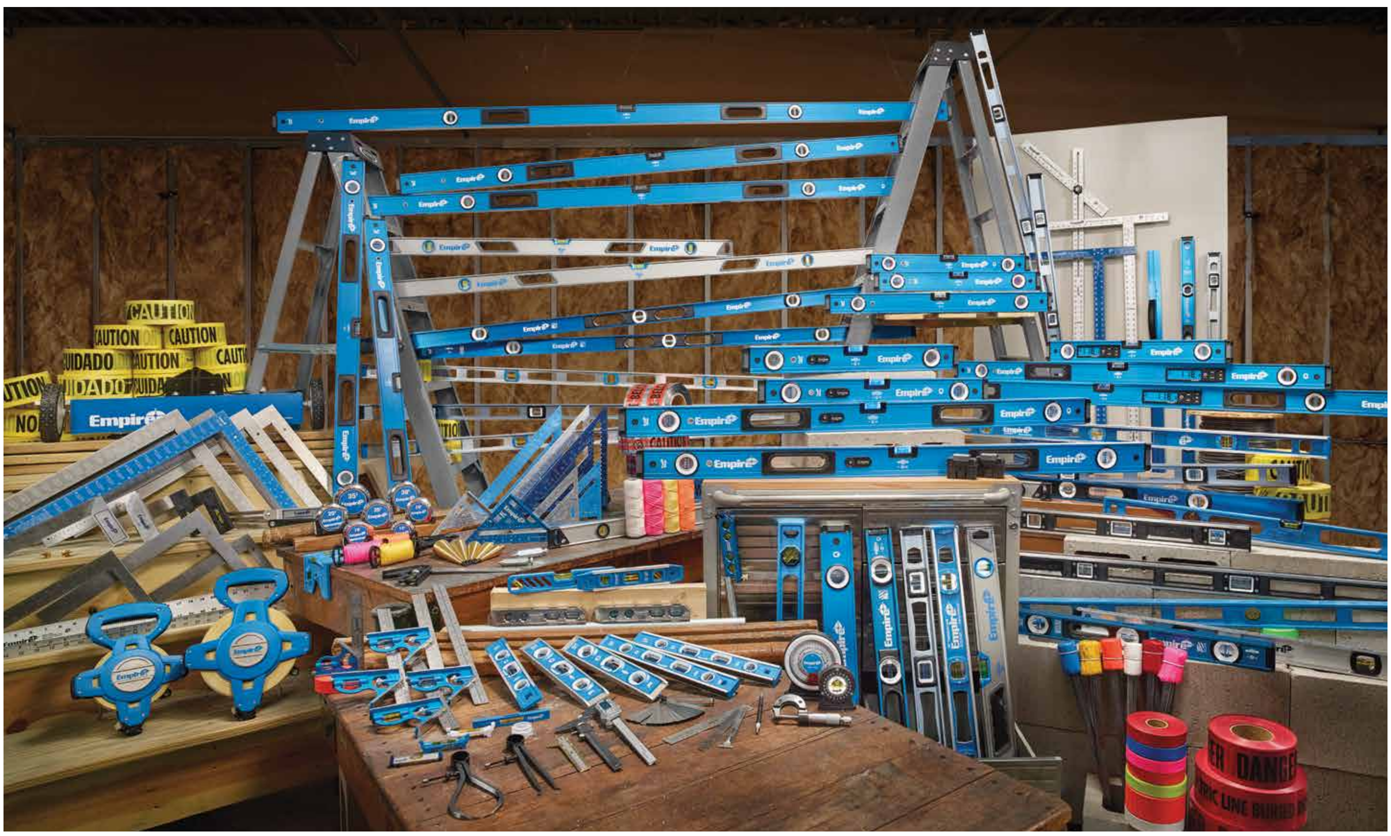
HART® 12" Double Ended Nail Puller

HART® Double Ended Nail Set



Layout and Measuring Tools

EMPIRE® had an impressive 2015, delivering double-digit market share growth. As the leader in the layout market, EMPIRE® has earned the trust of the construction trades by delivering a broad range of innovative solutions focused on layout applications. Replacing the revolutionary e50 I-Beam series, the upgraded e55 I-Beam levels provide the user with stronger magnets and a tougher, more durable frame. The new innovative line of Laser Etched Squares leverage ground breaking manufacturing technology creating products with permanent marking that are 2X more accurate. EMPIRE®'s innovative vial technology blows away the competition in readability, accuracy and durability. Each vial undergoes a rigorous 10-point quality inspection to ensure it delivers the precision and toughness required for true professional results.



LASER ETCHED™

Vial Technology

Professional Tools

AEG
POWERTOOLS

The AEG® Power Tools brand has been delivering high-performance tools since 1898. Over a 100 years later and nothing has changed, AEG® Power Tools continue to push boundaries and innovate with a current focus on the cordless sector, harnessing leading lithium ion power.

PRO 18v

At the heart of the Pro18v range lies 3 core technologies. These core technologies are built to offer tradesmen relentless power, instinctive technology and unstoppable runtime which set AEG® Pro18-volt tools apart from its competition.

18-volt Ultra Compact Impact Driver

18-volt SDS-Plus Rotary Hammer Drill

18-volt Pendulum Action Reciprocating Saw

18-volt Heavy Duty Angle Grinder

18-volt Orbital Sander

Cordless Family

18-volt Brushless Hammer Drill

BRUSHLESS

Four new BRUSHLESS tools added to the AEG® suite of professional grade options. Teamed with class leading 6.0Ah battery capacity, end users had great choice of upgrade tools to add to their collection.

AEG® 6.0Ah battery

Maintaining a compact size equal to its predecessor 5.0Ah, the new 6.0Ah battery delivers 50% longer runtime than 4Ah, is 100% backward compatible with all AEG® 18-volt tools.

18-volt Brushless 16Ga C Brad Nailer

18-volt Brushless
7-1/4" Circular Saw

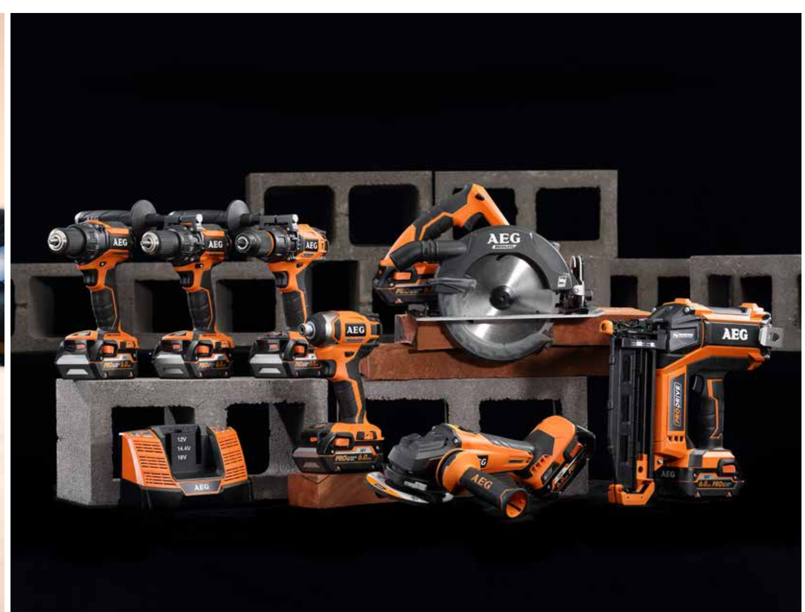
18-volt Brushless 5" Grinder

18-volt Heavy Duty
Brushless Hammer Drill

18-volt Compact Brushless
Hammer Drill

18-volt Brushless
Impact Driver

18-volt Brushless 7-1/4” Circular Saw



18-volt Brushless Family

Consumer and Professional Tools

The RYOBI® brand offers the most extensive award winning and innovative line of consumer focused products and accessories for worldwide use. The RYOBI® power tool range is anchored by the 18-volt ONE+® System of over 70 products, ranging from drills, drivers, saws and trimmers to sanders.

LITHIUM & LITHIUM+™

RYOBI® 18-volt ONE+® LITHIUM+™ High Capacity Battery Next generation lithium ion technology provides the end user with the best value and performance proposition in the marketplace.

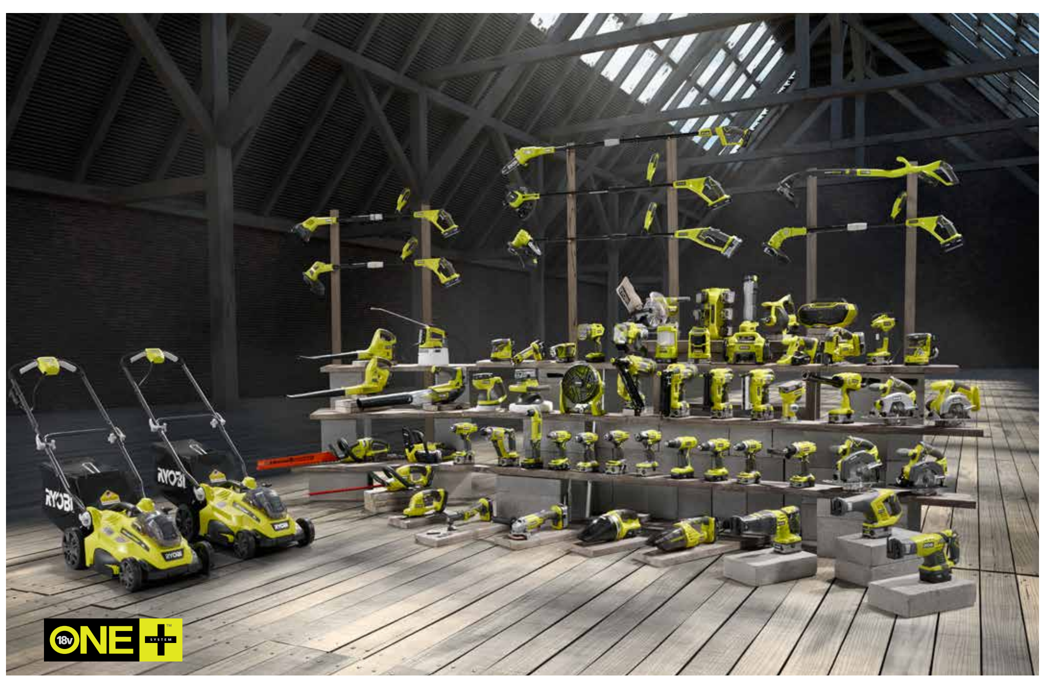
18-volt ONE+® 3-Speed Impact Driver

18-volt ONE+® Drain Auger

18-volt ONE+® SDS-PLUS® Rotary Hammer

18-volt ONE+® 6-Port Super Charger

ONE+® 18-volt Reciprocating Saw






AirStrike™

RYOBI® 18-volt ONE+® AIRSTRIKE™ Brad Nailer, Finish Nailer, Angled Finish Nailer and Narrow Crown Stapler features AIRSTRIKE™ Technology, which eliminates the need for noisy compressors, bulky hoses or expensive gas cartridges. This means faster setup and easier maneuvering on the job site or at home.

HYBRID



RYOBI® 18-volt ONE+® DUAL POWER family, featuring the 20 Watt LED Work LIght, Fan & Stereo with Bluetooth®

18-volt ONE+® Reciprocating Saw

18-volt ONE+® EVERCHARGE™ Hand Vacuum

ONE+® 18-volt AIRSTRIKE™ 16-Gauge Straight Finish Nailer

ONE+® 18-volt EVERCHARGE™ Hand Vacuum

Outdoor Products

RYOBI

RYOBI® Outdoor Products deliver the latest technology and features with the newest member of the 18-Volt ONE+® System – 18-volt LITHIUM+™ Outdoor Products – compatible with all RYOBI® ONE+® tools produced since 1996. LITHIUM+™ takes 18-volt lawn care to a new level with more power, runtime and features than previous models. Meanwhile, the ever-growing 40-volt system is currently made up of 15 tools, from blowers, trimmers, chainsaws to mowers.

18V LITHIUM

ONE+

LITHIUM & LITHIUM+™

RYOBI® 18-volt ONE+® LITHIUM+™ High Capacity Battery Next generation lithium ion technology provides the end user with the best value and performance proposition in the marketplace.

18V LITHIUM+ battery delivers extra-long run time.

18V ONE+® LITHIUM+™ 16" Cordless Lawn Mower

18-volt ONE+® LITHIUM+™ 13" Cordless String Trimmer/Edger

18V ONE+® LITHIUM+™ Cordless Jet Fan Blower

18V LITHIUM HYBRID

ONE+ Cordless OR Electric

18-volt ONE+® HYBRID Dual Power Hard Surface Blower

18-volt ONE+® HYBRID 16" Dual Power Lawn Mower

18-volt ONE+® HYBRID 12" Dual Power String Trimmer/ Edger

ONE+® 18-volt LITHIUM+™ Jet Fan Blower

40V LITHIUM

RYOBI® 40-volt lithium ion batteries provide fade free power and longer run time to over fifteen 40-volt tools.

40-volt Lithium Brushless 20" Cordless Lawn Mower

40-volt Lithium Brushless 20" Cordless Snow Blower

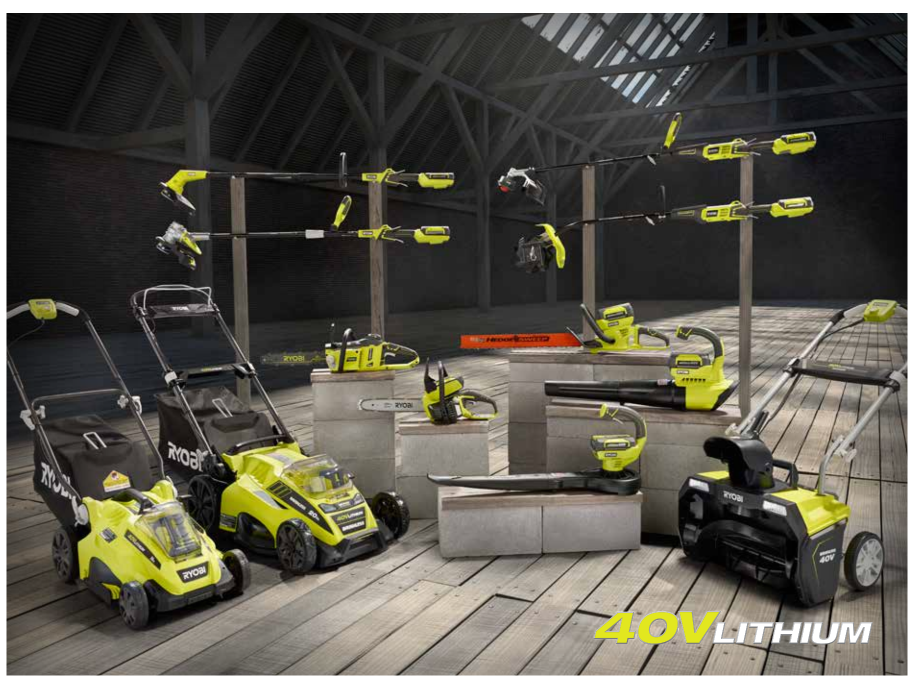
40-volt X Lithium 15" Cordless String Trimmer

40-volt Lithium Cordless Jet Fan Blower

40-volt Lithium 24" Cordless Hedge Trimmer

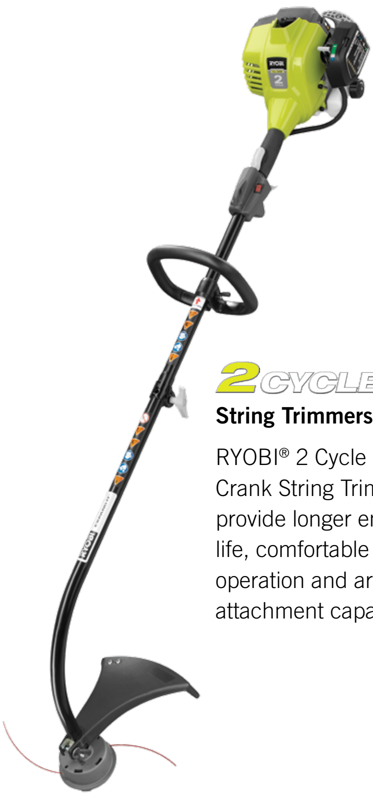
40-volt Lithium Brushless 14" Cordless Chainsaw

40-volt X EXPAND-IT String Trimmer



Outdoor Products

RYOBI® Outdoor Tools are engineered to deliver superior performance for every lawn and garden enthusiast. RYOBI® combines power, innovative features, and premium engines into a full line of gas and electric pressure washers, gas string trimmers, hedge trimmers, blowers, chainsaws, and generators. At an affordable price, high quality lawn equipment is within reach of every homeowner.



Gas Chainsaws

RYOBI® gas chainsaws feature powerful engines and an anti-vibe handle to tackle clearing jobs of all sizes.

2 CYCLE

String Trimmers

RYOBI® 2 Cycle Full Crank String Trimmers provide longer engine life, comfortable operation and are attachment capable.

2200 WATT

Inverter Generator

Designed for quiet operation and clean power, the RYOBI® Inverter Generator is capable of powering your most sensitive electronics. With a transport-friendly housing and a lightweight design, the Inverter Generator provides power anywhere you need it.

Pressure Washers

RYOBI® Pressure Washers are a reliable solution to virtually any pressure cleaning task around the home. Both gas and electric models offer premium features, best in class innovation, and quality cleaning at an affordable price.

2 Cycle Full Crank Trimmer

Pressure Washers

Homelite®

HOMELITE® Consumer Products manufactures a full line of Outdoor Power Equipment including string trimmers, blowers, chainsaws, hedge trimmers, pressure washers, generators and outdoor accessories for the consumer, do-it-yourself and garden enthusiast. HOMELITE® is dedicated to offering products that start easily and run reliably. No matter the task on your to-do list, HOMELITE® delivers dependable gas and electric outdoor products at an exceptional value.

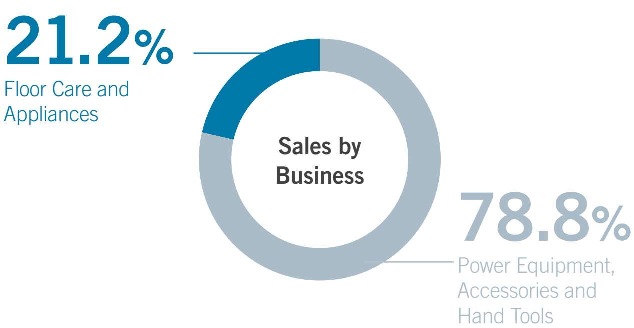
2700 PSI Gas Pressure Washer


2 Cycle Gas Blower

12 AMP Electric Chain Saw

Review of Operations

Floor Care and Appliances



Floor Care and Appliances

The Floor Care and Appliances business reported sales of US$1.0 billion. Accounting for 21.2% of the Group's revenue. On a global basis, Hoover and Oreck's business were up after adjusted for foreign currency. The overall division was down by 11.2%, primarily due to a mandated European Union (EU) Energy Labeling Directive and the strategic exit of certain low margin products and OEM businesses. We view these as episodic and the business will resume its normal course in the years to come. The business is primarily comprised of the HOOVER, ORECK, VAX and DIRT DEVIL brands.

In North America, our HOOVER cordless lithium range of stick and upright vacuums are gaining popularity. Standout products are the HOOVER LINX cordless stick that received industry recognition as the best cordless vacuum in a review by a respected consumer product testing group and the innovative HOOVER AIRLIFT deluxe cordless upright with a one-hand lift off canister. Dirt Devil launched a new range of Power series vacuums and hand held stick vacuums for the


HOOVER® Cordless FLOORMATE®


HOOVER® Air™ Cordless Lift

US and Canadian market, offering innovative design and outstanding value for the consumer. Our foundation of cordless innovation and leadership consumer design will fuel our growth going forward.

Commercial cleaning is an exciting category where we, prior to the Oreck acquisition, had limited penetration. We are aggressively expanding into this segment, which we expect to be one of the key growth drivers in floor care in the years to come. In 2015, growth in our commercial cleaning business under the HOOVER and ORECK brands was driven by the launch of new cordless platforms. Hoover introduced an industry leading range of 40V high performance cordless products for large area cleaning building upon HUSHTONE noise reduction technology, while Oreck launched a new 20V platform for small area commercial cleaning, for both wet and dry cleaning requirements. We have a product offering filled with innovation and a comprehensive intellectual property portfolio for future product development that will drive market change in the commercial cleaning industry.

In Europe, 2015 proved to be challenging as the industry absorbed key changes in eco-legislation and faced foreign currency headwinds, but benefited from substantial growth in the cordless category. VAX is the dominant brand in the UK upright and carpet washing segments with DIRT DEVIL brand a leader in the German robotic category. Most exciting was the continued success of our expanding cordless range with AIR Cordless Lift leading the way as the first full-sized cordless lift-off in the UK. With a large pipeline of products in development and marketing resources being deployed, we are focused on driving the industry and consumer shift to cordless cleaning.

ORECK® MAGNESIUM® RS

DIRT DEVIL® LIFT & GO®

VAX® Air™ Cordless

Floor Care and Appliances

As America's most recognized vacuum brand, HOOVER® is committed to helping busy families find easier ways to keep their home clean. That's why we continue to innovate and create new products like our new family of cordless vacuums – changing the way America cleans.

Cordless Upright | Cordless 2-in-1 | Cordless Lift | Cordless FLOORMATE® | AIRLIFT™ Deluxe | Power Path Pro Carpet Washer

NO CORD. NO COMPROMISE. LITHIUMLIFE™ Battery Technology gives you powerful, cordless freedom to clean where corded cleaners can't. Now it's easy to unplug from traditional cleaning.

Cordless Family

AIRLIFT™ Deluxe

We empower the cleaning professional with the tools to efficiently keep the commercial environments they maintain – clean, safe, and productive for the patrons and employees that depend on them. HOOVER® commercial floor cleaning products are idealy suited for the property management and hospitality markets.

HUSHTONE™ 6Q
Cordless Backpack

HUSHTONE™
Canister

HUSHTONE™ 6Q
Backpack

HUSHTONE™ 13

HUSHTONE™ 15

M-PWR™40V Battery

Dual-Bay Charger

Cordless Productivity.

Our new HUSHTONE™ Cordless Backpack is the first of its kind in the commercial market by offering continuous run-time delivering a 40% productivity advantage over corded equivalents. Continuous run-time is enabled by our M-PWR™40-volt system that provides the efficiency of a swap-on-the-go battery with 45 minutes of fade-free performance and a charge time of only 90 minutes. A dual-bay charger ensures a full battery is always ready to go.

HUSHTONE™ 6Q Cordless Backpack

HUSHTONE™ 13

Floor Care and Appliances

ORECK® delivers on a whole new level of clean and healthy homes. Our powerful yet lightweight vacuums, Microfiber cleaning tools and HEPA Air Purification systems provide whole home cleaning solutions. Our focus on service has created loyal consumers who come back to ORECK® for all of their cleaning needs.

Elevate Control™ Elevate Command™ Elevate Conquer™ MAGNESIUM® RS AirInstinct® 200 AIR REFRESH™

Welcome to an elevated level of clean. Lightweight materials and premium design combine to deliver maximum performance and a SaniSeal® system automatically locks in allergens, dirt and debris.

Elevate Conquer™

AIR REFRESH™

ORECK®
COMMERCIAL

ORECK® is for the professional who cleans and is looking for Lightweight, Easy to Deploy, Quick Cleaning Tools. ORECK® commercial products are ideal for use in food service and hospitality markets.

M-PWR™ 20V Lithium Battery and Charger

SLINGVAC™

TASKVAC™

HYDROVAC™

Cordless Versatility.

Go from high-traffic to small areas with flexible battery convenience. This M-PWR-20-volt lithium line is the first product launch under the ORECK® Commercial Brand and leverages its core traits of commercial performance in a lightweight design. Three different tools provide the users with the agility and performance to quickly conquer specific cleaning jobs without disrupting patrons in busy public spaces.

ORECK® Cordless

Floor Care and Appliances

2015 proved to be an exciting year for VAX® where product development was focussed on bringing real innovation to the hands of consumers. VAX® became one of the leading Cordless vacuum brands in the UK. TTI's expertise in battery technology enabled expansion and innovation in the range including the UK's first Cordless lift-out, delivering superior customer experience and driving success for VAX® in the cordless category.

Dynamo Cordless &
Dynamo Power Cordless

Air™ Cordless Switch, Air™ Cordless Lift & Air™ Cordless

Lithium-ion battery

Dynamo Power Cordless

Air™ Cordless Lift

DIRT DEVIL® is proud to have been the first vacuum purchase for generations and makes products for all household needs. From hand vacs to full size vacuums, DIRT DEVIL® is perfect to pick up small messes or for every day cleaning. Powerful yet affordable, DIRT DEVIL® makes cleaning easy with a bit of fun built in.

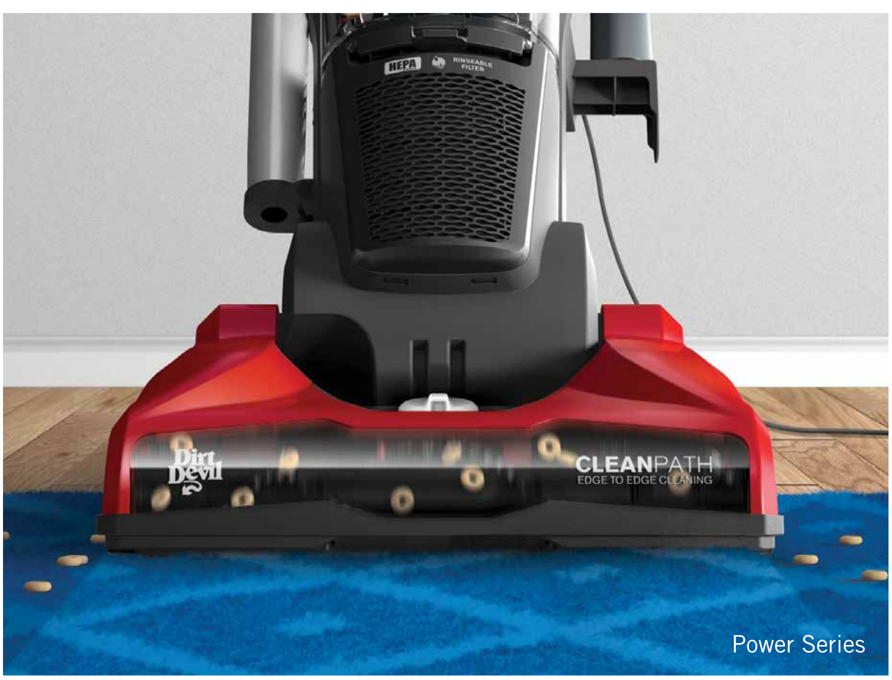
Power MAX™ Power Duo™ Power FLEX™ Pet Power MAX™ Pet

360 Reach®

Quick Flip®

FLIPOUT™

The Power Series of upright vacuums are designed to tackle life's messes. All have a patent pending horizontal cyclonic filtration system which give you greater access for cleaning and larger dirt cup capacity.



Power Series

FLIPOUT™ Lithium Powered Cordless Hand Vac

Board of Directors

Front row (from left to right)

Vincent Ting Kau Cheung
Independent Non-executive Director

Stephan Horst Pudwill
Group Executive Director
President of Strategic Planning

Horst Julius Pudwill MSc
Group Executive Director
Chairman

Joseph Galli Jr BSBA, MBA
Group Executive Director
Chief Executive Officer

Christopher Patrick Langley OBE
Independent Non-executive Director

Second row (from left to right)

Roy Chi Ping Chung BBS, JP
Non-executive Director

Manfred Kuhlmann
Independent Non-executive Director

Peter David Sullivan BS
Independent Non-executive Director

Camille Jojo
Non-executive Director

Frank Chi Chung Chan
ACA, FCCA, FCPA, CPA (Practising)
Group Executive Director
Group Chief Financial Officer

Patrick Kin Wah Chan FCCA, FCPA
Group Executive Director
Operations Director

Group Executive Directors

Horst Julius Pudwill MSc

Chairman

Mr Horst Julius Pudwill, aged 71, 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, Group Executive Director and President of Strategic Planning.

Joseph Galli Jr BSBA, MBA

Chief Executive Officer

Mr Joseph Galli Jr, aged 57, 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 56, 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, the Chairman of Houjie 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 ACA, FCCA, FCPA, CPA (Practising)

Group Chief Financial Officer

Mr Frank Chi Chung Chan, aged 62, 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 member of The Institute of Chartered Accountants in England & Wales, an associate of the Taxation Institute of Hong Kong 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.

Stephan Horst Pudwill

President of Strategic Planning

Mr Stephan Horst Pudwill, aged 39, joined the Group in 2004 and was appointed as Executive Director in 2006. 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.

Non-executive Directors

Roy Chi Ping Chung BBS, JP

Prof Roy Chi Ping Chung BBS JP, aged 63, 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 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 Bronze Bauhinia Star (BBS) Medal by the Hong Kong SAR Government on July 1, 2011. 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 and was the Chairman of the Federation of Hong Kong Industries until July 5, 2013. In addition, Prof Chung holds positions on a number of Hong Kong SAR Government advisory committees and is also an active member of many social committees and associations.

Prof Chung is also an Independent Non-executive Director of TK Group (Holdings) Limited and Fujikon Industrial Holdings Limited. Prof Chung retired as Independent Non-executive Director of Kin Yat Holdings Limited and KFM Kingdom Holdings Limited effective August 25, 2014 and August 27, 2015 respectively.

Camille Jojo

Mr Camille Jojo, aged 59, 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 committee member of the Law Society Insolvency Law Committee since 1996 and, recently, has been granted Higher Rights of Audience as a solicitor advocate in respect of civil proceedings in the Hong Kong Courts. 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, aged 71, was appointed as an Independent Non-executive Director in May 2001. He was formerly an Executive Director of The Hongkong and Shanghai Banking Corporation Ltd. Mr Langley maintains close ties with the business community in Hong Kong. He is currently a Non-executive Director of Lei Shing Hong Limited which has been delisted from the Stock Exchange of Hong Kong Limited on March 17, 2008. Mr Langley resigned as an Independent Non-executive Director of Winsor Properties Holdings Limited (now renamed as Vanke Property (Overseas) Limited) with effective from September 1, 2012 and retired as an Independent Non-executive Director of Dickson Concepts (International) Limited with effective from July 24, 2014, both of which companies are listed on the stock exchange of Hong Kong.

Manfred Kuhlmann

Mr Manfred Kuhlmann, aged 71, was appointed as an Independent Non-executive Director in 2004. He was General Manager of Dresdner Bank AG Hong Kong Branch between 1994 and 1998 and General Manager of Dresdner Bank AG Dubai before he retired in August 2004. Mr Kuhlmann is a graduate of the Banking Academy, Hamburg and has extensive experience in the finance and banking industry. Since 2005 he served as "Hamburg Ambassador" in the UAE to support the economic ties between Hamburg, Germany and the UAE. He retired from that position in May 2013 as he had moved his residence to Cyprus. Since July 2009 Mr Kuhlmann was a Non-executive Director and member of the Board of Avicenna Pharma Development FZLLC in Dubai, he retired from that position on December 31, 2010.

Peter David Sullivan BS

Mr Peter David Sullivan, aged 67, 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 has been appointed as a Non-executive Director to the boards of Standard Bank Group and The Standard Bank of South Africa Limited with effect from January 15, 2013. He is the Chairman and Non-executive Director of Healthcare Locums plc, and a Non-executive Director of Winton Capital plc, AXA ASIA and AXA China Region Insurance Company Limited. 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 is 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).

Vincent Ting Kau Cheung

Mr Vincent Ting Kau Cheung, aged 74, 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.

Management's Discussion and Analysis

Financial Review

Financial Results

Result Analysis

The Group's revenue for the year amounted to US$5.0 billion, an increase of 6.0% as compared to US$4.8 billion in 2014. Profit attributable to Owners of the Company amounted to US$354 million as compared to US$300 million in 2014, an increase of 18.0%. Basic earnings per share for the year improved to US19.37 cents as compared to US16.41 cents in 2014.

EBITDA amounted to US$570 million, an increase of 14.1% as compared to US$500 million in 2014.

EBIT amounted to US$400 million, an increase of 14.0% as compared to US$351 million in 2014.

Gross Margin

Gross margin improved to 35.7% as compared to 35.2% last year. The margin improvement was the result of new product introduction, category expansion, improvements in operational efficiency and supply chain productivity.

Operating Expenses

Total operating expenses for the year amounted to US$1,403 million as compared to US$1,326 million in 2014, representing 27.9% of turnover (2014: 27.9%). The increase was mainly due to the strategic spent on advertising and promotion on new products, and the one time costs associated with the exiting of non-strategic Floor Care operations.

Investments in product design and development amounted to US$128 million, representing 2.5% of turnover (2014: 2.5%) reflecting our continuous strive for innovation. We will continue to invest to create 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$13 million as compared to US$25 million in 2014, a reduction of US$12 million or 48.8%. Interest coverage, expressed as a multiple of EBITDA to total interest was 24.8 times (2014: 13.0 times).

The effective tax rate, being tax charged for the year to before tax profits was at 8.5% (2014: 7.9%). The Group will continue to leverage its global operations to sustain the overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$2.2 billion as compared to US$2.0 billion in 2014. Book value per share was at US$1.18 as compared to US$1.07 last year, an increase of 10.3%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2015, the Group's cash and cash equivalents amounted to US$775 million (2014: US$690 million), of which 40.6%, 26.6%, 14.0% and 18.8% were denominated in US$, RMB, HK$ 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 13.4% as compared to 10.0% last year. Excluding the one time cash charge of US$70 million for the purchase of the Group's head office premise in Hong Kong, the net gearing was at 9.9%. The group remains confident that gearing will remain low going forward.

Bank Borrowings

Long term borrowings accounted for 42.9% of total debts (2014: 36.3%).

The Group's major borrowings continued to be in US Dollars and in HK Dollars. Borrowings are predominantly LIBOR or Hong Kong best lending rates based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Working Capital

Total inventory was at US$1,190 million as compared to US$1,056 million in 2014. Days inventory increased by 5 days from 81 days to 86 days. The increase 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 60 days as compared to 59 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 55 days as compared to 54 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 84 days as compared to 87 days in 2014.

Working capital as a percentage of sales was at 17.0% as compared to 14.6% in 2014.

Capital Expenditure

Total capital expenditures for the year amounted to US$232 million (2014: US$154 million), including US$70 million of office premises located in Hong Kong.

Capital Commitments and Contingent Liabilities

As at December 31, 2015, total capital commitments amounted to US$23 million (2014: US$12 million) and there were no material contingent liabilities 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, 2015

(i) the Group's largest customer and five largest customers accounted for approximately 42.7% and 52.3% respectively of the Group's total revenue; and

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 4.6% and 16.6% 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 20,517 employees as at December 31, 2015 (2014: 20,081) in Hong Kong and overseas. Total staff cost for the year under review amounted to US$727 million (2014: US$678 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 organisation. 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 floor care 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 outside the U.S. and we have spent relentless efforts to expand or 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.

Purchase, Sale or Redemption of Securities

Other than for satisfying the awarded shares granted under the Company's share award scheme (details of which will be set out 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, 2015. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK23.25 cents (approximately US2.99 cents) per share with a total of approximately US$54,871,000 for the year ended December 31, 2015 (2014: HK19.00 cents (approximately US2.45 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 27, 2016. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 24, 2016. This payment, together with the interim dividend of HK16.00 cents (approximately US2.06 cents) per share (2014: HK12.50 cents (approximately US1.61 cents)) paid on September 25, 2015, makes a total payment of HK39.25 cents (approximately US5.05 cents) per share for 2015 (2014: HK31.50 cents (approximately US4.05 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 2016 Annual General Meeting, the register of members of the Company will be closed from May 19, 2016 to May 20, 2016, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2016 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 18, 2016.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 27, 2016 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 26, 2016.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance to enhance shareholders' interests and promote sustainable development. The Company emphasises a quality board of directors (the "Board") for leadership and effective internal controls, transparency and accountability to all shareholders. The Board reviews the codes and practices of corporate governance and the disclosure of this Corporate Governance Report, from time to time, to improve the Company's corporate governance practices with regards to the latest developments on all applicable laws, rules and regulations.

Compliance with the Corporate Governance Code

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, 2015, save that:

1. 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.
2. Mr Horst Julius Pudwill (Chairman of the Board) and Mr Joel Arthur Schleicher (an Independent Non-executive Director), who has retired after conclusion of the annual general meeting of the Company held on May 22, 2015 (the "2015 Annual General Meeting"), were unable to attend the 2015 Annual General Meeting due to business reason and prior engagement respectively.

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

The Board develops, reviews and monitors the corporate governance policies and practices to ensure compliance with the Company's Articles of Association and the laws, rules and regulatory requirements governing the Group. The Board performs the corporate governance function by, but not limited to, the following:

- review the disclosure set out in this Corporate Governance Report and the compliance of the Corporate Governance Code.
- monitor and review 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 training and continuous professional development of Directors and senior management.

Board of Directors

Roles and Responsibilities

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

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

The Company has adopted formal written procedures, which are reviewed regularly, in order to govern the delegation of daily management responsibilities to the senior management of the Group, as well as to monitor the delegation and the reservation to the Board of specifically identified matters.

Board Composition

As at the date of this report, the Board consists of five Group Executive Directors, two Non-executive Directors and four 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 Joseph Galli Jr (Chief Executive Officer)
Mr Kin Wah Chan (Operations Director)
Mr Chi Chung Chan (Group Chief Financial Officer)
Mr Stephan Horst Pudwill (President of Strategic Planning)

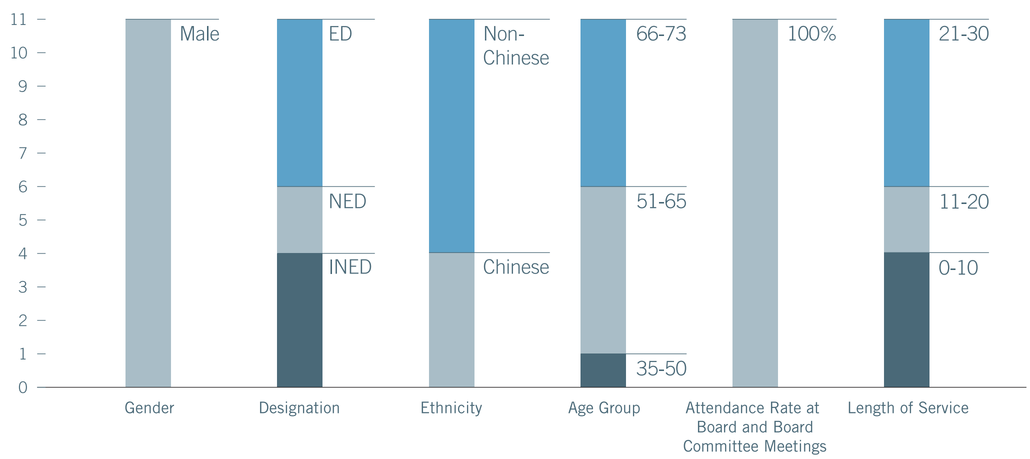
Non-executive Directors

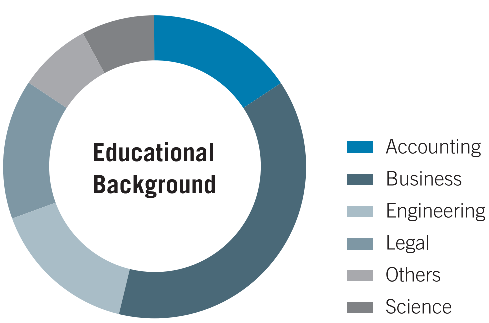
Prof Roy Chi Ping Chung BBS JP
Mr Camille Jojo

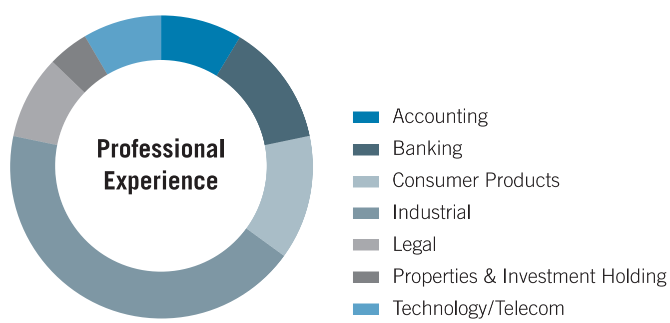
Independent Non-executive Directors

Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung

Number of Directors







The biographical details and relevant relationships of the members of the Board are set out on pages 38 to 41 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).

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

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

- monitor corporate governance practices and procedures and ensure good practices and procedures are established.
- encourage all Directors to make full and active contributions to the Board's affairs and take the lead to ensure the Board acts in the best interests of the Company.
- make sure all Directors receive timely, accurate and reliable information and are properly briefed on issues arising at Board meetings.
- lead the Board to ensure it performs effectively and discharges its responsibilities.
- ensure appropriate steps are taken to provide effective communication with shareholders and that the views of shareholders are communicated to the Board as a whole.

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

- provide leadership for the global management team in the Group's daily operations.
- enhance the global sales potential of the Company's strong brand portfolio and facilitate the integration of acquisitions, if any.

Directors are aware that they must be able to contribute sufficient time and attention to the affairs of the Company before accepting his appointment as Director. A formal orientation, which details the 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, is provided for each newly appointed Director. 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.

Appropriate Directors' and Officers' liability insurance cover has been arranged 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.

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. As at the date of this report, 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. Furthermore, each 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. The Company has received annual confirmation of independence from each of the Independent Non-executive Directors and still considers them to be independent.

Directors' Continuous Professional Development

All Directors are provided with regular training, updates and written materials on relevant laws, rules and regulations to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. The Directors are encouraged to participate in various professional development programs especially in relation to the latest updates on relevant rules, regulations and compliance requirements to develop and refresh their knowledge and skills in order to ensure that the Directors' contribution to the Board remains informed and relevant.

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 all Directors in 2015 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 Joseph Galli Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr Chi Chung Chan	√	√	√
Mr Stephan Horst Pudwill	√	√	
Non-executive Directors			
Prof Roy Chi Ping Chung BBS JP	√	√	√
Mr Camille Jojo	√	√	√
Independent Non-executive Directors			
Mr Christopher Patrick Langley OBE	√	√	√
Mr Manfred Kuhlmann	√	√	
Mr Peter David Sullivan	√	√	
Mr Vincent Ting Kau Cheung	√	√	√

Compliance with the Codes for Securities Transactions

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiries have been made with all Directors who have confimed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2015.

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

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

There are at least four scheduled Board meetings in a year, with more frequent meetings as and when required to facilitate the effectiveness of the Board. All Directors are provided with timely, reliable and complete information on the affairs of the Group, and have access to all related materials in relation to the Board's issues to enable informed decisions with sufficient details. All Directors receive support from and access to the Company Secretary of the Company (the "Company Secretary") 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 at their request, as well as to independent professional advice on performing their duties at the Company's expense. To ensure a proper 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.

Four Board meetings were held in 2015. The attendance records of each Director are set out in the section "Board, Board Committee and General Meetings in 2015" at the end of this report. 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 kept in safe custody by the Company Secretary, are sent to the Directors for comment and records, and are open for inspection by the Directors. To facilitate maximum attendance of Directors, Board meeting, Board Committee meeting and Annual General Meeting dates for 2016 were agreed upon at the Board meeting held in August 2015.

Board Committees

The Board has set up 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).

All Board Committees are formed by a majority of Independent Non-executive Directors with regular attendance and active participation to ensure independent views and opinions contributed and expressed at the Board Committee meetings. The Board monitors and oversees 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 "Board, Board Committee and General Meetings in 2015" at the end of this report.

Audit Committee

The Audit Committee is formed by three Independent Non-executive Directors and chaired by Mr Peter David Sullivan with other members being Mr Manfred Kuhlmann and Mr Vincent Ting Kau Cheung (who has been appointed in replacement of Mr Joel Arthur Schleicher with effect from May 22, 2015). Each member of the Audit Committee has professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

The Audit Committee aims to ensure the compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations as well as effectiveness of the internal control system. It also oversees the integrity of the financial statements of the Company. 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 2015 and performed duties summarised below:

- review the Group's risk management and internal controls.
- perform regular update and review on internal audit of the Group.
- review the interim and annual financial statements of the Group before submission to the Board.
- recommend the re-appointment of the external auditors and review the audit and non-audit services provided by the external auditors.
- review the Group's accounting principles and practices, significant financial matters and financial reporting matters.

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 Manfred Kuhlmann. All members except Mr Horst Julius Pudwill are Independent Non-executive Directors.

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. In their recommendations, the Nomination Committee considers factors including, but not limited to, ethics, professional knowledge, integrity, industry experience and personal skills as well as the ability to contribute sufficient time and attention to the Board when considering suitable candidates of Directors.

The Nomination Committee held two meetings in 2015. The work performed by the Nomination Committee in 2015, with sufficient resources provided by the Company and/or independent professional advice when necessary, included:

- assess the independence of Independent Non-executive Directors.
- review the Board Diversity Policy and the Nomination Policy.
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2015 Annual General Meeting.
- review of the structure, size and composition of the Board on a regular basis.

The Board has adopted the Board Diversity Policy with recommendation from the Nomination Committee 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, cultural and educational background, 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 46 of this report.

Remuneration Committee

The Remuneration Committee is formed by four Independent Non-executive Directors and is chaired by Mr Vincent Ting Kau Cheung with the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann and Mr Peter David Sullivan.

The Remuneration Committee aims to develop and administer 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 determine their remuneration packages, on the basis of their competence, merit and qualifications, and having regard to individual performance, the Company's operating results, 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 two meetings in 2015 and performed, among other work, the following:

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

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

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

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

During the year ended December 31, 2015, a total of 1,800,000 shares had been awarded under the Scheme, representing 0.12% of the issued share capital of the Company as at the Adoption Date, to five Directors of the Company. The total payout, including related expenses, amounted to US$6,023,000.

As at December 31, 2015, details of the awarded shares under the Scheme were as follows:

		Number of shares						
Name of Directors	Date of Award	As at January 1, 2015	Awarded during the year	Vested during the year	Lapsed during the year	As at December 31, 2015	Vesting Period	Closing price at the Date of Award
Horst Julius Pudwill	18.9.2014	350,000	—	(116,500)	—	233,500	18.9.2015 - 18.9.2017	HK$22.50
Horst Julius Pudwill	26.9.2014	174,000	—	(58,000)	—	116,000	26.9.2015 - 26.9.2017	HK$22.10
Joseph Galli Jr	17.12.2014	300,000	—	(100,000)	—	200,000	17.12.2015 - 17.12.2017	HK$25.85
Horst Julius Pudwill	15.10.2015	—	500,000	—	—	500,000	15.10.2016 - 15.10.2017	HK$27.10
Joseph Galli Jr	15.10.2015	—	1,000,000	—	—	1,000,000	15.10.2016 - 15.10.2017	HK$27.10
Kin Wah Chan	15.10.2015	—	100,000	—	—	100,000	15.10.2016	HK$27.10
Chi Chung Chan	15.10.2015	—	100,000	—	—	100,000	15.10.2016	HK$27.10
Stephan Horst Pudwill	15.10.2015	—	100,000	—	—	100,000	15.10.2016	HK$27.10

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$26.00. The average fair value of the awarded shares is based on the average purchase cost.

Company Secretary

The Company Secretary is responsible for facilitating information flow and communication among Directors as well as with Shareholders and management of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is also responsible for ensuring that Board procedures are followed. The Company Secretary is an employee of the Company and is appointed by the Board. During 2015, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

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.

Internal Controls

The Board is responsible for approving and reviewing key internal control policies which include the treasury management policy, delegated authorities, policy on market disclosure, investor and media relations and non-audit services. To maintain a sound and effective internal control system, the Board conducts an annual review of the effectiveness of the internal control system of the Company, which is designed to manage and minimise risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's internal control system that has been put in place. The reviews covering financial, operational, and compliance controls and risk management performed in 2015 included:

- the delegated authorities and organisation structure as well as the strategic and annual operating plan.
- 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 risk management process including formal risk assessment at the enterprise level upon discussions with senior management responsible for day-to-day management of significant risks.
- the performance and adequacy of accounting and financial reporting functions.

External Auditors

Deloitte Touche Tohmatsu, the external auditors of the Group, provided the following audit and non-audit services to the Group in 2015:

Nature of Services	Amount (US$ million)
External Audit Services	2.4
Taxation Services	—
Other Services	0.1

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 2015 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 Shareholders' Communication Policy, which primarily covers the current practices for communicating with shareholders and is published on the Company's website (www.ttigroup.com), was adopted by the Board on March 22, 2012. 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 "Corporate Information" of this annual report).

Procedure for putting forward proposals at general meetings

Pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), 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 (Chapter 622 of the laws of Hong Kong) for further details.

Constitutional Document

In response to the introduction of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) on March 3, 2014, the new Articles of Association of the Company were adopted at the 2015 Annual General Meeting so as to incorporate key changes under the Companies Ordinance (Chapter 622 of the laws of Hong Kong). 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 2015

A summary of attendance of Board, Board Committee and general meetings in 2015 are detailed in the following table:

	Meetings attended/Held in 2015				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Number of meeting(s) held during the year	4	4	2	2	1
Group Executive Directors					
Mr Horst Julius Pudwill	4/4		2/2		0/1[4]
Mr Joseph Galli Jr	4/4				1/1
Mr Kin Wah Chan	4/4				1/1
Mr Chi Chung Chan	4/4				1/1
Mr Stephan Horst Pudwill	4/4				1/1
Non-executive Directors					
Prof Roy Chi Ping Chung BBS JP	4/4				1/1
Mr Camille Jojo[1]	0/0[1]				0/0[1]
Independent Non-executive Directors					
Mr Joel Arthur Schleicher[2]	3/3[2]	3/3[2]		1/1[2]	0/1[5]
Mr Christopher Patrick Langley OBE	4/4		2/2	2/2	1/1
Mr Manfred Kuhlmann	4/4	4/4	2/2	2/2	1/1
Mr Peter David Sullivan	4/4	4/4		2/2	1/1
Mr Vincent Ting Kau Cheung	4/4	1/1[3]	2/2	2/2	1/1
Date(s) of meeting(s)	20.1.2015 18.3.2015 21.5.2015 19.8.2015	20.1.2015 16.3.2015 21.5.2015 18.8.2015	17.3.2015 18.8.2015	17.3.2015 18.8.2015	22.5.2015

Notes:

(1) Mr Camille Jojo was appointed as Non-executive Director on October 30, 2015.

(2) Mr Joel Arthur Schleicher retired as Independent Non-executive Director after conclusion of the 2015 Annual General Meeting.

(3) Mr Vincent Ting Kau Cheung was appointed as a member of the Audit Committee in replacement of Mr Joel Arthur Schleicher with effect from May 22, 2015.

(4) Mr Horst Julius Pudwill (the Chairman of the Board) was unable to attend the 2015 Annual General Meeting due to business reason.

(5) Mr Joel Arthur Schleicher was unable to attend the 2015 Annual General Meeting due to prior engagement.

Environmental, Social and Governance Report

Message from the CEO

TTI continually strives to be a socially responsible global citizen. Our commitment to sustainability creates value for our shareholders and customers and reduces the impact we have on the environment. As an industry leader in battery-powered power tools and power equipment, TTI pioneered the shift from nickel-cadmium batteries to lithium-ion batteries, which are more efficient and have a longer useful life, thus reducing the frequency with which consumers must replace their batteries. TTI's environmentally-conscious innovation is a large part of TTI's commitment to sustainability, and we plan to continue to solidify our leadership position in the industry as a product innovator, while remaining steadfast to protecting the environment. As a leader in innovation, we will continue to dedicate ourselves to delivering world-class, high-quality, safe, and environmentally friendly products to our customers. We also believe that it is in our and our stakeholders' best interests to participate in a global marketplace in which companies compete fairly, free of corruption, and we will continue to foster cultures and policies in keeping with that belief. We are also committed to providing a safe and personally rewarding workplace for our employees, who are key to our success.

Scope of Report

While TTI has numerous manufacturing and other facilities across the world, TTI's largest facility is located in the Asia Industrial Park (AIP) in Dongguan, the People's Republic of China (PRC) which employs over 11,000 workers across a wide variety of disciplines, and has the potential for the greatest environmental impact.

Working Conditions

The workforce at AIP comprises of: (1) workers who work on the production line and operate machinery; (2) workers who serve support functions, such as quality control inspectors and warehousing; and (3) professional and other staff, such as technical designers and engineers.

We recognize the need to have a skilled/competent workforce and have made and continue to make efforts to attract new talent through partnerships with various Chinese universities. We also organically develop new talent through internship programs, as well as training and rotation programs that allow workers to develop diverse skills and receive incentives for their efforts. As a means to maintain and retain a talented workforce, AIP continually offers numerous amenities and social activities for its employees.

In May, 2015, the provincial government of Guangdong raised the minimum monthly base salary. Accordingly, Guangdong's new minimum monthly base salary was increased to the current rate already being paid by TTI to its employees. TTI examined its existing compensation scheme at AIP, and adopted a new compensation policy not only raising its current minimum monthly base, already in compliance with Guangdong's new minimum monthly base salary, but reviewed the salaries of those employees unaffected by this change for potential upward adjustments. TTI also increased seniority pay, increased meal subsidies and initiated an Invention Reward Policy compensating engineers whose innovative ideas have been commercially successful and patents have been granted. We also comply with all applicable laws and regulations regarding overtime compensation.

Health and Safety

TTI established an Environmental, Health, and Safety (EHS) committee and PRC Production Safety Standards. The EHS committee is responsible for overseeing the implementation and continual monitoring of key health-and-safety-related issues, including conducting regular safety inspections, monitoring high risk operations, identifying and monitoring occupational harmful factors and providing safety equipment, providing for occupational health exams and maintaining related records, and continually monitoring laws and regulations to ensure compliance. Through its policies and standards, the EHS committee strives to eliminate work-related injuries. In fact, the total rate of workplace injuries has continually decreased each year since the establishment of the EHS committee and PRC Production Safety Standards. In 2015, work-related injuries were down 4 percent (4%) from 2014.

Environmental Protection

For many years, TTI has strived to reduce its carbon emissions through a number of different programs and initiatives and was hailed as the first global manufacturer to receive the Intertek Solutions Think Green Initiative (TGI) Achievement Award in 2010 due to those efforts. TTI has continued these efforts in order to preserve a sustainable environment for generations to come.

TTI is committed to reducing its impact on the environment in innovative ways throughout its operations. We have identified many win-win opportunities that allow us to reduce costs and carbon emissions simultaneously. In 2015, we adopted a number of measures that limited the impact of our operations on the environment, such as reducing our carbon emissions by 1,744 tons and creating energy savings by using recycled water from the water treatment station to supply the plant, replacing various lighting sources with LED tubes, installing energy-conserving boilers, and replacing energy-consuming motors with energy-conserving motors. TTI's commitment to the environment further includes our ongoing recycling of waste materials including plastic, wood, metal, and paper, as well as our reuse of packing materials. TTI also partners with Home Depot to recycle batteries, and its subsidiaries work with various organizations in the countries where they are located to have drop-off sites for used batteries to encourage recycling.

Additionally, we require our business partners to comply with all relevant local and international environmental regulations and standards, and also require that they assign responsibility for environmental matters to a senior management representative. We also encourage our business partners to adopt initiatives to reduce the environmental impact of their operations.

Operating Practices – Product Responsibility

Conflict Minerals

TTI, acting in conjunction with many of our partners and in an effort to ensure an ethical supply chain, has adopted a comprehensive Conflict Minerals Policy, which applies not only to TTI and its related entities, but also down the supply chain. The policy establishes a mandatory framework for TTI and its suppliers for conducting due diligence and a Reasonable Country of Origin Inquiry ("RCOI"), requiring TTI's suppliers to agree to the terms of the policy and assist TTI with identifying the source of any gold, tungsten, tin, or tantalum (together "3TG") that has been used in TTI's products.

Quality Control

TTI has established and integrated a Quality Management System (QMS) based on the quality system requirements defined by applicable laws and regulations. The quality management system scope covers TTI's products and services and the management of outsourced activities for which the Group retains overall responsibility. TTI ensures the suitability and effectiveness of the quality system at defined intervals and with sufficient frequency according to established procedures to ensure that the quality system is compliant with all applicable requirements, policies and objectives.

TTI management ensures that the Quality Management System procedures are implemented in order to make employees aware of the importance of meeting customer requirements, as well as statutory and regulatory requirements. Policies and objectives are established and communicated, and regular management review is conducted to review performance of the Quality Management System. TTI management also ensures that appropriate communication processes are established within the company to include departmental internal meeting and internal publication. The performance effectiveness of the Quality Management System, issues related to policies and execution plans, management requirements and changes, and hazardous substances information is routinely communicated to relevant staff at TTI.

Product Recalls

TTI takes its commitment to product safety seriously, using rigorous product protocols to ensure that products being manufactured at its facilities are free from defect. In the event that a manufacturing defect is detected, TTI has detailed recall procedures in place to institute prompt and effective remedial action. These procedures help minimize the amount of distributed product that are recalled and help ensure high rates of retrieval and return of recalled product. These procedures identify decision makers and team members and assign particular duties to particular roles allowing for immediate action in all impacted regions across the globe.

Operating Practices – Anti-corruption

TTI is committed to compliance with all applicable anti-corruption laws and regulations and prohibits its employees or anyone acting on behalf of its companies and its business partners from offering, making, or receiving any bribes or kickbacks, giving anything of value for the purpose of securing an improper business advantage, or otherwise engaging in corrupt activities or practices. We further encourage our employees and business partners to promptly report violations of any law or policy so that they may be dealt with appropriately.

Complaint Resolution Policy

To encourage the reporting of conduct that is offensive to TTI's Code of Conduct, applicable laws or regulations, or activities that otherwise run counter to TTI's policies, and in order to ensure compliance with our commitment to conducting business ethically, we adopted a policy in 2010 that allows anyone to report activity without fear of reprisal. There is a single, streamlined process that allows the complainant to identify himself or herself or to remain anonymous. Individuals have the option to report directly to the General Counsel or to an independent third party retained to operate the hotline. Reporting can be done by phone, email, fax, or online.

Community Involvement

At TTI, we encourage individual participation and involvement in community affairs. We actively engage with the community as part of our internship program, wherein we visit campuses and host interviews. We hire up to 50 interns per year at AIP allowing students to gain practical experience in their areas of study. These students often come to work for TTI upon graduation. In addition, we offer extended skills-based training in our machine shop, allowing candidates the opportunity to learn how to operate machinery, with the potential for later joining the TTI team as an employee.

At the AIP facility, our employees also have many opportunities to give back to the local community and many of them do so. These volunteers spend time visiting and engaging with the elderly in nursing homes, host food and clothing drives, and send aid to victims of disasters. TTI proudly supports these employees in giving back to the local community by outfitting them with the necessary tools and equipment to complete high quality work in the most efficient manner.

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, 2015.

Principal Activities and Business Review

The Company acts as an investment holding company.

The principal activities of the principal subsidiaries and associate are set out in Notes 51 and 52 to the financial statements, respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the 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 since the end of the financial year 2015, 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 respectively. The above sections form part of this report.

Results and Appropriations

The results of the Group for the year ended December 31, 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68.

An interim dividend of HK16.00 cents (approximately US2.06 cents) per share amounting to approximately US$37,726,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK23.25 cents (approximately US2.99 cents) per share to the shareholders on the register of members on May 27, 2016, amounting to approximately US$54,871,000.

Property, Plant and Equipment

The Group continued to expand its business and during the year spent approximately US$74,510,000 on leasehold land and building, acquired moulds and tooling for approximately US$16,958,000, office equipment, furniture and fixtures for approximately US$13,024,000 and plant and machinery for approximately US$23,591,000. 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 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 financial statements.

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

Non-executive Directors:

Prof Roy Chi Ping Chung BBS JP
Mr Camille Jojo (appointed on October 30, 2015)

Independent Non-executive Directors:

Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung
Mr Joel Arthur Schleicher (retired after the conclusion of the annual general meeting of the Company held on May 22, 2015)

In accordance with Article 107(A) of the Company's Articles of Association, Messrs. Kin Wah Chan, Roy Chi Ping Chung, Christopher Patrick Langley and Manfred Kuhlmann will retire at the forthcoming Annual General Meeting, being eligible, will offer themselves for re-election. In accordance with Article 98 of the Company's Articles of Association, Mr Camille Jojo, who was appointed during 2015, shall retire at the forthcoming Annual General Meeting, being eligible, will offer himself for re-election.

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, 2015 and during the period from January 1, 2016 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, 2015, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of directors	Capacity/Nature of interests	Interests in shares (other than pursuant to equity derivatives)[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	149,443,500[2]	398,000	366,761,294	20.00%
	Interests of spouse	760,000	—		
	Interests of controlled corporation	216,159,794[3]	—		
Mr Joseph Galli Jr	Beneficial owner	2,183,000[4]	1,000,000	3,183,000	0.17%
Mr Kin Wah Chan	Beneficial owner	100,000[5]	1,250,000	1,350,000	0.07%
Mr Chi Chung Chan	Beneficial owner	400,000[6]	1,250,000	1,650,000	0.09%
Mr Stephan Horst Pudwill	Beneficial owner	4,959,500[7]	2,250,000	41,217,000	2.25%
	Beneficiary of a trust	34,007,500[8]	—		
Prof Roy Chi Ping Chung BBS JP	Beneficial owner	49,005,948	150,000	86,230,978	4.70%
	Interests of controlled corporation	37,075,030[9]	—		
Mr Christopher Patrick Langley OBE	Beneficial owner	200,000	150,000	350,000	0.02%
Mr Manfred Kuhlmann	Beneficial owner	—	500,000	500,000	0.03%
Mr Peter David Sullivan	Beneficial owner	—	800,000	800,000	0.04%
Mr Vincent Ting Kau Cheung	Beneficial owner	2,920,000	1,000,000	3,920,000	0.21%

Notes:

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

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

(2) These included Mr Horst Julius Pudwill's interests in 1,024,000 awarded shares, of which 849,500 awarded shares remained unvested under the Share Award Scheme as of December 31, 2015. Details of Mr Horst Julius Pudwill's awarded shares are set out in the Corporate Governance Report.

(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 Joseph Galli Jr's interests in 1,300,000 awarded shares, of which 1,200,000 awarded shares remained unvested under the Share Award Scheme as of December 31, 2015. Details of Mr Joseph Galli Jr's awarded shares are set out in the Corporate Governance Report.

(5) These included Mr Kin Wah Chan's interests in 100,000 awarded shares, which remained unvested under the Share Award Scheme as of December 31, 2015. Details of Mr Kin Wah Chan's awarded shares are set out in the Corporate Governance Report.

(6) These included Mr Chi Chung Chan's interests in 100,000 awarded shares, which remained unvested under the Share Award Scheme as of December 31, 2015. Details of Mr Chi Chung Chan's awarded shares are set out in the Corporate Governance Report.

(7) These included Mr Stephan Horst Pudwill's interests in 100,000 awarded shares, which remained unvested under the Share Award Scheme as of December 31, 2015. Details of Mr Stephan Horst Pudwill's awarded shares are set out in the Corporate Governance Report.

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

(9) These shares were held by Cordless Industries Company Limited* in which Prof Roy Chi Ping Chung 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 BBS JP.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2015.

Share Options

Scheme adopted on May 29, 2007 ("Scheme D")

Scheme D was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, 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) Non-executive Directors (including Independent Non-executive Directors or Officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration 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; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of shares in issue as at the adoption date of Scheme D. 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 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, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share Options *(continued)*

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	26.11.2010	D	600,000	—	(600,000)	—	—	8.310	26.11.2010 - 25.11.2020
	21.5.2012	D	570,000	—	(570,000)	—	—	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	230,000	—	—	—	230,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	168,000	—	—	168,000	29.650	11.9.2015 - 10.9.2025
Mr Joseph Galli Jr	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	250,000	—	—	250,000	29.650	11.9.2015 - 10.9.2025
Mr Chi Chung Chan	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	250,000	—	—	250,000	29.650	11.9.2015 - 10.9.2025
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	—	—	1,000,000	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	250,000	—	—	250,000	29.650	11.9.2015 - 10.9.2025
Prof Roy Chi Ping Chung BBS JP	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Christopher Patrick Langley OBE	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Manfred Kuhlmann	23.5.2011	D	100,000	—	—	—	100,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Peter David Sullivan	16.11.2009	D	200,000	—	—	—	200,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Joel Arthur Schleicher	23.5.2011	D	200,000	—	(200,000)	—	—	9.872	23.5.2011 - 22.5.2021
(retired on May 22, 2015)	21.5.2012	D	250,000	—	(250,000)	—	—	8.742	21.5.2012 - 20.5.2022
Total for directors			**8,700,000**	**1,668,000**	**(1,620,000)**	**—**	**8,748,000**		

The following tables disclose movements in the Company's share options during the year: *(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
Employees	24.8.2007	D	830,000	—	(100,000)	—	730,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	60,000	—	(10,000)	—	50,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	14.1.2008	D	505,000	—	—	—	505,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	400,000	—	(50,000)	—	350,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	D	250,000	—	—	—	250,000	7.546	30.5.2008 - 29.5.2018
	16.11.2009	D	1,680,000	—	(110,000)	—	1,570,000	6.770	16.11.2009 - 15.11.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 - 27.12.2019
	13.9.2010	D	500,000	—	(500,000)	—	—	7.390	13.9.2010 - 12.9.2020
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 - 16.1.2021
Total for employees			**4,355,000**	**—**	**(770,000)**	**—**	**3,585,000**		
Total for all categories			**13,055,000**	**1,668,000**	**(2,390,000)**	**—**	**12,333,000**		

The weighted average closing price of shares immediately before the options grant date during 2015 was HK$29.80 (2014: HK$20.40).

The closing price of the Company's shares immediately before the date of grant was HK$29.80 in 2015 (2014: HK$20.40).

The weighted average closing prices of the Company's shares immediately before various dates during 2015 and 2014 on which the share options were exercised were HK$29.83 and HK$24.59 respectively.

The fair value of the share options granted in 2015 measured at the date of grant was HK$7.39 (2014: HK$5.56) 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 scheme (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 Transaction, Arrangement 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 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

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

Substantial Shareholders' Interests

As at December 31, 2015, 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
FIL Limited (1)	102,405,000	(L)	5.58%
FMR LLC (2)	165,918,725	(L)	9.05%
JPMorgan Chase & Co. (3)	124,082,862	(L)	6.77%
	1,997,100	(S)	0.11%
	105,777,125	(LP)	5.77%
Schroders Plc (4)	146,279,125	(L)	7.98%

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

Notes:

(1) The capacity of FIL Limited in holding the 102,405,000 shares was as investment manager.

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

		Total interests in shares				
Name	Remarks	Direct interests	(L/S/LP)	Deemed interests	(L/S/LP)	Approximate percentage of interests
FMR LLC	(2a)	—	—	165,918,725	(L)	9.05%
FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED	(2b)	3,892,000	(L)	—	—	0.21%
FIDELITY MANAGEMENT & RESEARCH (JAPAN) LIMITED	(2b)	1,264,000	(L)	—	—	0.07%
FMR CO., INC	(2b)	56,507,000	(L)	—	—	3.08%
FMR INVESTMENT MANAGEMENT (UK) LIMITED	(2b)	41,512,500	(L)	—	—	2.26%
PYRAMIS GLOBAL ADVISORS TRUST COMPANY	(2b)	34,055,975	(L)	—	—	1.86%
PYRAMIS GLOBAL ADVISORS, LLC	(2b)	28,687,250	(L)	—	—	1.56%

Remarks:

(2a) The capacity of FMR LLC in holding the 165,918,725 shares of long position was as investment manager.

(2b) FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, FIDELITY MANAGEMENT & RESEARCH (JAPAN) LIMITED, FMR CO., INC, FMR INVESTMENT MANAGEMENT (UK) LIMITED, PYRAMIS GLOBAL ADVISORS TRUST COMPANY and PYRAMIS GLOBAL ADVISORS, LLC were all directly or indirectly owned by FMR LLC and by virtue of the SFO, FMR LLC was deemed to be interested in the shares held by these subsidiaries.

Substantial Shareholders' Interests *(continued)*

Notes: *(continued)*

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

		Total interests in shares				
Name	Remarks	Direct interests	(L/S/LP)	Deemed interests	(L/S/LP)	Approximate percentage of interests
JPMorgan Chase & Co.	(3a)	—	—	124,082,862	(L)	6.77%
		—	—	1,997,100	(S)	0.11%
		—	—	105,777,125	(LP)	5.77%
J.P. Morgan Clearing Corp	(3b)	699,670	(L)	—	—	0.04%
		40,000	(S)	—	—	0.00%
JF International Management Inc.	(3b)	203,500	(L)	—	—	0.01%
JF Asset Management Limited	(3b)	10,321,500	(L)	—	—	0.56%
JPMorgan Asset Management (Japan) Limited	(3b)	30,000	(L)	—	—	0.00%
J.P. Morgan Investment Management Inc.	(3b)	348,000	(L)	—	—	0.02%
J.P. Morgan Trust Company of Delaware	(3b)	12,525	(L)	—	—	0.00%
J.P. Morgan Whitefriars Inc.	(3b)	3,863,113	(L)	—	—	0.21%
		473,500	(S)	—	—	0.03%
J.P. Morgan Securities plc	(3b)	1,483,919	(L)	—	—	0.08%
		1,483,600	(S)	—	—	0.08%
Bank One International Holdings Corporation	(3b)	—	—	6,830,951	(L)	0.37%
		—	—	3,440,700	(S)	0.19%
J.P. Morgan International Inc.	(3b)	—	—	6,830,951	(L)	0.37%
		—	—	3,440,700	(S)	0.19%
J.P. Morgan Chase International Holdings	(3b)	—	—	1,483,919	(L)	0.08%
		—	—	1,483,600	(S)	0.08%
JPMorgan Chase Bank, N.A.	(3b)	106,960,135	(L)	—	—	5.83%
JPMorgan Asset Management (UK) Limited	(3b)	160,500	(L)	—	—	0.01%
J.P. Morgan Capital Financing Limited	(3b)	—	—	1,483,919	(L)	0.08%
		—	—	1,483,600	(S)	0.08%
J.P. Morgan Securities LLC	(3b)	—	—	699,670	(L)	0.04%
		—	—	40,000	(S)	0.00%
J.P. Morgan Broker-Dealer Holdings Inc	(3b)	—	—	699,670	(L)	0.04%
		—	—	40,000	(S)	0.00%
J.P. Morgan Capital Holdings Limited	(3b)	—	—	1,483,919	(L)	0.08%
		—	—	1,483,600	(S)	0.08%
JPMorgan Asset Management Holdings Inc	(3b)	—	—	11,063,500	(L)	0.60%
JPMorgan Asset Management (Asia) Inc.	(3b)	—	—	10,555,000	(L)	0.58%
J.P. Morgan Chase (UK) Holdings Limited	(3b)	—	—	1,483,919	(L)	0.08%
		—	—	1,483,600	(S)	0.08%
JPMorgan Asset Management Holdings (UK) Limited	(3b)	—	—	160,500	(L)	0.01%
J.P. Morgan Overseas Capital Corporation	(3b)	—	—	5,347,032	(L)	0.29%
		—	—	1,957,100	(S)	0.11%
JPMorgan Asset Management International Limited	(3b)	—	—	160,500	(L)	0.01%
JPMorgan Chase Bank, N.A.	(3b)	—	—	6,830,951	(L)	0.37%
		—	—	3,440,700	(S)	0.19%
J.P. Morgan Equity Holdings, Inc.	(3b)	—	—	12,525	(L)	0.00%
J.P. Morgan International Finance Limited	(3b)	—	—	6,830,951	(L)	0.37%
		—	—	3,440,700	(S)	0.19%

Notes: *(continued)*

Remarks:

(3a) JPMorgan Chase & Co. is listed on New York Stock Exchange. The capacity of JPMorgan Chase & Co. in holding the 124,082,862 shares of long position, 1,997,100 shares of short position and 105,777,125 shares of lending pool respectively was as controlled corporation.

(3b) J.P. Morgan Clearing Corp, JF International Management Inc., JF Asset Management Limited, JPMorgan Asset Management (Japan) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Trust Company of Delaware, J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, JPMorgan Chase Bank, N.A., JPMorgan Asset Management (UK) Limited, J.P. Morgan Capital Financing Limited, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, JPMorgan Asset Management Holdings (UK) Limited, J.P. Morgan Overseas Capital Corporation, JPMorgan Asset Management International Limited, JPMorgan Chase Bank, N.A., J.P. Morgan Equity Holdings, Inc. and J.P. Morgan International Finance Limited were all directly or indirectly owned by JPMorgan Chase & Co. and by virtue of the SFO, JPMorgan Chase & Co. was deemed to be interested in the shares held by these subsidiaries.

(4) The following is a breakdown of the interests in shares in the Company held by Schroders Plc:

		Total interests in shares				
Name	**Remarks**	**Direct interests**	**(L/S/LP)**	**Deemed interests**	**(L/S/LP)**	**Approximate percentage of interests**
Schroders Plc	(4a)	—	—	146,279,125	(L)	7.98%
Schroder Administration Limited	(4b)	—	—	146,279,125	(L)	7.98%
Schroder International Holdings Limited	(4b)	—	—	121,118,500	(L)	6.61%
Schroder Holdings (Bermuda) Limited	(4b)	—	—	121,118,500	(L)	6.61%
Schroder International Holdings (Bermuda) Limited	(4b)	—	—	121,118,500	(L)	6.61%
Schroder Investment Management Limited	(4b)	10,736,500	(L)	—	—	0.59%
	(4b)	—	—	13,504,378	(L)	0.74%
Schroder Investment Management North America Limited	(4b)	13,504,378	(L)	—	—	0.74%
Schroder Investment Management (Hong Kong) Limited	(4b)	51,949,000	(L)	—	—	2.83%
Schroder & Co. Limited	(4b)	—	—	919,747	(L)	0.05%
Schroder & Co. (Asia) Limited	(4b)	593,247	(L)	—	—	0.03%
Schroder Nederland Finance B.V.	(4b)	—	—	326,500	(L)	0.02%
Schroder & Co Bank AG	(4b)	326,500	(L)	—	—	0.02%
Schroder Investment Management (Singapore) Limited	(4b)	69,169,500	(L)	—	—	3.77%

Remarks:

(4a) Schroders Plc is listed on London Stock Exchange. The capacity of Schroders Plc in holding the 146,279,125 shares of long position was as investment manager.

(4b) Schroder Administration Limited, Schroder International Holdings Limited, Schroder Holdings (Bermuda) Limited, Schroder International Holdings (Bermuda) Limited, Schroder Investment Management Limited, Schroder Investment Management North America Limited, Schroder Investment Management (Hong Kong) Limited, Schroder & Co. Limited, Schroder & Co. (Asia) Limited, Schroder Nederland Finance B.V., Schroder & Co Bank AG and Schroder Investment Management (Singapore) Limited were all directly or indirectly owned by Schroders Plc and by virtue of the SFO, Schroders Plc was deemed to be interested in the shares held by these subsidiaries.

Save as disclosed above, no other person was interested in or had a short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of the Part XV of the SFO as at December 31, 2015.

Environmental, Social and Governance ("ESG")

The Company has a serious commitment to ESG matters. A report on TTI's environmental, social and governance commitment can be found on pages 54 to 56.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended December 31, 2015.

Donations

During the year, the Group made charitable and other donations totalling US$682,000.

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 15, 2016

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)

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 68 to 142, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 15, 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2015

	Notes	**2015 US$'000**	2014 US$'000
Revenue	6	**5,038,004**	4,752,960
Cost of sales		**(3,240,365)**	(3,079,883)
Gross profit		**1,797,639**	1,673,077
Other income	7	**5,297**	3,443
Interest income	8	**10,577**	14,529
Selling, distribution and advertising expenses		**(697,598)**	(643,817)
Administrative expenses		**(577,735)**	(564,448)
Research and development costs		**(127,788)**	(117,992)
Finance costs	9	**(23,435)**	(39,633)
Profit before taxation		**386,957**	325,159
Taxation charge	10	**(32,814)**	(25,680)
Profit for the year	11	**354,143**	299,479
Other comprehensive loss:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations		**(2,804)**	(6,867)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on foreign currency forward contracts in hedge accounting		**(30,262)**	21,562
Exchange differences on translation of foreign operations		**(48,484)**	(26,624)
Other comprehensive loss for the year		**(81,550)**	(11,929)
Total comprehensive income for the year		**272,593**	287,550
Profit for the year attributable to:			
Owners of the Company		**354,427**	300,330
Non-controlling interests		**(284)**	(851)
		354,143	299,479
Total comprehensive income attributable to:			
Owners of the Company		**272,877**	288,401
Non-controlling interests		**(284)**	(851)
		272,593	287,550
Earnings per share (US cents)	15		
Basic		**19.37**	16.41
Diluted		**19.28**	16.34

Consolidated Statement of Financial Position

As at December 31, 2015

	Notes	2015 US$'000	2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**538,466**	425,366
Lease prepayments	17	**32,441**	34,706
Goodwill	18	**553,789**	554,137
Intangible assets	19	**520,935**	496,082
Interests in associates	21	**6,588**	6,515
Available-for-sale investments	22	**495**	509
Derivative financial instruments	27	**10,544**	11,635
Deferred tax assets	41	**146,064**	86,911
		1,809,322	1,615,861
Current assets			
Inventories	23	**1,190,331**	1,056,329
Trade and other receivables	24	**849,488**	819,951
Deposits and prepayments		**117,400**	85,967
Bills receivable	25	**27,277**	31,600
Tax recoverable		**8,080**	6,448
Trade receivables from an associate	26	**2,681**	4,011
Derivative financial instruments	27	**22,415**	39,666
Held-for-trading investments	28	**1,116**	1,155
Bank balances, deposits and cash	29	**774,608**	690,395
		2,993,396	2,735,522
Current liabilities			
Trade and other payables	30	**1,160,494**	1,135,530
Bills payable	31	**37,440**	46,845
Warranty provision	32	**75,193**	65,819
Tax payable		**110,353**	57,945
Derivative financial instruments	27	**14,028**	11,499
Obligations under finance leases - due within one year	33	**2,153**	2,277
Discounted bills with recourse	34	**77,629**	72,652
Unsecured borrowings - due within one year	37	**588,341**	552,048
Bank overdrafts	29	**3,837**	2,619
		2,069,468	1,947,234
Net current assets		**923,928**	788,288
Total assets less current liabilities		**2,733,250**	2,404,149

Consolidated Statement of Financial Position

As at December 31, 2015

	Notes	2015 US$'000	2014 US$'000
Capital and Reserves			
Share capital	38	**647,109**	643,914
Reserves		**1,508,874**	1,323,239
Equity attributable to Owners of the Company		**2,155,983**	1,967,153
Non-controlling interests		**(411)**	(127)
Total equity		**2,155,572**	1,967,026
Non-current Liabilities			
Obligations under finance leases - due after one year	33	**10,402**	11,135
Unsecured borrowings - due after one year	37	**456,680**	322,216
Retirement benefit obligations	40	**99,896**	99,407
Deferred tax liabilities	41	**10,700**	4,365
		577,678	437,123
Total equity and non-current liabilities		**2,733,250**	2,404,149

The financial statements on pages 68 to 142 were approved and authorised for issue by the Board of Directors on March 15, 2016 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015

	Attributable to Owners of the Company										Attributable to non-controlling interests	
	Share capital US$'000	Share premium US$'000	Capital redemption reserve 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, 2014	23,471	617,563	225	–	379	2,733	1,356	(1,153)	1,096,139	1,740,713	4,723	1,745,436
Profit (loss) for the year	–	–	–	–	–	–	–	–	300,330	300,330	(851)	299,479
Remeasurement of defined benefit obligations	–	–	–	–	–	–	(6,867)	–	–	(6,867)	–	(6,867)
Fair value gain on foreign currency forward contracts in hedge accounting	–	–	–	–	–	–	–	21,562	–	21,562	–	21,562
Exchange differences on translation of foreign operations	–	–	–	–	(26,624)	–	–	–	–	(26,624)	–	(26,624)
Other comprehensive income (loss) for the year	–	–	–	–	(26,624)	–	(6,867)	21,562	–	(11,929)	–	(11,929)
Total comprehensive income (loss) for the year	–	–	–	–	(26,624)	–	(6,867)	21,562	300,330	288,401	(851)	287,550
Shares issued at premium on exercise of options	1,408	1,247	–	–	–	(497)	–	–	–	2,158	–	2,158
Buy-back of shares	–	–	–	–	–	–	–	–	(2,486)	(2,486)	–	(2,486)
Shares for share award scheme	–	–	–	(2,441)	–	–	–	–	–	(2,441)	–	(2,441)
Recognition of equity-settled share-based payments	–	–	–	–	–	1,718	–	–	–	1,718	–	1,718
Deferred tax liability on remeasurement of defined benefit obligations	–	–	–	–	–	–	2,282	–	–	2,282	–	2,282
Deferred tax liability on hedging reserve	–	–	–	–	–	–	–	(1,334)	–	(1,334)	–	(1,334)
Final dividend – 2013	–	–	–	–	–	–	–	–	(32,400)	(32,400)	–	(32,400)
Interim dividend - 2014	–	–	–	–	–	–	–	–	(29,458)	(29,458)	(3,999)	(33,457)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	619,035	(618,810)	(225)	–	–	–	–	–	–	–	–	–
At December 31, 2014	643,914	–	–	(2,441)	(26,245)	3,954	(3,229)	19,075	1,332,125	1,967,153	(127)	1,967,026
Profit (loss) for the year	–	–	–	–	–	–	–	–	354,427	354,427	(284)	354,143
Remeasurement of defined benefit obligations	–	–	–	–	–	–	(4,627)	–	–	(4,627)	–	(4,627)
Fair value loss on foreign currency forward contracts in hedge accounting	–	–	–	–	–	–	–	(30,744)	–	(30,744)	–	(30,744)
Deferred tax liability on remeasurement of defined benefit obligations	–	–	–	–	–	–	1,823	–	–	1,823	–	1,823
Deferred tax liability on hedging reserve	–	–	–	–	–	–	–	482	–	482	–	482
Exchange differences on translation of foreign operations	–	–	–	–	(48,484)	–	–	–	–	(48,484)	–	(48,484)
Other comprehensive loss for the year	–	–	–	–	(48,484)	–	(2,804)	(30,262)	–	(81,550)	–	(81,550)
Total comprehensive income (loss) for the year	–	–	–	–	(48,484)	–	(2,804)	(30,262)	354,427	272,877	(284)	272,593
Shares issued at premium on exercise of options	3,195	–	–	–	–	(637)	–	–	–	2,558	–	2,558
Vesting of awarded shares	–	–	–	813	–	(813)	–	–	–	–	–	–
Shares for share award scheme	–	–	–	(7,626)	–	–	–	–	–	(7,626)	–	(7,626)
Recognition of equity-settled share-based payments	–	–	–	–	–	3,546	–	–	–	3,546	–	3,546
Final dividend – 2014	–	–	–	–	–	–	–	–	(44,799)	(44,799)	–	(44,799)
Interim dividend - 2015	–	–	–	–	–	–	–	–	(37,726)	(37,726)	–	(37,726)
At December 31, 2015	**647,109**	**–**	**–**	**(9,254)**	**(74,729)**	**6,050**	**(6,033)**	**(11,187)**	**1,604,027**	**2,155,983**	**(411)**	**2,155,572**

Note: The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. March 3, 2014).

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

	2015 US$'000	2014 US$'000
Operating Activities		
Profit before taxation	**386,957**	325,159
Adjustments for:		
Amortisation/write-off of intangible assets	**81,898**	69,140
Amortisation of lease prepayments	**739**	802
Depreciation on property, plant and equipment	**90,785**	80,848
Employee share-based expense	**3,546**	1,718
Fair value gain on interest rate swap	**(1,287)**	(1,256)
Fair value gain on foreign currency forward contracts	**(7,858)**	(9,930)
Fair value loss (gain) on held-for-trading investments	**38**	(155)
Fair value loss on derivative financial instruments	**1,091**	1,012
Finance costs	**23,435**	39,633
Impairment loss on interest in associates	**—**	3,000
Impairment loss on trade receivables	**11,311**	13,147
Impairment reversal of property, plant and equipment	**—**	(4,308)
Interest income	**(10,577)**	(14,529)
Loss on disposal of property, plant and equipment	**8,778**	12,124
Reversal of impairment loss on trade receivables	**(2,697)**	(4,857)
Write down of inventories	**20,112**	12,358
Operating cash flows before movements in working capital	**606,271**	523,906
Increase in inventories	**(181,617)**	(180,356)
Increase in trade and other receivables, deposits and prepayments	**(89,633)**	(48,587)
Decrease (increase) in bills receivable	**4,323**	(5,546)
Decrease (increase) in trade receivables from an associate	**1,330**	(1,421)
Increase in trade and other payables	**60,729**	89,312
(Decrease) increase in bills payable	**(9,405)**	6,233
Increase in warranty provision	**11,497**	15,263
Decrease in retirement benefit obligations	**(4,138)**	(13,756)
Net payment for purchase of shares for share award scheme	**(7,626)**	(2,441)
Cash generated from operations	**391,731**	382,607
Interest paid	**(23,435)**	(39,633)
Hong Kong Profits Tax paid	**(2,802)**	(3,330)
Overseas tax paid	**(42,625)**	(28,456)
Hong Kong Profits Tax refunded	**111**	411
Overseas tax refunded	**12,249**	12,159
Net Cash from Operating Activities	**335,229**	323,758

	Note	2015 US$'000	2014 US$'000
Investing Activities			
Acquisition of subsidiaries/a business	42	**(71,002)**	(48,151)
Additions to intangible assets		**(106,790)**	(95,664)
Interest received		**10,577**	14,529
Proceeds from disposal of property, plant and equipment		**6,161**	16,764
Purchase of property, plant and equipment		**(159,774)**	(144,013)
(Advance to) repayment from associates		**(73)**	6,251
Net Cash Used in Investing Activities		**(320,901)**	(250,284)
Financing Activities			
Increase (decrease) in discounted bills with recourse		**5,569**	(41,848)
Dividends paid		**(82,525)**	(61,858)
Dividend paid to non-controlling interest		**—**	(3,999)
New bank loans obtained		**2,404,699**	2,531,802
Proceeds from issue of shares		**2,558**	2,158
Repayment of bank loans		**(2,234,726)**	(2,486,473)
Repayment of obligations under finance leases		**(2,735)**	(1,134)
Buy-back of shares		**—**	(2,486)
Net Cash from (used in) Financing Activities		**92,840**	(63,838)
Net Increase in Cash and Cash Equivalents		**107,168**	9,636
Cash and Cash Equivalents at Beginning of the Year		**687,776**	690,260
Effect of Foreign Exchange Rate Changes		**(24,173)**	(12,120)
Cash and Cash Equivalents at End of the Year		**770,771**	687,776
Analysis of the Balances of Cash and Cash Equivalents			
Represented by:			
Bank balances, deposits and cash		**774,608**	690,395
Bank overdrafts		**(3,837)**	(2,619)
		770,771	687,776

1. General

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 Group are the manufacturing and trading of electrical and electronic products.

The functional currency of the Company is United States dollars.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at January 1, 2015:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for first annual HKFRS financial statements beginning on or after January 1, 2016.
3 Effective for annual periods beginning on or after January 1, 2016.
4 Effective for annual periods beginning on or a date to be determined.

Other than described below, the directors of the Company consider the application of the new and revised HKFRSs would not have any material impact on the consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 presented 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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 provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended December 31, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended December 31, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended December 31, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The Company has delivered the financial statements for the year ended December 31, 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended December 31, 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised 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.

The principal accounting policies are set out below.

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.

3. Significant Accounting Policies *(continued)*

Basis of Consolidation *(continued)*

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 into 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.

Allocation of Total Comprehensive Income to Non-Controlling Interests

Total comprehensive income and expense 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 (effective from January 1, 2010 onwards).

Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised 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 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- 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.

3. Significant Accounting Policies *(continued)*

Business Combinations *(continued)*

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 recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity'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 recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from 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, with the corresponding adjustments made against goodwill. 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 changes in the fair value of 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 at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash generating unit 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 pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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 recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of profit or 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 recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. Significant Accounting Policies *(continued)*

Interests in Associates *(continued)*

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 recognised 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 recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, 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 in accordance with HKAS 39. 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 a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised 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 recognised 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) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate 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 recognised 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 recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Intangible Assets

Intangible Assets Acquired Separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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. Alternatively, intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised 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 recognised in profit or loss in the period when the asset is derecognised.

3. Significant Accounting Policies *(continued)*

Intangible Assets *(continued)*

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially measured at their fair value at the acquisition date. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation 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 (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised 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 recognised 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. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidation statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. Significant Accounting Policies *(continued)*

Leasehold Land and Building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than freehold land and construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and defined 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised 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 derecognised.

Impairment Losses on Tangible and Intangible Assets other than Goodwill (see the Accounting Policy in Respect of Goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets 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 asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

3. Significant Accounting Policies *(continued)*

Impairment Losses on Tangible and Intangible Assets other than Goodwill (see the Accounting Policy in Respect of Goodwill above) *(continued)*

The 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 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or a cash generating unit 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 recognised for the asset or a cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised 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 marketplace.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial Assets at Fair Value through Profit or Loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, trade receivables from an associate and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and trade receivables from an associate, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 120 days, or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and trade receivables from an associate, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of Financial Assets *(continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Financial Liabilities and Equity

Financial liabilities and equity instruments issued by a group entity 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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Buy-back of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other Financial Liabilities

Other financial liabilities (including unsecured borrowings, trade and other payables, bills payable, discounted bills with recourse and bank overdrafts) are subsequently measured at amortised cost, using the effective interest method.

Derivative Financial Instruments and Hedging

Derivatives are initially recognised 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 recognised 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 hedges of highly probable forecast transactions for foreign currency exposure (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.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(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 recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised 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 original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises 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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and 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).

A provision for warranties is recognised at the time the products are sold based on the estimated cost using historical data for the level of repairs and replacements.

For a provision in relation to employee termination benefits, the liability and expenses are recognised when the Group committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

3. Significant Accounting Policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold by the Group to outside customers in the normal course of business, less returns and allowances, and commission income and royalty income received.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

Royalty income is recognised on a time proportion basis in accordance with the terms of the relevant agreements.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such assets and liabilities are not recognised 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.

Deferred tax liabilities are recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

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 realised, 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised 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.

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 recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on 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. United States dollars) 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 recognised 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 reattributed to non-controlling interests and are not recognised 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 recognised in the translation reserve.

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.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies *(continued)*

Equity-Settled Share-Based Payment Transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, such that the cumulative expenses reflecting the revised estimate, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share capital (share premium before March 3, 2014). When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

When 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 recognised 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 share award scheme. Accordingly, the related expense of the granted shares vested is reversed from employee share-based compensation reserve. The difference arising from such transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the employee share-based compensation reserve.

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 statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in reserves and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised 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 recognised 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.

Government Grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

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 associated 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects 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 the value in use 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. As at December 31, 2015, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately US$553,789,000 (2014: US$554,137,000) and approximately US$219,434,000 (2014: US$219,934,000) respectively. Details of the recoverable amount calculation are disclosed in Note 20.

Useful Lives and Estimated Impairment of Deferred Development Costs

As at December 31, 2015, the carrying amounts of deferred development costs of the Group are US$268,109,000 (2014: US$238,286,000). The estimation of their useful lives impacts the level of annual amortisation 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 loss may arise. 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 such adjustments are appropriate.

Useful Lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2015, the Group's carrying amount of property, plant and equipment is US$538,466,000 (2014: US$425,366,000). The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life that the Group places the equipment into production reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

Income Taxes

As at December 31, 2015, a deferred tax asset of approximately US$107,846,000 (2014: US$47,119,000) in relation to unused tax losses and approximately US$43,661,000 (2014: US$38,241,000) in relation to employee related provisions has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset 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, a material reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. During the year, deferred tax assets of approximately US$8,403,000 (2014: US$789,000) in relation to unused tax losses were utilised.

4. Key Sources of Accounting Estimates *(continued)*

Estimated Impairment of Trade and Other Receivables, Bills Receivable and Trade Receivables from an Associate

When there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2015, the Group's carrying amount of trade and other receivables, bills receivable and trade receivables from an associate is US$886,034,000 (net of allowance for doubtful debts of US$23,705,000) (2014: US$862,077,000 (net of allowance for doubtful debts of US$22,522,000)).

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 "Floor Care and Appliances". 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 and HOMELITE brands plus original equipment manufacturer ("OEM") customers.
2. Floor Care and Appliances – sales of floor care products and floor care 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:

For the year ended December 31, 2015

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	3,972,081	1,065,923	—	5,038,004
Inter-segment sales	17	1,009	(1,026)	—
Total segment revenue	3,972,098	1,066,932	(1,026)	5,038,004

Inter-segment sales are charged at prevailing market rates.

Result				
Segment results	379,302	20,513	—	399,815
Interest income				10,577
Finance costs				(23,435)
Profit before taxation				386,957
Taxation charge				(32,814)
Profit for the year				354,143

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.

5. Segment Information *(continued)*

Other Segment Information

For the year ended December 31, 2015

Amounts included in the measure of segment results:

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Loss on disposal of property, plant and equipment	**6,690**	**2,088**	**8,778**
Write down of inventories	**13,169**	**6,943**	**20,112**
Impairment loss on trade receivables	**6,530**	**4,781**	**11,311**
Depreciation and amortisation	**121,281**	**48,665**	**169,946**

Segment Revenue and Results

For the year ended December 31, 2014

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Segment revenue				
External sales	3,552,790	1,200,170	—	4,752,960
Inter-segment sales	—	923	(923)	—
Total segment revenue	3,552,790	1,201,093	(923)	4,752,960

Inter-segment sales are charged at prevailing market rates.

	Power Equipment US$'000	Floor Care and Appliances US$'000	Eliminations US$'000	Consolidated US$'000
Result				
Segment results	292,336	57,927	—	350,263
Interest income				14,529
Finance costs				(39,633)
Profit before taxation				325,159
Taxation charge				(25,680)
Profit for the year				299,479

Other Segment Information

For the year ended December 31, 2014

Amounts included in the measure of segment results:

	Power Equipment US$'000	Floor Care and Appliances US$'000	Consolidated US$'000
Loss (gain) on disposal of property, plant and equipment	13,100	(976)	12,124
Impairment reversal of property, plant and equipment	—	(4,308)	(4,308)
Write down of inventories	9,455	2,903	12,358
Impairment loss on trade receivables	6,736	6,411	13,147
Depreciation and amortisation	105,618	42,834	148,452

5. Segment Information *(continued)*

Revenue from Major Products

The following is an analysis of the Group's revenue from its major products:

	2015 US$'000	2014 US$'000
Power Equipment	**3,972,081**	3,552,790
Floor Care and Appliances	**1,065,923**	1,200,170
Total	**5,038,004**	4,752,960

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*	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
North America	**3,772,235**	3,393,493	**869,789**	840,251
Europe	**861,029**	968,544	**110,888**	111,294
Other countries	**404,740**	390,923	**664,954**	558,746
Total	**5,038,004**	4,752,960	**1,645,631**	1,510,291

* Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

Information about Major Customer

During the years ended December 31, 2015 and 2014, the Group's largest customer contributed total revenue of US$2,148,906,000 (2014: US$1,779,833,000), of which US$2,067,735,000 (2014: US$1,717,950,000) was under the Power Equipment segment and US$81,171,000 (2014: US$61,883,000) was under the Floor Care and Appliances 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 analysed as follows:

	2015 US$'000	2014 US$'000
Sales of goods	**5,030,375**	4,743,262
Commission and royalty income	**7,629**	9,698
	5,038,004	4,752,960

7. Other Income

Other income in both 2015 and 2014 mainly comprises of sales 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

	2015 US$'000	2014 US$'000
Interest on:		
Bank borrowings and overdrafts	**20,843**	31,870
Obligations under finance leases	**845**	325
Fixed interest rate notes	**1,747**	7,438
	23,435	39,633

10. Taxation Charge

	2015 US$'000	2014 US$'000
Current tax:		
Hong Kong Profits Tax	**(1,370)**	(1,971)
Underprovision in prior years	**(719)**	(1,514)
	(2,089)	(3,485)
Overseas taxation	**(33,601)**	4,204
Underprovision in prior years	**(48,120)**	(36,209)
	(81,721)	(32,005)
Deferred tax (Note 41):		
Current year	**50,996**	9,810
	(32,814)	(25,680)

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.

Underprovision of income tax in prior periods includes provisions for estimated tax exposures in respect of ongoing tax audits. Given the tax provided, no provision for additional income tax, if any, arising from the ongoing tax audits has been recognised as such amounts cannot be reliably estimated at this stage.

The tax charges for the year are reconciled as follows:

	2015 US$'000	2015 %	2014 US$'000	2014 %
Profit before taxation	**386,957**		325,159	
Tax at Hong Kong Profits Tax rate	**(63,848)**	**16.5%**	(53,651)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**87,485**	**(22.6%)**	71,088	(21.9%)
Tax effect of expenses not deductible for tax purposes	**(17,729)**	**4.6%**	(16,509)	5.1%
Tax effect of income not taxable for tax purposes	**14,600**	**(3.7%)**	21,920	(6.7%)
Utilisation of deductible temporary differences previously not recognised	**(97)**	**0.0%**	245	(0.1%)
Tax effect of tax losses and deductible temporary differences not recognised	**(3,453)**	**0.9%**	(11,019)	3.4%
Underprovision in respect of prior years	**(48,839)**	**12.6%**	(37,723)	11.6%
Others	**(933)**	**0.2%**	(31)	0.0%
Tax charge for the year	**(32,814)**	**8.5%**	(25,680)	7.9%

Details of deferred tax are set out in Note 41.

11. Profit for the Year

	2015 US$'000	2014 US$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**78,422**	66,802
Amortisation of lease prepayments	**739**	802
Auditors' remuneration	**3,129**	3,113
Cost of inventories recognised as an expense	**3,240,365**	3,079,883
Depreciation and amortisation on property, plant and equipment		
Owned assets	**88,385**	79,822
Assets held under finance leases	**2,400**	1,026
Fair value gain on interest rate swap	**(1,287)**	(1,256)
Fair value gain on foreign currency forward contracts	**(7,858)**	(9,930)
Fair value loss (gain) on held-for-trading investments	**38**	(155)
Fair value loss on derivative financial instruments	**1,091**	1,012
Impairment loss on interest in associates	**—**	3,000
Impairment loss on trade receivables	**11,311**	13,147
Impairment reversal of property, plant and equipment	**—**	(4,308)
Loss on disposal of property, plant and equipment	**8,778**	12,124
Net exchange loss	**2,202**	4,964
Operating lease expenses recognised in respect of:		
Motor vehicles	**17,137**	16,895
Plant and machinery	**5,288**	5,153
Premises	**31,588**	31,155
Other assets	**2,769**	2,770
Reversal of impairment loss on trade receivables	**(2,697)**	(4,857)
Unconditional government grants	**(109)**	(9)
Write off of intangible assets	**3,476**	2,338
Write down of inventories	**20,112**	12,358
Staff costs		
Directors' remuneration		
Fees	**217**	234
Other emoluments	**33,450**	30,296
	33,667	30,530
Other staff costs	**580,593**	542,762
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**4,373**	3,475
Defined benefit plans (Note 40)	**2,589**	3,114
	621,222	579,881

Staff costs disclosed above do not include an amount of US$105,709,000 (2014: US$97,684,000) of staff costs incurred relating to research and development activities.

12. Director's Emoluments

The emoluments paid or payable to each of the twelve (2014: eleven) directors, disclosed pursuant to the applicable Listing Rules and CO were as follows:

For the year ended December 31, 2015

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus paid US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,671	2	4,575	1,147	7,395
Mr Joseph Galli Jr (Note i)	—	1,583	180	13,500	1,091	16,354
Mr Kin Wah Chan (Note i)	—	722	2	1,439	381	2,544
Mr Chi Chung Chan (Note i)	—	719	2	2,547	381	3,649
Mr Stephan Horst Pudwill (Note i)	—	340	2	2,080	381	2,803
Prof Roy Chi Ping Chung BBS JP (Note ii)	39	5	—	—	33	77
Mr Camille Jojo (appointed on October 30, 2015) (Note ii)	7	—	—	—	—	7
Mr Christopher Patrick Langley OBE (Note iii)	39	18	—	269	33	359
Mr Manfred Kuhlmann (Note iii)	39	43	—	106	33	221
Mr Peter David Sullivan (Note iii)	39	46	—	—	33	118
Mr Vincent Ting Kau Cheung (Note iii)	39	35	—	—	33	107
Mr Joel Arthur Schleicher (retired on May 22, 2015) (Note iii)	15	18	—	—	—	33
Total	217	5,200	188	24,516	3,546	33,667

For the year ended December 31, 2014

		Other emoluments				
	Fees US$'000	Basic salaries and allowances US$'000	Contributions to retirement benefits schemes US$'000	Bonus paid US$'000	Share-based payments US$'000	Total US$'000
Mr Horst Julius Pudwill (Note i)	—	1,657	2	4,570	371	6,600
Mr Joseph Galli Jr (Note i)	—	1,574	69	13,334	23	15,000
Mr Kin Wah Chan (Note i)	—	715	2	2,949	421	4,087
Mr Chi Chung Chan (Note i)	—	712	2	1,816	421	2,951
Mr Stephan Horst Pudwill (Note i)	—	337	2	668	447	1,454
Prof Roy Chi Ping Chung BBS JP (Note ii)	39	5	—	—	—	44
Mr Joel Arthur Schleicher (Note iii)	39	36	—	—	7	82
Mr Christopher Patrick Langley OBE (Note iii)	39	18	—	—	7	64
Mr Manfred Kuhlmann (Note iii)	39	42	—	—	7	88
Mr Peter David Sullivan (Note iii)	39	46	—	—	7	92
Mr Vincent Ting Kau Cheung (Note iii)	39	22	—	—	7	68
Total	234	5,164	77	23,337	1,718	30,530

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.

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.

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 paid 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 46 and 47 respectively.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2014: four) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining one (2014: one) individual for the year ended December 31, 2015 was as follows:

	2015 US$'000	2014 US$'000
Basic salaries and allowances	**684**	590
Contributions to retirement benefits schemes	**79**	72
Bonus paid	**2,820**	3,180
Other benefit	**30**	27
Share-based payments	**—**	—
	3,613	3,869

The emoluments of this one (2014: one) highest paid individual for the year ended December 31, 2015 was within the following bands:

	No. of persons	
US$	**2015**	2014
1,000,001 to 1,500,000	**—**	—
1,500,001 to 2,000,000	**—**	—
3,500,001 to 4,000,000	**1**	1

During each of the two years ended December 31, 2015 and 2014, 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

	2015 US$'000	2014 US$'000
Dividends recognised as distributions during the year:		
Final dividend paid:		
2014: HK19.00 cents (approximately US2.45 cents)		
(2013: HK13.75 cents (approximately US1.77 cents)) per share	**44,799**	32,400
Interim dividend paid:		
2015: HK16.00 cents (approximately US2.06 cents)		
(2014: HK12.50 cents (approximately US1.61 cents)) per share	**37,726**	29,458
	82,525	61,858

The final dividend of HK23.25 cents (approximately US2.99 cents) per share with a total of approximately US$54,871,000 in respect of the year ended December 31, 2015 (2014: final dividend of HK19.00 cents (approximately US2.45 cents) per share in respect of the year ended December 31, 2014) 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:

	2015 US$'000	2014 US$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to Owners of the Company	**354,427**	300,330
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,830,134,915**	1,830,438,103
Effect of dilutive potential ordinary shares:		
Share options	**7,351,461**	7,778,724
Share award	**402,825**	28,773
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,837,889,201**	1,838,245,600

16. Property, Plant and Equipment

	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$'000	Construction in progress US$'000	Total US$'000
Cost									
At January 1, 2014	124,736	60,210	153,533	187,576	5,205	187,130	2,298	82,613	803,301
Currency realignment	(2,694)	(1,479)	(5,581)	(5,403)	(226)	(1,624)	—	(1,760)	(18,767)
Additions	2,576	2,507	23,635	32,450	751	14,329	—	78,160	154,408
Acquisition of businesses	—	103	206	2,974	64	219	—	—	3,566
Disposals	(12,183)	(801)	(7,753)	(14,462)	(349)	(30,870)	—	(3,430)	(69,848)
Reversal of impairment	—	—	—	1,820	—	8,784	—	—	10,604
Reclassification	1,270	1,335	6,387	27,108	245	42,779	—	(79,124)	—
At December 31, 2014	113,705	61,875	170,427	232,063	5,690	220,747	2,298	76,459	883,264
Currency realignment	(2,480)	(2,031)	(5,624)	(7,150)	(253)	(2,527)	—	(1,475)	(21,540)
Additions	4,695	2,113	13,024	23,591	728	16,958	—	100,543	161,652
Acquisition of subsidiaries / a business	69,815	—	—	—	—	—	—	—	69,815
Disposals	(3,095)	(552)	(2,752)	(9,549)	(665)	(33,076)	—	(4,648)	(54,337)
Reclassification	4,189	1,351	7,513	17,672	330	43,719	—	(74,774)	—
At December 31, 2015	**186,829**	**62,756**	**182,588**	**256,627**	**5,830**	**245,821**	**2,298**	**96,105**	**1,038,854**
Depreciation and Impairment									
At January 1, 2014	37,136	21,724	121,479	113,826	3,398	120,143	1,646	—	419,352
Currency realignment	(123)	(601)	(3,707)	(2,197)	(111)	(898)	—	—	(7,637)
Provided for the year	5,508	4,070	14,546	18,074	630	37,560	460	—	80,848
Eliminated on disposals	(653)	(331)	(7,081)	(11,741)	(180)	(20,975)	—	—	(40,961)
Reversal of impairment	—	—	—	1,034	—	5,262	—	—	6,296
At December 31, 2014	41,868	24,862	125,237	118,996	3,737	141,092	2,106	—	457,898
Currency realignment	(360)	(784)	(3,690)	(2,651)	(133)	(1,279)	—	—	(8,897)
Provided for the year	6,943	4,318	17,153	20,414	655	41,110	192	—	90,785
Eliminated on disposals	(723)	(493)	(2,572)	(8,138)	(605)	(26,867)	—	—	(39,398)
At December 31, 2015	**47,728**	**27,903**	**136,128**	**128,621**	**3,654**	**154,056**	**2,298**	**—**	**500,388**
Carrying amounts									
At December 31, 2015	**139,101**	**34,853**	**46,460**	**128,006**	**2,176**	**91,765**	**—**	**96,105**	**538,466**
At December 31, 2014	71,837	37,013	45,190	113,067	1,953	79,655	192	76,459	425,366

Note: Buildings with a carrying amount of US$19,640,000 (2014: US$21,606,000) are erected on leasehold land that is presented as lease prepayments on the consolidated statement of financial position.

16. Property, Plant and Equipment *(continued)*

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Leasehold land	Shorter of lease term or useful life
Buildings	$2^{1}/_{5}$% - $6^{2}/_{3}$%
Leasehold improvements	$2^{1}/_{2}$% - $33^{1}/_{3}$%
Office equipment, furniture and fixtures	10% - $33^{1}/_{3}$%
Plant and machinery	9% - $33^{1}/_{3}$%
Motor vehicles	10% - $33^{1}/_{3}$%
Moulds and tooling	18% - $33^{1}/_{3}$%
Vessels	20%

The carrying amounts of properties shown above comprise:

	2015 **US$'000**	2014 US$'000
Land and buildings situated outside Hong Kong are analysed as follows:		
Freehold	**50,344**	50,231
Leasehold	**19,640**	21,606
	69,984	71,837
Land and buildings situated in Hong Kong	**69,117**	—
	139,101	71,837

The carrying amounts of the Group's property, plant and equipment include amounts of approximately US$11,856,000 (2014: US$12,711,000) in respect of assets held under finance leases.

The gross carrying amount of the Group's property, plant and equipment includes amounts of approximately US$241,377,000 (2014: US$224,034,000) respectively in respect of fully depreciated property, plant and equipment that are still in use.

17. Lease Prepayments

	US$'000
Cost	
At January 1, 2014	40,827
Currency realignment	(965)
At December 31, 2014	39,862
Currency realignment	(1,778)
At December 31, 2015	**38,084**
Amortisation	
At January 1, 2014	4,463
Currency realignment	(109)
Provided for the year	802
At December 31, 2014	5,156
Currency realignment	(252)
Provided for the year	739
At December 31, 2015	**5,643**
Carrying amounts	
At December 31, 2015	**32,441**
At December 31, 2014	34,706

All lease prepayments are related to leases outside Hong Kong.

18. Goodwill

	US$'000
At January 1, 2014	532,488
Currency realignment	(2,363)
Arising on acquisition of businesses	24,012
At December 31, 2014	554,137
Currency realignment	(1,772)
Arising on acquisition of subsidiaries / a business (Note 42)	1,424
At December 31, 2015	**553,789**

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, 2014	452,845	54,710	228,743	453	6,500	10,634	753,885
Currency realignment	(242)	—	—	—	—	—	(242)
Additions	90,442	2,176	3,046	—	—	—	95,664
Acquisition of businesses	462	2,706	3,000	—	4,000	—	10,168
Written off in the year	(8,055)	(150)	(5)	—	—	—	(8,210)
At December 31, 2014	535,452	59,442	234,784	453	10,500	10,634	851,265
Currency realignment	(183)	—	—	—	—	—	(183)
Additions	102,767	4,023	—	—	—	—	106,790
Written off in the year	(7,392)	(60)	(500)	—	—	—	(7,952)
At December 31, 2015	**630,644**	**63,405**	**234,284**	**453**	**10,500**	**10,634**	**949,920**
Amortisation							
At January 1, 2014	244,868	33,573	10,233	453	1,950	3,368	294,445
Currency realignment	(192)	—	—	—	—	—	(192)
Provided for the year	58,207	4,867	1,121	—	480	2,127	66,802
Eliminated on write off	(5,717)	(150)	(5)	—	—	—	(5,872)
At December 31, 2014	297,166	38,290	11,349	453	2,430	5,495	355,183
Currency realignment	(144)	—	—	—	—	—	(144)
Provided for the year	69,967	4,823	913	—	592	2,127	78,422
Eliminated on write off	(4,454)	(22)	—	—	—	—	(4,476)
At December 31, 2015	**362,535**	**43,091**	**12,262**	**453**	**3,022**	**7,622**	**428,985**
Carrying amounts							
At December 31, 2015	**268,109**	**20,314**	**222,022**	**—**	**7,478**	**3,012**	**520,935**
At December 31, 2014	238,286	21,152	223,435	—	8,070	5,139	496,082

19. Intangible Assets *(continued)*

The retailer and service relationships were acquired through business combinations which related to the relationships with retailers and service centres.

Deferred development costs are internally generated by capitalising the costs pertaining to development of new or enhancement of existing products.

Included in trademarks of the Group, US$219,434,000 (2014: US$219,934,000) are trademarks with indefinite useful lives as considered by the management of the Group as having an indefinite useful life because they are expected to contribute indefinitely to the Group's net cash inflows. The trademarks will not be amortised 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 amortised on a straight-line basis, at the following rates per annum:

Deferred development costs	20% - 33 1/3%
Patents	10% - 25%
Trademarks with finite useful lives	6 2/3% - 10%
Retailer and service relationships	5% - 6 2/3%
Non compete agreement	20%

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 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 five major individual cash generating units (CGUs), including four units in the Power Equipment segment and one unit in the Floor Care and Appliances segment. The carrying amounts of goodwill and trademarks as at December 31, 2015 allocated to these units are as follows:

	Goodwill		Trademarks	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Power Equipment – MET	**416,617**	416,617	**118,407**	118,907
Power Equipment – HCP	**7,492**	7,492	**30,648**	30,648
Power Equipment – Drebo	**21,348**	23,120	**—**	—
Power Equipment – Baja	**9,017**	9,017	**3,200**	3,200
Floor Care and Appliances – RAM/Hoover/VAX	**75,748**	75,748	**67,179**	67,179
Others	**23,567**	22,143	**—**	—
	553,789	554,137	**219,434**	219,934

No impairment of goodwill and trademarks have been recognised for the year ended December 31, 2015 and December 31, 2014.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Power Equipment - MET ("MET")

The recoverable amount of MET's goodwill and intangibles has 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 11.5% (2014: 11.5%) 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 in new products launched, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2014: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of MET's goodwill and intangibles to exceed the recoverable amounts.

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Power Equipment – HCP ("HCP")

The recoverable amount of HCP's goodwill and intangibles has 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 12.0% (2014: 12.0%) 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 in new products launched and the success of the cost cutting 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 amount of HCP's goodwill and intangibles to exceed the aggregate recoverable amounts.

Power Equipment – Drebo ("Drebo")

The recoverable amount of Drebo's goodwill has 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 11.0% (2014: 11.0%) 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 in new products launched and the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using 1.0% (2014:nil) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Drebo's goodwill to exceed the recoverable amount.

Power Equipment – Baja ("Baja")

The recoverable amount of Baja's goodwill and intangibles has 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 12.0% (2014: 13.0%) per annum.

Cash flow projections during the budget period for Baja 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 Baja's past performance, management's expectations of the market development and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2014: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Baja's goodwill and intangibles to exceed the aggregate recoverable amounts.

Floor Care and Appliances – RAM/Hoover/VAX ("RAM/Hoover/VAX")

The recoverable amount of RAM/Hoover/VAX's goodwill and intangibles has 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 15.0% (2014: 15.0%) 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, the success in reducing the working capital requirements and the success of the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2014: 2.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of RAM/Hoover/VAX's goodwill and intangibles to exceed the aggregate recoverable amounts.

21. Interests in Associates

	2015 US$'000	2014 US$'000
Unlisted shares, at cost less impairment loss recognised	**—**	—
Share of net assets	**—**	—
Amounts due from associates	**6,588**	6,515
	6,588	6,515

Particulars of the associates as at December 31, 2015 and December 31, 2014 are set out in Note 52.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

At the end of the reporting period, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together the "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of profit (loss) for the year and cumulatively, extracted from the relevant management accounts of the associates, are US$142,000 (2014: US$302,000) and (US$4,936,000) (2014: (US$5,078,000)) respectively.

22. Available-for-sale Investments

	2015 US$'000	2014 US$'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**495**	509

As at December 31, 2015, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at the reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. Inventories

	2015 US$'000	2014 US$'000
Raw materials	**105,340**	112,023
Work in progress	**12,937**	11,478
Finished goods	**1,072,054**	932,828
	1,190,331	1,056,329

24. Trade and other Receivables

	2015 US$'000	2014 US$'000
Trade receivables	**851,642**	795,492
Less: Allowances for doubtful debts	**(23,705)**	(22,522)
	827,937	772,970
Other receivables	**21,551**	46,981
	849,488	819,951

The aging analysis of trade receivables, net of allowances for doubtful debts, presented on the basis of the revenue recognition date, which is usually the invoice date, at the end of the reporting period is as follows:

	2015 US$'000	2014 US$'000
0 to 60 days	**699,592**	651,192
61 to 120 days	**90,601**	84,514
121 days or above	**37,744**	37,264
Total trade receivables	**827,937**	772,970

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.

Included in the Group's trade receivable balance are debtors with a carrying amount of US$111,504,000 (2014: US$115,959,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 61 days (2014: 74 days).

The Group has a policy of allowing credit periods ranging mainly from 30 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the relevant customers and the balances are still considered fully recoverable.

Ageing of Trade Receivables which are past due but not Impaired

	2015 US$'000	2014 US$'000
1 - 60 days	**85,554**	98,008
61 - 120 days	**14,128**	9,568
121 - 365 days	**11,607**	1,497
1 - 2 years	**54**	3,621
Over 2 years	**161**	3,265
Total	**111,504**	115,959

24. Trade and other Receivables *(continued)*

Movement in the Allowance for Doubtful Debts

	2015 US$'000	2014 US$'000
Balance at beginning of the year	**22,522**	18,168
Currency realignment	**(1,063)**	(1,171)
Impairment losses recognised on receivables	**11,311**	13,147
Acquisition of businesses	**—**	389
Amounts written off as uncollectible	**(6,368)**	(3,154)
Amounts recovered during the year	**(2,697)**	(4,857)
Balance at end of the year	**23,705**	22,522

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to US$23,705,000 (2014: US$22,522,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Ageing of Impaired Trade Receivables (by Invoice Date)

	2015 US$'000	2014 US$'000
0 - 120 days	**3,195**	4,024
121 - 365 days	**9,035**	3,284
1 - 2 years	**7,879**	11,379
Over 2 years	**3,596**	3,835
Total	**23,705**	22,522

In accordance with receivables purchase agreements, certain trade receivables were 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 recognise 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 approximately US$75,000,000 (2014: US$75,000,000) were recognised as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

25. Bills Receivable

All the Group's bills receivable at December 31, 2015 and 2014 are due within 120 days.

26. Trade Receivables from an Associate

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

27. Derivative Financial Instruments

	2015 US$'000	2014 US$'000
Assets		
Acquisition right of certain property, plant and equipment	**10,544**	11,635
Foreign currency forward contracts – under hedge accounting	**20,654**	39,486
Foreign currency forward contracts – not under hedge accounting	**1,761**	180
	32,959	51,301
Liabilities		
Foreign currency forward contracts – under hedge accounting	**12,463**	9,006
Foreign currency forward contracts – not under hedge accounting	**905**	546
Interest rate swap	**660**	1,947
	14,028	11,499

Acquisition Right of Certain Property, Plant and Equipment

As at December 31, 2015, the Group owned a right to acquire certain property, plant and equipment 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 property, plant and equipment was US$10,544,000 valued on September 30, 2015 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.

27. Derivative Financial Instruments *(continued)*

Major terms of the foreign currency forward contracts under hedge accounting are as follows:

2015

Notional amounts in millions	**Maturity**
Sell AUD 267.6M, Buy US$	**January 29, 2016 to December 30, 2016**
Sell US$ 414.2M, Buy RMB	**January 28, 2016 to December 28, 2016**
Sell EUR 169M, Buy US$	**January 15, 2016 December 30 , 2016**
Buy US$ 50M, Sell GBP	**January 11, 2016 to June 20, 2016**
Buy US$ 34.6M, Sell EUR	**January 4, 2016 to October 31, 2016**
Buy EUR 3.7M, Sell AUD	**January 15, 2016 to December 5, 2016**
Buy US$ 17.2M, Sell AUD	**January 21, 2016 to June 6, 2016**

2014

Notional amounts in millions	Maturity
Sell US$ 493.2M, Buy RMB	January 7, 2015 to December 30, 2015
Buy US$ 106M, Sell GBP	January 5, 2015 to November 9, 2015
Buy US$ 57M, Sell EUR	January 1, 2015 to October 26, 2015
Sell EUR 110M, Buy US$	January 30, 2015 to October 30, 2015
Buy US$ 139.6M, Sell AUD	January 30, 2015 to September 30, 2015

During the year, fair value gain of US$19,075,000 (2014: loss of US$1,153,000) was reclassified from reserves to profit and loss.

Foreign Currency Forward Contracts not under Hedge Accounting

Major terms of the foreign currency forward contracts not under hedge accounting are as follows:

2015

Notional amounts in millions	**Maturity**
Buy US$ 25M, Sell RMB	**January 7, 2016 to April 29, 2016**
Sell US$ 25M, Buy RMB	**January 7, 2016 to April 29, 2016**
Sell EUR 23.3M, Buy US$	**December 14, 2015 to February 29, 2016**
Sell GBP 8M, Buy EUR	**January 21, 2016 to May 12, 2016**
Buy GBP 3M, Sell EUR	**January 21, 2016 to May 12, 2016**
Sell US$ 0.5M, Buy DKK	**April 6 ,2016**
Buy US$ 2.4M, Sell EUR	**January 15, 2016 to June 15, 2016**
Sell US$ 2M, Buy EUR	**January 25, 2016 to March 21, 2016**
Buy US$ 26.1M, Sell NZD	**December 23, 2015 to December 20, 2016**

2014

Notional amounts in millions	Maturity
Sell CHF 1.2M, Buy EUR	January 15, 2015 to June 19, 2015
Sell GBP 8.25M, Buy EUR	January 15, 2015 to September 17, 2015
Sell US$ 3.2M, Buy EUR	January 20, 2015 to June 15, 2015
Buy US$ 9.3M, Sell NZD	January 21, 2015 to July 22, 2015
Buy AUD 2.4M, Sell NZD	January 7, 2015 to October 30, 2015
Sell US$ 50M, Buy RMB	January 22, 2015 to December 30, 2015

27. Derivative Financial Instruments *(continued)*

Interest Rate Swap (not under hedge accounting)

The fair value of the interest rate swap of the Group is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Major terms of the interest rate swap are as follows:

2015

Notional amount	**Maturity**	**Receive floating**	**Pay fixed**
US$ 50,000,000	**December 31, 2013 to May 4, 2016**	**LIBOR**	**1.2% - 3.1%**

2014

Notional amount	Maturity	Receive floating	Pay fixed
US$ 50,000,000	December 31, 2013 to May 4, 2016	LIBOR	1.2% - 3.1%

28. Held-for-Trading Investments

The Group's held-for-trading investments at December 31, 2015 and 2014 are carried at fair value using the market bid prices on the reporting date.

Held-for-trading investments include:

	2015 US$'000	2014 US$'000
Equity securities:		
– Unlisted investment funds	**1,116**	1,155
	1,116	1,155

29. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.03% to 0.05% (2014: 0.03% to 0.05%) per annum. Bank overdrafts carry interest at market rates which range from 3.25% to 5.00% (2014: 3.25% to 5.00%) per annum.

30. Trade and other Payables

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

	2015 US$'000	2014 US$'000
0 to 60 days	**523,034**	541,681
61 to 120 days	**140,479**	149,729
121 days or above	**9,734**	5,076
Total trade payables	**673,247**	696,486
Other payables	**487,247**	439,044
	1,160,494	1,135,530

The credit period on the purchase of goods ranges from 30 days to 120 days (2014: 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.

31. Bills Payable

All the Group's bills payable at December 31, 2015 and 2014 are due within 120 days.

32. Warranty Provision

	US$'000
At January 1,2014	52,628
Currency realignment	(2,371)
Additional provision in the year	134,417
Acquisition of businesses	300
Utilisation of provision	(119,155)
At December 31, 2014	65,819
Currency realignment	(2,123)
Additional provision in the year	118,254
Utilisation of provision	(106,757)
At December 31, 2015	**75,193**

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold, based on prior experience and industry averages for defective products. It is expected that the majority of this expenditure will be incurred in the next financial year.

33. Obligations under Finance Leases

It is the Group's policy to lease certain of its land and buildings, plant and machinery and fixtures and equipment under finance leases, with lease terms ranging from 4 years to 20 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 6.74% to 8.65% (December 31, 2014: 6.6% to 19.42%) per annum. No arrangements have been entered into that include contingent rental payments.

The maturity of obligations under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Amounts payable under finance leases:				
Within one year	**2,901**	3,071	**2,153**	2,277
In more than one year but not more than two years	**2,697**	2,653	**2,087**	2,009
In more than two years but not more than three years	**2,697**	2,130	**2,229**	1,596
In more than three years but not more than four years	**2,324**	2,130	**1,996**	1,699
In more than four years but not more than five years	**2,199**	2,130	**1,997**	1,810
More than five years	**2,181**	4,310	**2,093**	4,021
	14,999	16,424	**12,555**	13,412
Less: future finance charges	**(2,444)**	(3,012)	**—**	—
Present value of lease obligations	**12,555**	13,412	**12,555**	13,412
Less: Amount due within one year shown under current liabilities			**(2,153)**	(2,277)
Amount due after one year			**10,402**	11,135

The Group's obligations under finance leases are secured by charges over the leased assets.

34. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 1.43% per annum (2014: 1.43% 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 maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes borrowings, discounted bills with recourse and obligations under finance leases), 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:

	2015 US$'000	2014 US$'000
Debt (i)	**1,064,042**	887,947
Bank balances, deposits and cash	**(774,608)**	(690,395)
Net debt	**289,434**	197,552
Equity (ii)	**2,155,983**	1,967,153
Net debt to equity ratio	**13.42%**	10.04%

(i) Debt comprises obligations under finance leases, discounted bills with recourse, unsecured borrowings and bank overdrafts but excludes bank advances from factored trade receivables as detailed in Notes 24, 29, 33, 34 and 37 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

	2015 US$'000	2014 US$'000
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**1,116**	1,155
Derivative financial instruments		
Acquisition right of certain property, plant and equipment	**10,544**	11,635
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**20,654**	39,486
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**1,761**	180
	32,959	51,301
Available-for-sale investments	**495**	509
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**849,488**	819,951
Bills receivable	**27,277**	31,600
Trade receivables from an associate	**2,681**	4,011
Bank balances, deposits and cash	**774,608**	690,395
	1,654,054	1,545,957
Financial liabilities		
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**12,463**	9,006
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**905**	546
Interest rate swap	**660**	1,947
	14,028	11,499
Other financial liabilities		
Trade and other payables	**1,160,494**	1,135,530
Bills payable	**37,440**	46,845
Discounted bills with recourse	**77,629**	72,652
Unsecured borrowings	**1,045,021**	874,264
Bank overdrafts	**3,837**	2,619
	2,324,421	2,131,910

36. Financial Instruments *(continued)*

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 analyse 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 minimise 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 by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

36.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 21.3% (2014: 24.4%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 55.3% (2014: 48.2%) 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	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000
Foreign Currency				
EURO	**75,545**	45,752	**137,851**	144,803

Note: For group entities with their functional currency as the United States dollar, 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 United States dollar.

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposure. The foreign 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 denominated monetary liabilities amounting to US$184,717,000 (2014: US$133,672,000). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness (see Note 27 for details).

36. Financial Instruments *(continued)*

36.2 Financial Risk Management Objectives and Policies *(continued)*

36.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity Analysis

The Group is mainly exposed to the effects of rate fluctuations in the EURO to US$.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against the EURO without considering the foreign currency forward contracts entered at end of the reporting period. 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 EURO:US$ foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of any foreign currency forward contracts held at reporting date. A positive number below indicates an increase in profit for the year where the United States dollar weakens 5% against the EURO.

	2015 **US$'000**	2014 US$'000
Impact of EURO		
Profit for the year (i)	**2,966**	4,561

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in EURO at the reporting date.

36.2.2 Interest Rate Risk Management

The Group's cash flow interest rate risk relates primarily to variable-rate borrowing (see Note 37 for details of these borrowings), discounted bills with recourse, bank overdrafts and bank balances and deposits. In relation to these floating-rate borrowings, the Group aims at keeping certain borrowings at fixed rates. In order to achieve this result, the Group enters into interest rate swap contracts to hedge against part of its exposure to potential variability of cash flows arising from changes in floating rates (see Note 27 for details). The management continuously monitors interest rate fluctuations and will consider further hedging interest rate risk should the need arise.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") arising from the Group's Hong Kong dollar denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk is insignificant.

As at December 31, 2014, the Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see Note 37 for details of these borrowings).

During the year, the Group obtained new bank borrowings of US$2,405 million (2014: US$2,532 million) which are either at LIBOR or Hong Kong best lending rates based. The proceeds were used for refinancing the Group's borrowings.

36. Financial Instruments *(continued)*

36.2 Financial Risk Management Objectives and Policies *(continued)*

36.2.2 Interest Rate Risk Management *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year without considering the interest rate swaps entered at the end of the reporting period. A 50 basis point 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 higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2015 would decrease/increase by US$5,156,000 (2014: decrease/increase by US$3,932,000). 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 increased during the current period mainly due to the increase in variable rate debt instruments respectively.

36.2.3 Other Price Risk

The Group is exposed to price risk through its held-for-trading investments and derivative financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of equity investments held-for-trading measured at fair value at the reporting date.

If the prices of the respective equity instruments had been 10% higher the profit for the year ended December 31, 2015 of the Group would increase by US$112,000 (2014: US$116,000) as a result of the changes in fair value of held-for-trading investments.

36.2.4 Credit Risk Management

As at December 31, 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 45.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited for the Group because the counterparties are banks with good reputations and credit ratings.

The Group's concentration of credit risk by geographical location is mainly in North America, where 62.2% (2014: 59.0%) of the total trade receivables as at December 31, 2015 are located.

The Group has concentration of credit risk at 25.9% (2014: 23.3%) and 38.7% (2014: 35.6%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

36. Financial Instruments *(continued)*

36.2 Financial Risk Management Objectives and Policies *(continued)*

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, 2015, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately US$103 million (2014: US$70 million) and US$1,583 million (2014: US$1,892 million) respectively.

Liquidity Tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as well as non-derivative financial assets which are included in the maturity analysis. For non-derivative financial assets, the tables have been drawn up based on the contractual maturities of the undiscounted cash flow of the financial assets unless specified separately. For non-derivative financial liabilities, the tables reflect the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. 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. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

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 as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	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, 2015 US$'000
2015								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	1,116	—	—	—	—	1,116	1,116
Available-for-sale investments (Note)	—	492	3	—	—	—	495	495
Trade and other receivables	—	619,098	168,996	61,394	—	—	849,488	849,488
Bills receivable	—	14,967	7,349	4,961	—	—	27,277	27,277
Trade receivables from an associate	—	4	1,362	1,315	—	—	2,681	2,681
Bank balances, deposits and cash	0.03% - 0.05%	749,966	24,657	—	—	—	774,623	774,608
		1,385,643	202,367	67,670	—	—	1,655,680	1,655,665
Non-derivative financial liabilities								
Trade and other payables	—	(627,965)	(370,181)	(162,348)	—	—	(1,160,494)	(1,160,494)
Bills payable	—	(12,648)	(24,792)	—	—	—	(37,440)	(37,440)
Discounted bills with recourse	1.43%	(30,618)	(35,657)	(11,561)	—	—	(77,836)	(77,629)
Variable rate borrowings	0.51% to 2.58%	(8,347)	(462,181)	(120,379)	(85,989)	(383,495)	(1,060,391)	(1,045,021)
Bank overdrafts	3.25% – 5.00%	(3,837)	—	—	—	—	(3,837)	(3,837)
Financial guarantee contracts	—	(8,877)	—	—	—	—	(8,877)	—
		(692,292)	(892,811)	(294,288)	(85,989)	(383,495)	(2,348,875)	(2,324,421)

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, 2015 US$'000
2015								
Derivatives - net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	10,544	10,544	10,544
Interest rate swap	0.00% - 0.62%	—	(388)	(310)	—	—	(698)	(660)
Foreign currency forward contracts								
– AUD	—	108	42	(150)	—	—	—	—
– NZD	—	90	(50)	(921)	—	—	(881)	(881)
		198	(396)	(1,381)	—	10,544	8,965	9,003
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– DKK	—	—	—	460	—	—	460	460
– EUR	—	8,333	13,405	33,795	—	—	55,533	55,533
– RMB	—	61,394	71,468	317,586	—	—	450,448	450,448
– GBP	—	6,000	18,002	25,997	—	—	49,999	49,999
– US$	—	46,007	70,362	407,284	—	—	523,653	523,653
		121,734	173,237	785,122	—	—	1,080,093	1,080,093
– outflow								
– DKK	—	—	—	(450)	—	—	(450)	(450)
– EUR	—	(8,178)	(13,094)	(32,936)	—	—	(54,208)	(54,208)
– RMB	—	(62,198)	(72,734)	(325,776)	—	—	(460,708)	(460,708)
– GBP	—	(5,664)	(17,024)	(24,545)	—	—	(47,233)	(47,233)
– US$	—	(43,912)	(68,500)	(395,154)	—	—	(507,566)	(507,566)
		(119,952)	(171,352)	(778,861)	—	—	(1,070,165)	(1,070,165)
		1,782	1,885	6,261	—	—	9,928	9,928

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, 2014 US$'000
2014								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	1,155	—	—	—	—	1,155	1,155
Available-for-sale investments (Note)	—	509	—	—	—	—	509	509
Trade and other receivables	—	648,521	82,966	88,464	—	—	819,951	819,951
Bills receivable	—	16,695	11,534	3,371	—	—	31,600	31,600
Trade receivables from an associate	—	4,011	—	—	—	—	4,011	4,011
Bank balances, deposits and cash	0.03% - 0.05%	621,764	68,646	—	—	—	690,410	690,395
		1,292,655	163,146	91,835	—	—	1,547,636	1,547,621
Non-derivative financial liabilities								
Trade and other payables	—	(611,265)	(429,548)	(94,717)	—	—	(1,135,530)	(1,135,530)
Bills payable	—	(16,563)	(30,282)	—	—	—	(46,845)	(46,845)
Discounted bills with recourse	1.43%	(72,519)	(133)	—	—	—	(72,652)	(72,652)
Variable rate borrowings	1.11% - 3.63%	(83,186)	(86,396)	(290,190)	(104,622)	(232,523)	(796,917)	(778,565)
Fixed rate borrowings	7.44%	—	(99,312)	—	—	—	(99,312)	(95,699)
Bank overdrafts	3.25% - 5.00%	(2,619)	—	—	—	—	(2,619)	(2,619)
Financial guarantee contracts	—	(8,877)	—	—	—	—	(8,877)	—
		(795,029)	(645,671)	(384,907)	(104,622)	(232,523)	(2,162,752)	(2,131,910)

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, 2014 US$'000
2014								
Derivatives - net settlement								
Acquisition right of certain property, plant & equipment	—	—	—	—	—	11,635	11,635	11,635
Interest rate swap	0.26% - 0.55%	—	(356)	(1,052)	(651)	—	(2,059)	(1,947)
Foreign currency forward contracts								
– NZD	—	37	9	(21)	—	—	25	25
		37	(347)	(1,073)	(651)	11,635	9,601	9,713
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– AUD	—	16,149	36,615	86,376	—	—	139,140	139,140
– EUR	—	7,585	18,353	47,863	—	—	73,801	73,801
– RMB	—	41,359	75,839	366,176	—	—	483,374	483,374
– GBP	—	8,992	20,989	76,033	—	—	106,014	106,014
– US$	—	12,356	32,235	101,816	—	—	146,407	146,407
		86,441	184,031	678,264	—	—	948,736	948,736
– outflow								
– AUD	—	(14,288)	(33,020)	(76,423)	—	—	(123,731)	(123,731)
– EUR	—	(7,077)	(16,991)	(45,176)	—	—	(69,244)	(69,244)
– RMB	—	(41,650)	(76,553)	(373,769)	—	—	(491,972)	(491,972)
– GBP	—	(8,397)	(19,581)	(71,803)	—	—	(99,781)	(99,781)
– US$	—	(10,940)	(29,183)	(93,796)	—	—	(133,919)	(133,919)
		(82,352)	(175,328)	(660,967)	—	—	(918,647)	(918,647)
		4,089	8,703	17,297	—	—	30,089	30,089

Note: Maturities are based on the management's estimation of the expected realisation of these financial assets.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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. Financial Instruments *(continued)*

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 the interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from noted interest rate;
- 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; 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.

The fair value of financial assets and financial liabilities carried at amortised cost approximate their carrying amounts.

Fair Value Measurements Recognised in the 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 categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. Financial Instruments *(continued)*

36.3 Fair Value *(continued)*

Fair Value Measurements Recognised in the Statement of Financial Position *(continued)*

	Financial assets/financial liabilities	Fair value 2015	Fair value 2014	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
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$10,544,000	Acquisition right of certain property, plant and equipment: US$11,635,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3rd party independent valuer at the end of the financial year.	N/A	N/A
2)	Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	Assets – US$22,415,000; and Liabilities – US$13,368,000	Assets – US$39,666,000; and Liabilities – US$9,552,000	Level 2	Quoted forward exchange rates matching maturities of the contracts.	N/A	N/A
3)	Held-for-trading non-derivative financial assets classified as held-for-trading investments in the consolidated statement of financial position	Unlisted investment fund: US$1,116,000	Unlisted investment fund: US$1,155,000	Level 2	Quoted prices provided by the fund administrator based on the prices of stocks invested by the investment fund.	N/A	N/A
4)	Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	Liabilities (not designated for hedging) – US$660,000	Liabilities (not designated for hedging) – US$1,947,000	Level 2	Measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. There were no transfers between Level 1 and 2 in both periods.

36. Financial Instruments *(continued)*

36.3 Fair Value *(continued)*

Fair Value Measurements Recognised in the Statement of Financial Position *(continued)*

	Level 2 Total US$'000
2015	
Financial assets	
Acquisition right of certain property, plant and equipment	**10,544**
Foreign currency forward contracts	**22,415**
Held-for-trading investments	**1,116**
Total	**34,075**
Financial liabilities	
Foreign currency forward contracts	**(13,368)**
Interest rate swap	**(660)**
Total	**(14,028)**
2014	
Financial assets	
Acquisition right of certain property, plant and equipment	11,635
Foreign currency forward contracts	39,666
Held-for-trading investments	1,155
Total	52,456
Financial liabilities	
Foreign currency forward contracts	(9,552)
Interest rate swap	(1,947)
Total	(11,499)

36.4 Transfer of Financial Assets

The following were the Group's financial assets as at December 31, 2015 that were transferred to banks by discounting or factoring those trade and bills receivables on a full recourse basis. As the Group has not transferred all of the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised 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 amortised cost in the Group's consolidated statement of financial position.

The trade and bills receivable discounted with banks with full recourse at the year end was as follows:

	2015 US$'000	2014 US$'000
Carrying amount of transferred assets	**152,629**	147,652
Carrying amount of associated liabilities	**(152,629)**	(147,652)
Net position	**—**	—

37. Unsecured Borrowings

	2015 US$'000	2014 US$'000
Bank advance from factored trade receivables	**75,000**	75,000
Bank loans	**970,021**	703,565
Bank borrowings	**1,045,021**	778,565
Fixed interest rate notes (Note)	**—**	95,699
Total borrowings	**1,045,021**	874,264

The borrowings of the Group are repayable as follows:

	2015 US$'000	2014 US$'000
Fixed rate		
Within one year	**—**	95,699
Floating rate		
Within one year	**588,341**	456,349
In more than one year but not more than two years	**86,701**	145,301
In more than two years but not more than five years	**369,979**	176,915
	1,045,021	874,264
Less: Amount due within one year shown under current liabilities	**(588,341)**	(552,048)
Amount due after one year	**456,680**	322,216

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2015	2014
Effective interest rate:		
Fixed-rate borrowings	**N/A**	7.44%
Variable-rate borrowings	**0.51% to 2.58%**	1.11% to 3.63%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$'000
As at December 31, 2015	**390,904**
As at December 31, 2014	195,419

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of US$145,000,000. The notes were issued in two fixed rate tranches, being US$120,000,000 for 10 years at 6.70% per annum and US$25,000,000 for 7 years at 6.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes. The first and second tranche was fully repaid in 2013 and 2010 respectively.

In 2005, the Group issued additional fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of US$200,000,000. The notes were issued in two fixed rate tranches of US$150,000,000 for 10 years at 7.44% per annum and US$50,000,000 for 7 years at 7.17% per annum. The proceeds were used to finance the acquisition of subsidiaries. The first and second tranche was fully repaid in current year and 2012 respectively.

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

38. Share Capital

	2015 Number of shares	2014 Number of shares	2015 US$'000	2014 US$'000
Ordinary shares				
Authorised shares	**2,400,000,000**	2,400,000,000	**N/A**	N/A
Issued and fully paid:				
At the beginning of the year	**1,831,346,941**	1,829,883,941	**643,914**	23,471
Issue of shares upon exercise of share options	**2,390,000**	2,328,000	**3,195**	1,408
Buy-back of shares	**—**	(865,000)	**—**	—
Transfer of share premium and capital redemption reserve upon abolition of par value under the new Hong Kong Companies Ordinance	**—**	—	**—**	619,035
At the end of the year	**1,833,736,941**	1,831,346,941	**647,109**	643,914

Details of the share options are set out in Note 46.

39. Reserves

	Share premium US$'000	Capital redemption reserve US$'000	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, 2014	617,563	225	—	2,733	(3,724)	388,712	1,005,509
Profit for the year	—	—	—	—	—	1,242,198	1,242,198
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	24,811	—	24,811
Other comprehensive income for the year	—	—	—	—	24,811	—	24,811
Total comprehensive income for the year	—	—	—	—	24,811	1,242,198	1,267,009
Shares issued at premium on exercise of options	1,247	—	—	(497)	—	—	750
Buy-back of shares	—	—	—	—	—	(2,486)	(2,486)
Shares for share award scheme	—	—	(2,441)	—	—	—	(2,441)
Recognition of equity settled share-based payments	—	—	—	1,718	—	—	1,718
Final dividend – 2013	—	—	—	—	—	(32,400)	(32,400)
Interim dividend – 2014	—	—	—	—	—	(29,458)	(29,458)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	(618,810)	(225)	—	—	—	—	(619,035)
At December 31, 2014	—	—	(2,441)	3,954	21,087	1,566,566	1,589,166
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(47,502)**	**(47,502)**
Fair value loss on foreign currency forward contracts in hedge accounting	**—**	**—**	**—**	**—**	**(21,087)**	**—**	**(21,087)**
Other comprehensive loss for the year	**—**	**—**	**—**	**—**	**(21,087)**	**—**	**(21,087)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(21,087)**	**(47,502)**	**(68,589)**
Shares issued at premium on exercise of options	**—**	**—**	**—**	**(637)**	**—**	**—**	**(637)**
Vesting of awarded shares	**—**	**—**	**813**	**(813)**	**—**	**—**	**—**
Shares for share award scheme	**—**	**—**	**(7,626)**	**—**	**—**	**—**	**(7,626)**
Recognition of equity settled share-based payments	**—**	**—**	**—**	**3,546**	**—**	**—**	**3,546**
Final dividend – 2014	**—**	**—**	**—**	**—**	**—**	**(44,799)**	**(44,799)**
Interim dividend – 2015	**—**	**—**	**—**	**—**	**—**	**(37,726)**	**(37,726)**
At December 31, 2015	**—**	**—**	**(9,254)**	**6,050**	**—**	**1,436,539**	**1,433,335**

Note: The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. March 3, 2014).

As at December 31, 2015, the Company's reserves available for distribution to shareholders comprised the retained profits of US$1,436,539,000 (2014: US$1,566,566,000).

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 maximum amount of HK$18,000 (2014: HK$16,750) per employee per annum, which contribution is matched by the employee.

The employees of the Group's subsidiaries in the 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 recognised in profit or loss of US$4,373,000 (2014: US$3,475,000) 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 plan is administered by a separate fund that is 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:

	2015 **US$'000**	2014 US$'000
Pension plan obligations (Note i)	**77,871**	87,027
Post-retirement, medical and dental plan obligations (Note ii)	**126**	220
Life and medical insurance plan (Note ii)	**1,109**	1,100
Post-employment benefit plan obligations (Note iii)	**9,813**	5,661
Others	**10,977**	5,399
	99,896	99,407

Note i: Pension plan obligations

The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the 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, 2016, by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

Note ii: Post-retirement, medical and dental plan obligations/Life and medical insurance plan

Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on January 6, 2016 by Willis North America, Inc.

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 11, 2016 by CBIZ Benefits & Insurance Services.

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 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		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Discount rate	**2.70%**	2.70%	**1.00%**	0.75%	**3.25%**	3.25%	**3.71%**	4.57%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**3.71%**	4.57%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%	**5.00%**	5.00%	**N/A**	N/A

The actuarial valuation showed that the market value of plan assets was US$5,637,000 (2014: US$7,445,000) and that the actuarial value of these assets represented 36.5% (2014: 56.8%) of the benefits that had accrued to members.

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		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
Current service cost and interest cost	**N/A**	N/A	**—**	—	**2**	2	**N/A**	N/A
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**1**	2	**66**	72	**N/A**	N/A

40. Retirement Benefit Obligations *(continued)*

Amounts recognised in comprehensive income in respect of the plans are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical Insurance plan		Post-employment benefit plan	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
Service cost:								
Current service cost	**300**	312	**—**	—	**—**	—	**—**	—
Net interest on defined benefit liabilities	**2,022**	2,397	**1**	2	**34**	52	**232**	351
Components of defined benefit costs recognised in profit or loss	**2,322**	2,709	**1**	2	**34**	52	**232**	351
Remeasurement on the net defined benefit liability:								
Actuarial losses (gains) arising from changes in financial assumptions	**744**	5,323	**(80)**	(134)	**43**	(437)	**3,920**	2,115
Components of defined benefit costs recognised in other comprehensive income	**744**	5,323	**(80)**	(134)	**43**	(437)	**3,920**	2,115
Total	**3,066**	8,032	**(79)**	(132)	**77**	(385)	**4,152**	2,466

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 plans is as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
Present value of funded obligations	**—**	—	**—**	—	**—**	—	**15,450**	13,106
Fair value of plan assets	**—**	—	**—**	—	**—**	—	**(5,637)**	(7,445)
	—	—	**—**	—	**—**	—	**9,813**	5,661
Present value of unfunded obligations	**77,871**	87,027	**126**	220	**1,109**	1,100	**—**	—
	77,871	87,027	**126**	220	**1,109**	1,100	**9,813**	5,661

40. Retirement Benefit Obligations *(continued)*

Movements in the present value of the defined benefit obligations in the current year in respect of major plans were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
At January 1	**87,027**	95,476	**220**	383	**1,100**	1,549	**13,106**	12,183
Exchange differences	**(8,374)**	(11,846)	**—**	—	**—**	—	**—**	—
Current service cost	**300**	312	**—**	—	**—**	—	**—**	—
Actuarial losses (gains)	**744**	5,323	**(80)**	(134)	**43**	(437)	**3,666**	1,938
Interest cost	**2,022**	2,397	**1**	2	**34**	52	**482**	526
Benefit paid	**(3,848)**	(4,635)	**(15)**	(31)	**(68)**	(64)	**(1,804)**	(1,541)
At December 31	**77,871**	87,027	**126**	220	**1,109**	1,100	**15,450**	13,106

Movements in the fair value of the plan assets in the current year in respect of certain major plans were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
At January 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**7,445**	4,489
Exchange differences	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	—
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**250**	175
Actuarial losses	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(254)**	(177)
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	4,500
Benefit paid	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(1,804)**	(1,542)
At December 31	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**5,637**	7,445

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 4.57% (2014: 4.57%).

The actual return on plan assets was US$254,000 (2014: US$177,000).

Significant actuarial assumptions for the determination of the defined obligation is 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$3,500,000 (2014: nil) 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 recognised 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, 2014	(1,899)	4,155	32,860	39,747	5,142	(7,216)	72,789
Currency realignment	37	(173)	(212)	(323)	(64)	(266)	(1,001)
Credit (charge) to profit or loss	5,685	2,274	3,311	7,695	3,205	(12,360)	9,810
Credit (charge) to equity	—	—	2,282	—	—	(1,334)	948
At December 31, 2014	3,823	6,256	38,241	47,119	8,283	(21,176)	82,546
Currency realignment	**(11)**	**(185)**	**(151)**	**(15)**	**(59)**	**(62)**	**(483)**
(Charge) credit to profit or loss	**(10,481)**	**5,583**	**3,748**	**60,742**	**5,057**	**(13,653)**	**50,996**
Credit to equity	**—**	**—**	**1,823**	**—**	**—**	**482**	**2,305**
At December 31, 2015	**(6,669)**	**11,654**	**43,661**	**107,846**	**13,281**	**(34,409)**	**135,364**

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:

	2015 US$'000	2014 US$'000
Deferred tax assets	**146,064**	86,911
Deferred tax liabilities	**(10,700)**	(4,365)
	135,364	82,546

At the end of the reporting period, the Group has unused tax losses of US$715 million (2014: US$532 million) available for the offset against future taxable profits that carry forward for at least twenty years. No deferred tax asset has been recognised in respect of tax losses of US$443 million (2014: US$409 million) due to the lack of probable future taxable profits.

42. Acquisition of Subsidiaries / a Business

In 2015, the Group acquired a business in Thailand for a consideration of approximately US$1 million and two companies which hold leasehold land and building located in Hong Kong for a consideration of approximately US$70 million.

	Fair value US$'000
Net Assets Acquired	
Property, plant and equipment	69,815
Inventories	270
Trade and other receivables, deposits and prepayments	223
Bank balances and cash	88
Trade and other payables	(730)
	69,666
Goodwill arising on acquisition of a business	1,424
Total consideration	71,090
Net cash outflow arising on acquisition:	
Total consideration	71,090
Less: Bank balances and cash acquired	(88)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries / a business	71,002

Acquisition-related costs are insignificance and have been excluded from the consideration transferred and have been recognised as an expense in the current year.

The revenue and profit or loss of the acquired businesses for the current reporting period as though the acquisition date for the acquisitions that occurred during the year has been as of the beginning of the annual reporting period is not presented as it was impracticable to obtain various values in various acquiree's operations prior to the acquisition.

43. Major Non-Cash Transactions

During the year ended December 31, 2015, the Group entered into finance lease arrangements in respect of assets at the inception of the finance leases of US$1,878,000 (2014: US$10,395,000).

44. Lease Commitments

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2015 US$'000	2014 US$'000
Within one year	46,908	46,795
In the second to fifth year inclusive	109,604	109,589
After five years	48,228	51,257
	204,740	207,641

Operating lease payments represent rentals payable by the Group for certain of its plant and machinery, motor vehicles, office properties and other assets. Leases are negotiated for a term ranging from 1 year to 17 years.

45. Contingent Liabilities

	2015 US$'000	2014 US$'000
Guarantees given to banks in respect of credit facilities utilised by associates	**8,877**	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 utilised by the subsidiaries as at December 31, 2015 amounted to US$207,031,000 (2014: US$294,911,000).

46. Share Options

Scheme adopted on May 29, 2007 ("Scheme D")

Scheme D was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, 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) Non-executive Directors (including Independent Non-executive Directors or Officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 in cash by way of consideration 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; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30.0% of the issued share capital of the Company from time to time or 10.0% of shares in issue as at the adoption date of Scheme D. 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 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, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

46. Share Options *(continued)*

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

2015

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	26.11.2010	D	600,000	—	(600,000)	—	—	8.310	26.11.2010 - 25.11.2020
	21.5.2012	D	570,000	—	(570,000)	—	—	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	230,000	—	—	—	230,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	168,000	—	—	168,000	29.650	11.9.2015 - 10.9.2025
Mr Joseph Galli Jr	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	250,000	—	—	250,000	29.650	11.9.2015 - 10.9.2025
Mr Chi Chung Chan	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	250,000	—	—	250,000	29.650	11.9.2015 - 10.9.2025
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	—	—	1,000,000	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	1,000,000	—	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
	11.9.2015	D	—	250,000	—	—	250,000	29.650	11.9.2015 - 10.9.2025
Prof Roy Chi Ping Chung BBS JP	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Christopher Patrick Langley OBE	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Manfred Kuhlmann	23.5.2011	D	100,000	—	—	—	100,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Peter David Sullivan	16.11.2009	D	200,000	—	—	—	200,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
	11.9.2015	D	—	150,000	—	—	150,000	29.650	11.9.2015 - 10.9.2025
Mr Joel Arthur Schleicher	23.5.2011	D	200,000	—	(200,000)	—	—	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	(250,000)	—	—	8.742	21.5.2012 - 20.5.2022
Total for directors			8,700,000	1,668,000	(1,620,000)	—	8,748,000		

46. Share Options *(continued)*

The following tables disclose movements in the Company's share options during the year: *(continued)*

2015

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
Employees	**24.8.2007**	**D**	**830,000**	**—**	**(100,000)**	**—**	**730,000**	**8.390**	**24.8.2007 - 23.8.2017**
	16.10.2007	**D**	**60,000**	**—**	**(10,000)**	**—**	**50,000**	**8.810**	**16.10.2007 - 15.10.2017**
	7.11.2007	**D**	**40,000**	**—**	**—**	**—**	**40,000**	**8.088**	**7.11.2007 - 6.11.2017**
	14.1.2008	**D**	**505,000**	**—**	**—**	**—**	**505,000**	**7.566**	**14.1.2008 - 13.1.2018**
	17.4.2008	**D**	**400,000**	**—**	**(50,000)**	**—**	**350,000**	**7.780**	**17.4.2008 - 16.4.2018**
	14.5.2008	**D**	**40,000**	**—**	**—**	**—**	**40,000**	**7.500**	**14.5.2008 - 13.5.2018**
	30.5.2008	**D**	**250,000**	**—**	**—**	**—**	**250,000**	**7.546**	**30.5.2008 - 29.5.2018**
	16.11.2009	**D**	**1,680,000**	**—**	**(110,000)**	**—**	**1,570,000**	**6.770**	**16.11.2009 - 15.11.2019**
	28.12.2009	**D**	**30,000**	**—**	**—**	**—**	**30,000**	**6.390**	**28.12.2009 - 27.12.2019**
	13.9.2010	**D**	**500,000**	**—**	**(500,000)**	**—**	**—**	**7.390**	**13.9.2010 - 12.9.2020**
	17.1.2011	**D**	**20,000**	**—**	**—**	**—**	**20,000**	**10.436**	**17.1.2011 - 16.1.2021**
Total for employees			**4,355,000**	**—**	**(770,000)**	**—**	**3,585,000**		
Total for all categories			**13,055,000**	**1,668,000**	**(2,390,000)**	**—**	**12,333,000**		

2014

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	16.11.2009	D	600,000	—	(600,000)	—	—	6.770	16.11.2009 - 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 - 25.11.2020
	21.5.2012	D	570,000	—	—	—	570,000	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	—	230,000	—	—	230,000	21.600	20.3.2014 - 19.3.2024
Mr Joseph Galli Jr	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 - 15.11.2019
Mr Kin Wah Chan	20.3.2014	D	—	1,000,000	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
Mr Chi Chung Chan	20.3.2014	D	—	1,000,000	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
Mr Stephan Horst Pudwill	21.5.2012	D	1,000,000	—	—	—	1,000,000	8.742	21.5.2012 - 20.5.2022
	20.3.2014	D	—	1,000,000	—	—	1,000,000	21.600	20.3.2014 - 19.3.2024
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	(400,000)	—	—	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Christopher Patrick Langley OBE	21.5.2012	D	250,000	—	(250,000)	—	—	8.742	21.5.2012 - 20.5.2022
Mr Manfred Kuhlmann	23.5.2011	D	100,000	—	—	—	100,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Peter David Sullivan	16.11.2009	D	200,000	—	—	—	200,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 - 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 - 22.5.2021
	21.5.2012	D	250,000	—	—	—	250,000	8.742	21.5.2012 - 20.5.2022
Total for directors			6,720,000	3,230,000	(1,250,000)	—	8,700,000		

46. Share Options *(continued)*

The following tables disclose movements in the Company's share options during the year: *(continued)*

2014

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
Employees	24.8.2007	D	980,000	—	(150,000)	—	830,000	8.390	24.8.2007 - 23.8.2017
	16.10.2007	D	60,000	—	—	—	60,000	8.810	16.10.2007 - 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 - 6.11.2017
	14.1.2008	D	518,000	—	(13,000)	—	505,000	7.566	14.1.2008 - 13.1.2018
	17.4.2008	D	575,000	—	(175,000)	—	400,000	7.780	17.4.2008 - 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 - 13.5.2018
	30.5.2008	D	350,000	—	(100,000)	—	250,000	7.546	30.5.2008 - 29.5.2018
	16.11.2009	D	2,220,000	—	(540,000)	—	1,680,000	6.770	16.11.2009 - 15.11.2019
	7.12.2009	D	100,000	—	(100,000)	—	—	6.790	7.12.2009 - 6.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 - 27.12.2019
	13.9.2010	D	500,000	—	—	—	500,000	7.390	13.9.2010 - 12.9.2020
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 - 16.1.2021
Total for employees			5,433,000	—	(1,078,000)	—	4,355,000		
Total for all categories			12,153,000	3,230,000	(2,328,000)	—	13,055,000		

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	**Outstanding at January 1, 2015**	**Granted during the year**	**Exercised during the year**	**Lapsed or cancelled during the year**	**Outstanding at December 31, 2015**
Scheme D	**13,055,000**	**1,668,000**	**(2,390,000)**	**—**	**12,333,000**
	13,055,000	**1,668,000**	**(2,390,000)**	**—**	**12,333,000**
Exercisable at the end of the year					**9,050,000**

Option type	Outstanding at January 1, 2014	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2014
Scheme D	12,153,000	3,230,000	(2,328,000)	—	13,055,000
	12,153,000	3,230,000	(2,328,000)	—	13,055,000
Exercisable at the end of the year					9,825,000

46. Share Options *(continued)*

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2015	**8,700,000**	**1,668,000**	**(1,620,000)**	**—**	**8,748,000**

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2014	6,720,000	3,230,000	(1,250,000)	—	8,700,000

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	Hong Kong Exchange Fund Notes rate/Yields of Hong Kong Government Bonds	Expected annual dividend yield
For the year ended December 31, 2015					
11.9.2015	**29.650**	**3 years**	**40%**	**0.523%**	**1.5%**
For the year ended December 31, 2014					
20.3.2014	21.600	3 years	41%	0.712%	1.5%

The share options are vested in parts over 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 behavioural considerations.

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

The weighted average closing price of shares immediately before the options grant date during 2015 was HK$29.80 (2014: HK$20.40).

The closing price of the Company's shares immediately before the date of grant was HK$29.80 in 2015 (2014: HK$20.40).

The weighted average closing prices of the Company's shares immediately before various dates during 2015 and 2014 on which the share options were exercised were HK$29.83 and HK$24.59 respectively.

The Group recognised a total expense of US$1,189,000 for the year ended December 31, 2015 (2014: US$1,436,000) in relation to share options granted by the Company.

The fair value of the share options granted in 2015 measured at the date of grant was HK$7.39 (2014: HK$5.56) per option.

The Company had 12,333,000 share options outstanding, which represented approximately 0.67% of the issued share capital of the Company as at December 31, 2015. No option was cancelled during the year.

Total securities available for issue under Scheme D is 150,505,065 shares, which represented approximately 8.21% of the issued shares of the Company as at December 31, 2015.

47. Share Award Scheme

The purpose of the share award scheme is to recognise 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. 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 must cause to be paid to 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 at the time of making the award and become 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 share award scheme during the year was US$2,357,000 (2014: US$282,000). During 2015, 274,500 shares (2014: nil) 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	
	2015	2014
At January 1	**824,000**	—
Awarded (Note (a))	**1,800,000**	824,000
Vested	**(274,500)**	—
At December 31 (Note (b))	**2,349,500**	824,000

Notes:

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

(b) At the end of the year, the average fair value per share is HK$26.00 (2014: HK$23.02). 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	
	2015	2014
Less than 1 year	**1,324,500**	274,500
More than 1 year	**1,025,000**	549,500
	2,349,500	824,000

48. Capital Commitments

	2015 **US$'000**	2014 US$'000
Capital expenditure in respect of the purchase of property, plant and equipment:		
Contracted for but not provided	**20,942**	9,077
Authorised but not contracted for	**1,991**	2,851

49. 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:

	2015 **US$'000**	2014 US$'000
Sales income	**9,305**	10,316
Purchases	**7,003**	37

The remuneration of directors and other members of key management during the year was as follows:

	2015 **US$'000**	2014 US$'000
Short-term benefits	**46,078**	42,844
Post-employment benefits	**607**	348
Share-based payments	**3,546**	1,718
	50,231	44,910

Details of the balances and transactions with related parties are set out in the statements of financial position and Notes 21, 26 and 45.

50. Statement of Financial Position of the Company

As at December 31, 2015

	Note	2015 US$'000	2014 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,594**	4,825
Intangible assets		**10**	—
Investments in subsidiaries		**1,020,765**	1,007,613
Loans to subsidiaries		**856,681**	841,716
Interests in associates		**5,298**	5,225
Available-for-sale investments		**183**	189
		1,886,531	1,859,568
Current assets			
Other receivables		**4,372**	5,861
Deposits and prepayments		**8,483**	4,661
Amounts due from subsidiaries		**1,863,707**	1,380,060
Derivative financial instruments		**35**	27,897
Held-for-trading investments		**1,116**	1,155
Bank balances, deposits and cash		**220,712**	195,383
		2,098,425	1,615,017
Current liabilities			
Trade and other payables		**32,486**	33,877
Tax payable		**2,700**	2,700
Derivative financial instruments		**684**	8,758
Amounts due to subsidiaries		**911,746**	494,702
Unsecured borrowings - due within one year		**500,216**	379,252
		1,447,832	919,289
Net current assets		**650,593**	695,728
Total assets less current liabilities		**2,537,124**	2,555,296
Capital and Reserves			
Share capital		**647,109**	643,914
Reserves	39	**1,433,335**	1,589,166
		2,080,444	2,233,080
Non-current Liabilities			
Unsecured borrowings - due after one year		**456,680**	322,216
Total equity and non-current liabilities		**2,537,124**	2,555,296

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on March 15, 2016 and are signed on its behalf by:

Chi Chung Chan
Group Executive Director

Stephan Horst Pudwill
Group Executive Director

51. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2015 and December 31, 2014 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
AC (Macao Commercial Offshore) Limited	Macau	MOP 780,000	—	100	Trading of power equipment, floor care and outdoor power equipment products
Baja, Inc.	US	US$ 17.36	—	100	Trading of outdoor power equipment products
DreBo Werkzeugfabrik GmbH *	Germany	EUR 1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Consumer Products, Inc.	US	US$ 10	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	US$ 1	—	100	Trading and manufacture of floor care products
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HK$ 100,000	100	—	Trading of household electronic and electrical products
Milwaukee Electric Tool Corporation	US	US$ 50,000,000	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	US	US$ 10	—	100	Trading of power equipment products
Royal Appliance International GmbH	Germany	EUR 2,050,000	100	—	Trading of floor care products
Royal Appliance Mfg. Co.	US	US$ 1	—	100	Trading and manufacture of floor care products
Sang Tech Industries Limited	Hong Kong	HK$ 1,000,000	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HK$ 2,000,000	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HK$ 2,000,000	75.725	—	Manufacture of electronic products

51. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Floor Care Technology Limited	BVI	US$ 1	100	—	Investment and intellectual properties holding
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	US$ 47,000,000	—	100	Manufacture of power equipment, floor care and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NTD 5,000,000	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd	United Kingdom	GBP 4,000,000	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD 25,575,762	—	100	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR 25,600	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR 25,000	—	100	Trading of power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR 14,919,832	—	100	Trading of power equipment products
Techtronic Industries GmbH	Germany	EUR 20,452,500	—	100	Trading and manufacture of power equipment products
Techtronic Industries Korea Limited	Korea	KRW 3,400,000,000	100	—	Trading of power equipment products
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN 50,000 (Serie I) MXN53,290,717 (Serie II)	—	100	Trading of power equipment, floor care and outdoor power equipment products

51. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Industries N.Z. Limited	New Zealand	NZD 4,165,500	100	—	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries North America, Inc.	US	US$ 10	100	—	Investment holding
Techtronic Outdoor Products Technology Limited	Bermuda	US$ 12,000	100	—	Investment and intellectual properties holding
Techtronic Power Tools Technology Limited	BVI	US$ 1	100	—	Investment and intellectual properties holding
Techtronic Product Development Limited	Hong Kong	HK$ 2	100	—	Engage in research & development activities
Techtronic Trading Limited	Hong Kong	HK$ 2	100	—	Trading of power equipment, floor care and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HK$ 2	100	—	Investment holding
Vax Limited	United Kingdom	GBP 30,000 (Ordinary A shares) GBP 2,500 (Ordinary B shares)	100	—	Trading of household electrical and floor care 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.

51. 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 summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2015	2014
Manufacture of power equipment, floor care and outdoor power equipment products	Europe, Latin America, PRC, US	**5**	6
Trading of power equipment, floor care and other power equipment product	Canada, Europe, HK, Latin America, PRC, US	**33**	32
Investment holding	Australia, BVI, Europe, HK, US	**23**	20
Dormant	BVI, Europe, HK, US	**12**	14

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

52. Particulars of Principal Associate

Particulars of the principal associate is as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company directly		Principal activities
			2015 %	2014 %	
Gimelli International (Holdings) Limited	The Cayman Islands	US$ 6,250	**40.8**	40.8	Investment holding

Financial Summary

Results

	Year ended December 31				
	2011 US$'000 (Restated)	2012 US$'000	2013 US$'000	2014 US$'000	**2015** **US$'000**
Revenue	3,667,058	3,852,418	4,299,755	4,752,960	**5,038,004**
Profit before, share of results of associates and taxation	161,704	222,246	276,398	325,159	**386,957**
Share of results of associates	(347)	—	—	—	**—**
Profit before taxation	161,357	222,246	276,398	325,159	**386,957**
Taxation charge	(9,242)	(22,139)	(29,036)	(25,680)	**(32,814)**
Profit for the year	152,115	200,107	247,362	299,479	**354,143**
Attributable to:					
Owners of the Company	152,009	200,991	250,284	300,330	**354,427**
Non-controlling interests	106	(884)	(2,922)	(851)	**(284)**
Profit for the year	152,115	200,107	247,362	299,479	**354,143**
Basic earnings per share (US cents)	9.47	11.42	13.68	16.41	**19.37**

Assets and Liabilities

	As at December 31				
	2011 US$'000	2012 US$'000	2013 US$'000	2014 US$'000	**2015** **US$'000**
Total assets	3,369,616	3,581,078	4,012,559	4,351,383	**4,802,718**
Total liabilities	2,115,488	2,024,556	2,267,123	2,384,357	**2,647,146**
	1,254,128	1,556,522	1,745,436	1,967,026	**2,155,572**
Equity attributable to Owners of the Company	1,245,576	1,548,877	1,740,713	1,967,153	**2,155,983**
Non-controlling interests	8,552	7,645	4,723	(127)	**(411)**
	1,254,128	1,556,522	1,745,436	1,967,026	**2,155,572**

Corporate Information

Board of Directors

Group Executive Directors

Mr Horst Julius Pudwill
Chairman

Mr Joseph Galli Jr
Chief Executive Officer

Mr Patrick Kin Wah Chan
Mr Frank Chi Chung Chan
Mr Stephan Horst Pudwill

Non-executive Directors

Prof Roy Chi Ping Chung BBS JP
Mr Camille Jojo

Independent Non-executive Directors

Mr Christopher Patrick Langley OBE
Mr Manfred Kuhlmann
Mr Peter David Sullivan
Mr Vincent Ting Kau Cheung

Financial Calendar 2016

March 15	: Announcement of 2015 annual results
May 18	: Last day to register for the entitlement to attend and vote at Annual General Meeting
May 19-20	: Book closure period for the entitlement to attend and vote at Annual General Meeting
May 20	: Annual General Meeting
May 26	: Last day to register for 2015 final dividend
May 27	: Book closure for 2015 final dividend
June 24	: 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

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Ordinary Shares (stock code: 669)
ADR Level 1 Programme (symbol: TTNDY)

Share Registrar and Transfer Office

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183 Queen's Road East
Hong Kong
Tel: (852) 2980 1888

ADR Depositary

The Bank of New York

Principal Bankers

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

Solicitors

Vincent T.K. Cheung, Yap & Co.

Auditor

Deloitte Touche Tohmatsu

Company Secretary

Ms Veronica Ka Po Ng

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