

# Condensed Consolidated Financial Statements

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six-month period ended June 30, 2019

	Notes	2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
Revenue	3 & 4	<b>3,728,247</b>	3,430,828
Cost of sales		<b>(2,325,499)</b>	(2,157,198)
Gross profit		<b>1,402,748</b>	1,273,630
Other income		<b>4,372</b>	3,252
Interest income		<b>17,817</b>	13,156
Selling, distribution and advertising expenses		<b>(581,768)</b>	(522,233)
Administrative expenses		<b>(402,688)</b>	(374,791)
Research and development costs		<b>(108,592)</b>	(99,111)
Finance costs		<b>(25,166)</b>	(18,470)
Profit before share of results of associates and taxation		<b>306,723</b>	275,433
Share of results of associates		<b>27</b>	—
Profit before taxation		<b>306,750</b>	275,433
Taxation charge	5	<b>(21,687)</b>	(20,657)
Profit for the period	6	<b>285,063</b>	254,776
Other comprehensive (loss) income:			
Item that will not be reclassified subsequently to profit or loss, net of related income tax:			
Remeasurement of defined benefit obligations		<b>(3,114)</b>	135
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on foreign currency forward contracts in hedge accounting		<b>(994)</b>	40,758
Exchange differences on translation of foreign operations		<b>(2,934)</b>	(22,871)
Other comprehensive (loss) income for the period		<b>(7,042)</b>	18,022
Total comprehensive income for the period		<b>278,021</b>	272,798
Profit for the period attributable to:			
Owners of the Company		<b>285,004</b>	254,737
Non-controlling interests		<b>59</b>	39
		<b>285,063</b>	254,776
Total comprehensive income attributable to:			
Owners of the Company		<b>277,962</b>	272,759
Non-controlling interests		<b>59</b>	39
		<b>278,021</b>	272,798
Earnings per share (US cents)	8		
Basic		<b>15.61</b>	13.89
Diluted		<b>15.55</b>	13.84

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## Consolidated Statement of Financial Position (Unaudited)

As at June 30, 2019

	Notes	June 30 2019 US\$'000 (Unaudited)	December 31 2018 US\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9 & 17	965,526	790,936
Lease prepayments		—	28,475
Right of use assets	2 & 9	236,318	—
Goodwill		581,096	581,215
Intangible assets	9	641,086	620,801
Interests in associates		3,282	3,664
Financial assets at fair value through profit or loss		5,663	5,361
Derivative financial instruments		9,441	9,441
Deferred tax assets		86,170	83,945
		<b>2,528,582</b>	2,123,838
<b>Current assets</b>			
Inventories		1,961,134	1,766,722
Right to returned goods asset		16,987	14,005
Trade and other receivables	10	1,373,612	1,126,798
Deposits and prepayments		132,737	126,841
Bills receivable	10	6,518	5,057
Tax recoverable		5,787	12,852
Trade receivables from associates	11	11,140	2,253
Derivative financial instruments		28,202	33,788
Financial assets at fair value through profit or loss		25,762	32,828
Bank balances, deposits and cash		1,205,564	1,103,880
		<b>4,767,443</b>	4,225,024
<b>Current liabilities</b>			
Trade and other payables	12	1,884,935	1,921,452
Bills payable	12	26,396	41,164
Warranty provision		108,587	105,215
Tax payable		10,992	15,300
Derivative financial instruments		1,046	712
Lease liabilities		57,847	—
Obligations under finance leases – due within one year		—	288
Discounted bills with recourse		258,163	243,360
Unsecured borrowings – due within one year	13	760,514	255,228
Refund liabilities from right of return		36,470	33,267
		<b>3,144,950</b>	2,615,986
Net current assets		<b>1,622,493</b>	1,609,038
Total assets less current liabilities		<b>4,151,075</b>	3,732,876

Condensed Consolidated Financial Statements  
 Consolidated Statement of Financial Position (Unaudited)  
 As at June 30, 2019

	Notes	June 30 2019 US\$'000 (Unaudited)	December 31 2018 US\$'000 (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	14	659,545	654,991
Reserves		2,521,386	2,402,780
Equity attributable to Owners of the Company		3,180,931	3,057,771
Non-controlling interests		(371)	(430)
Total equity		3,180,560	3,057,341
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		166,667	—
Obligations under finance leases – due after one year		—	725
Unsecured borrowings – due after one year	13	663,377	540,214
Retirement benefit obligations		125,864	119,974
Deferred tax liabilities		14,607	14,622
		970,515	675,535
Total equity and non-current liabilities		4,151,075	3,732,876

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## Consolidated Statement of Changes in Equity (Unaudited)

For the six-month period ended June 30, 2019

	Attributable to Owners of the Company							Total US\$' 000	Share of net assets of subsidiaries US\$' 000	Attributable to non- controlling interests	Total US\$' 000
	Share capital US\$' 000	Shares held for share award scheme US\$' 000	Translation reserve US\$' 000	Employee share-based compensation reserve US\$' 000	Defined benefit obligations remeasurement reserve US\$' 000	Hedging reserve US\$' 000	Retained profits US\$' 000				
At January 1, 2018 (audited)	653,918	(10,561)	(94,058)	6,902	(20,421)	(28,784)	2,234,229	2,741,225	(507)	2,740,718	
Adjustment for adoption of HKFRS 9	—	—	—	—	—	—	1,570	1,570	—	1,570	
Adjustment for adoption of HKFRS 15	—	—	—	—	—	—	(7,060)	(7,060)	—	(7,060)	
At January 1, 2018 (restated)	653,918	(10,561)	(94,058)	6,902	(20,421)	(28,784)	2,228,739	2,735,735	(507)	2,735,228	
Profit for the period	—	—	—	—	—	—	254,737	254,737	39	254,776	
Remeasurement of defined benefit obligations	—	—	—	—	135	—	—	135	—	135	
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	40,758	—	40,758	—	40,758	
Exchange differences on translation of foreign operations	—	—	(22,871)	—	—	—	—	(22,871)	—	(22,871)	
Other comprehensive income (loss) for the period	—	—	(22,871)	—	135	40,758	—	18,022	—	18,022	
Total comprehensive income (loss) for the period	—	—	(22,871)	—	135	40,758	254,737	272,759	39	272,798	
Shares issued at premium on exercise of options	686	—	—	(128)	—	—	—	558	—	558	
Buy-back of shares	—	—	—	—	—	—	(12,764)	(12,764)	—	(12,764)	
Vesting of awarded shares	—	637	—	(637)	—	—	—	—	—	—	
Shares for share award scheme	—	(4,674)	—	—	—	—	—	(4,674)	—	(4,674)	
Recognition of equity-settled share-based payments	—	—	—	2,346	—	—	—	2,346	—	2,346	
Lapse of share options	—	—	—	(6)	—	—	6	—	—	—	
Final dividend – 2017	—	—	—	—	—	—	(93,827)	(93,827)	—	(93,827)	
At June 30, 2018 (unaudited)	654,604	(14,598)	(116,929)	8,477	(20,286)	11,974	2,376,891	2,900,133	(468)	2,899,665	
Profit for the year	—	—	—	—	—	—	297,726	297,726	38	297,764	
Remeasurement of defined benefit obligations	—	—	—	—	(164)	—	—	(164)	—	(164)	
Fair value gain on foreign currency forward contracts in hedge accounting	—	—	—	—	—	10,972	—	10,972	—	10,972	
Deferred tax liability on remeasurement of defined benefit obligation	—	—	—	—	(82)	—	—	(82)	—	(82)	
Deferred tax liability on hedging reserve	—	—	—	—	—	(1,498)	—	(1,498)	—	(1,498)	
Exchange differences on translation of foreign operations	—	—	(26,302)	—	—	—	—	(26,302)	—	(26,302)	
Other comprehensive income (loss) for the period	—	—	(26,302)	—	(246)	9,474	—	(17,074)	—	(17,074)	
Total comprehensive income (loss) for the period	—	—	(26,302)	—	(246)	9,474	297,726	280,652	38	280,690	
Shares issued at premium on exercise of options	387	—	—	(77)	—	—	—	310	—	310	
Buy-back of shares	—	—	—	—	—	—	(25,844)	(25,844)	—	(25,844)	
Shares for share award scheme	—	(10,517)	—	—	—	—	—	(10,517)	—	(10,517)	
Recognition of equity-settled share-based payments	—	—	—	2,632	—	—	—	2,632	—	2,632	
Interim dividend – 2018	—	—	—	—	—	—	(89,595)	(89,595)	—	(89,595)	
At December 31, 2018 (audited)	654,991	(25,115)	(143,231)	11,032	(20,532)	21,448	2,559,178	3,057,771	(430)	3,057,341	
Adjustment for adoption of HKFRS 16 (note 2.1.2)	—	—	—	—	—	—	(22,139)	(22,139)	—	(22,139)	
At January 1, 2019 (restated)	654,991	(25,115)	(143,231)	11,032	(20,532)	21,448	2,537,039	3,035,632	(430)	3,035,202	
Profit for the period	—	—	—	—	—	—	285,004	285,004	59	285,063	
Remeasurement of defined benefit obligations	—	—	—	—	(3,114)	—	—	(3,114)	—	(3,114)	
Fair value loss on foreign currency forward contracts in hedge accounting	—	—	—	—	—	(994)	—	(994)	—	(994)	
Exchange differences on translation of foreign operations	—	—	(2,934)	—	—	—	—	(2,934)	—	(2,934)	
Other comprehensive income (loss) for the period	—	—	(2,934)	—	(3,114)	(994)	—	(7,042)	—	(7,042)	
Total comprehensive income (loss) for the period	—	—	(2,934)	—	(3,114)	(994)	285,004	277,962	59	278,021	
Shares issued at premium on exercise of options	4,554	—	—	(906)	—	—	—	3,648	—	3,648	
Buy-back of shares	—	—	—	—	—	—	(12,644)	(12,644)	—	(12,644)	
Vesting of awarded shares	—	1,766	—	(1,766)	—	—	—	—	—	—	
Shares for share award scheme	—	(8,477)	—	—	—	—	—	(8,477)	—	(8,477)	
Recognition of equity-settled share-based payments	—	—	—	2,431	—	—	—	2,431	—	2,431	
Final dividend – 2018	—	—	—	—	—	—	(117,621)	(117,621)	—	(117,621)	
At June 30, 2019 (unaudited)	659,545	(31,826)	(146,165)	10,791	(23,646)	20,454	2,691,778	3,180,931	(371)	3,180,560	

# Condensed Consolidated Financial Statements

## Consolidated Statement of Cash Flows (Unaudited)

For the six-month period ended June 30, 2019

	June 30 2019 US\$'000 (Unaudited)	June 30 2018 US\$'000 (Unaudited)
<b>Operating Activities</b>		
Profit before taxation	<b>306,750</b>	275,433
Adjustments for:		
Amortization/write-off of intangible assets	<b>55,411</b>	55,134
Amortization of lease prepayments	—	182
Depreciation of right of use assets	<b>30,808</b>	—
Depreciation on property, plant and equipment	<b>69,611</b>	62,962
Derecognition of right of use assets	<b>(3,487)</b>	—
Employee share-based payments expense	<b>2,431</b>	2,346
Fair value loss (gain) on foreign currency forward contracts	<b>6,871</b>	(7,399)
Fair value loss (gain) on listed equity securities	<b>7,065</b>	(6,647)
Finance costs	<b>25,166</b>	18,470
Gain on disposal of listed equity securities	—	(120)
Impairment loss on trade receivables, net of reversal	<b>8,945</b>	6,568
Interest income	<b>(17,817)</b>	(13,156)
Loss on disposal of property, plant and equipment	<b>2,639</b>	5,447
Write down of inventories	<b>19,157</b>	18,346
Share of results of associates	<b>(27)</b>	—
Operating cash flows before movements in working capital	<b>513,523</b>	417,566
Increase in inventories	<b>(214,873)</b>	(140,085)
Increase in trade and other receivables, deposits and prepayments	<b>(261,104)</b>	(124,226)
Increase in right to returned goods assets	<b>(2,982)</b>	—
Increase in bills receivable	<b>(1,461)</b>	(7,041)
(Increase) decrease in trade receivables from associates	<b>(8,477)</b>	1,410
(Decrease) increase in trade and other payables	<b>(36,396)</b>	96,749
Increase in refund liabilities from right of return	<b>3,203</b>	—
Decrease in bills payable	<b>(14,768)</b>	(9,927)
Increase in warranty provision	<b>3,477</b>	3,388
Increase in retirement benefit obligations	<b>2,776</b>	1,289
Net payment for purchase of shares for share award scheme	<b>(8,477)</b>	(4,673)
Cash (used in) generated from operations	<b>(25,559)</b>	234,450
Interest paid	<b>(25,166)</b>	(18,470)
Hong Kong Profits Tax paid	<b>(3,568)</b>	(6,152)
Overseas tax paid	<b>(18,605)</b>	(26,186)
Overseas tax refund	<b>1,192</b>	7,972
<b>Net Cash (used in) from Operating Activities</b>	<b>(71,706)</b>	191,614

	<b>June 30 2019 US\$'000 (Unaudited)</b>	June 30 2018 US\$'000 (Unaudited)
<b>Investing Activities</b>		
Additions to intangible assets	(75,690)	(62,511)
Interest received	17,817	13,156
Proceeds from disposal of listed equity securities	—	2,108
Proceeds from disposal of property, plant and equipment	5,472	1,669
Purchase of listed equity securities	—	(8,536)
Purchase of property, plant and equipment	(253,033)	(85,407)
Purchase of unlisted equity securities	(301)	—
Advances to associates	—	(126)
<b>Net Cash used in Investing Activities</b>	<b>(305,735)</b>	<b>(139,647)</b>
<b>Financing Activities</b>		
Increase in discounted bills with recourse	14,803	134,465
Dividends paid	(117,621)	(93,827)
New bank loans obtained	1,552,007	1,140,933
Proceeds from issue of shares	3,648	558
Repayment of bank loans	(923,556)	(1,211,517)
Repayment of lease liabilities	(31,188)	—
Repayment of obligations under finance leases	—	(1,491)
Buy-back of shares	(12,644)	(12,764)
<b>Net Cash from (used in) Financing Activities</b>	<b>485,449</b>	<b>(43,643)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>108,008</b>	<b>8,324</b>
<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>1,103,880</b>	<b>863,515</b>
<b>Effect of Foreign Exchange Rate Changes</b>	<b>(6,324)</b>	<b>(8,712)</b>
<b>Cash and Cash Equivalents at End of the Period</b>	<b>1,205,564</b>	<b>863,127</b>
<b>Analysis of the Balances of Cash and Cash Equivalents</b>		
Represented by:		
Bank balances, deposits and cash	1,205,564	863,127
	<b>1,205,564</b>	<b>863,127</b>

# Condensed Consolidated Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Unaudited)

### 1. Basis of preparation

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

The financial information relating to the year ended December 31, 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

### 2. Significant accounting policies

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standard (“HKFRS”), the accounting policies and method of computation used in the condensed consolidated financial statements for the six-month ended June 30, 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2018.

#### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

## 2. Significant accounting policies (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *As a lessee*

###### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

###### *Excludes non-lease components*

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

###### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of land and building, furniture and fixtures, plant and machinery and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

###### *Right of use assets*

Except for short-term leases and leases of low value assets, the Group recognizes right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right of use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right of use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right of use assets as a separate line item on the consolidated statement of financial position.

###### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right of use assets.



## 2. Significant accounting policies (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

##### *As a lessee (continued)*

##### *Lease liabilities*

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right of use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right of use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right of use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right of use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right of use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

## 2. Significant accounting policies (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognize right of use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right of use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at January 1, 2019, the Group recognized additional lease liabilities and measured right of use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16. C8(b)(i) transition.

## 2. Significant accounting policies (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is approximately 2.8%.

	At January 1, 2019 US\$'000
Operating lease commitments disclosed as at December 31, 2018	316,373
Lease liabilities discounted at relevant incremental borrowing rates	287,180
Add: Extension options reasonably certain to be exercised	1,863
Less: Recognition exemption – short-term leases	(585)
Recognition exemption – low value assets	(4,580)
Leases not yet commenced to which the entity is committed	(5,301)
Non-lease components to be excluded from the lease liability	(880)
Lease liabilities relating to operating leases recognized upon application of HKFRS 16	277,697
Add: Obligations under finance leases recognized at December 31, 2018 (note b)	1,013
Lease liabilities as at January 1, 2019	278,710
Analyzed as	
Current	55,559
Non-current	223,151
	278,710

The carrying amount of right of use assets as at January 1, 2019 comprises the following:

	Right of use assets US\$'000
Right of use assets relating to operating leases recognized upon application of HKFRS 16	255,558
Reclassification from lease prepayments (note a)	28,475
Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases (note b)	715
	284,748
By class:	
Leasehold land (lease prepayments)	28,475
Land and buildings	210,715
Office equipment, furniture and fixtures	2,528
Plant and machinery	2,930
Motor vehicles	40,100
	284,748

Note a: Upfront payments for leasehold lands were classified as lease prepayments as at December 31, 2018. Upon application of HKFRS 16, the lease prepayments amounting to US\$28,475,000 were reclassified to right of use assets.

Note b: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at January 1, 2019 amounting to US\$715,000 as right of use assets. In addition, the Group reclassified the obligations under finance leases of US\$288,000 and US\$725,000 to lease liabilities as current and non-current liabilities respectively at January 1, 2019.

## 2. Significant accounting policies (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following table summarizes the impact of transition to HKFRS 16 on retained profits at January 1, 2019.

	Impact of adopting HKFRS 16 at January 1, 2019 US\$'000
<b>Retained profits</b>	
Recognition of the differences between right of use assets and lease liabilities	<b>22,139</b>

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at December 31, 2018 US\$'000	Reclassifications US\$'000	Adjustments US\$'000	Carrying amounts under HKFRS 16 at January 1, 2019 US\$'000
<b>Non-current Assets</b>				
Property, plant and equipment	790,936	(715)	—	790,221
Lease prepayments	28,475	(28,475)	—	—
Right of use assets	—	29,190	255,558	284,748
<b>Current Liabilities</b>				
Lease liabilities	—	288	55,271	55,559
Obligations under finance leases	288	(288)	—	—
<b>Non-current Liabilities</b>				
Lease liabilities	—	725	222,426	223,151
Obligations under finance leases	725	(725)	—	—
<b>Capital and Reserves</b>				
Retained profits	2,559,178	—	(22,139)	2,537,039

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six-month ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

### 3. Segment information

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

#### For the period ended June 30, 2019

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

#### For the period ended June 30, 2018

	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Eliminations US\$'000	Consolidated US\$'000
Segment revenue				
External sales	2,962,123	468,705	—	3,430,828
Inter-segment sales	—	727	(727)	—
Total segment revenue	2,962,123	469,432	(727)	3,430,828

Inter-segment sales are charged at prevailing market rates.

#### Six-month period ended June 30

	2019			2018		
	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Consolidated US\$'000	Power Equipment US\$'000	Floor Care and Appliances US\$'000	Consolidated US\$'000
Segment results	313,928	144	314,072	280,176	571	280,747
Interest income			17,817			13,156
Finance costs			(25,166)			(18,470)
Share of results of associates			27			—
Profit before taxation			306,750			275,433
Taxation charge			(21,687)			(20,657)
Profit for the period			285,063			254,776

Segment results represent the profit earned by each segment without the allocation of interest income, finance costs and shares of results of associates. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating segment is disclosed as they are not regularly provided to the chief operating decision makers for review.

#### 4. Revenue

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

	Six-month period ended June 30	
	2019 US\$'000	2018 US\$'000
Sales of goods	3,706,835	3,422,054
Commission and royalty income	21,412	8,774
	<b>3,728,247</b>	3,430,828

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

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

	Six-month period ended June 30	
	2019 US\$'000	2018 US\$'000
North America	2,845,008	2,599,475
Europe	595,198	554,785
Other countries	288,041	276,568
	<b>3,728,247</b>	3,430,828

#### 5. Taxation charge

	Six-month period ended June 30	
	2019 US\$'000	2018 US\$'000
Current tax:		
Hong Kong Tax	(874)	(754)
Overseas Tax	(22,837)	(13,385)
Deferred Tax	2,024	(6,518)
	<b>(21,687)</b>	(20,657)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

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

## 6. Profit for the period

	Six-month period ended June 30	
	2019 US\$'000	2018 US\$'000
Profit for the period has been arrived at after charging (crediting):		
Amortization of intangible assets	54,551	53,956
Amortization of lease prepayments	—	182
Depreciation of property, plant and equipment	69,611	62,962
Depreciation of right of use assets	30,808	—
<b>Total depreciation and amortization</b>	<b>154,970</b>	117,100
Fair value loss (gain) on listed equity securities	7,065	(6,647)
Impairment loss on trade receivables, net of reversal	8,945	6,568
Net exchange (gain) loss	(1,442)	509
Write down of inventories	19,157	18,346
Staff costs	624,869	514,050

## 7. Dividends

A dividend of HK50.00 cents (approximately US6.44 cents) per share with a total of approximately US\$117,621,000 (2018: HK39.75 cents (approximately US5.12 cents) per share with a total of approximately US\$93,827,000) was paid to shareholders as the final dividend for 2018 (2018: final dividend for 2017) on June 21, 2019.

The Directors have determined that an interim dividend of HK45.00 cents (approximately US5.79 cents) per share with a total of approximately US\$105,870,000 (2018: HK38.00 cents (approximately US4.89 cents) per share with a total of approximately US\$89,595,000) shall be paid to the shareholders of the Company whose names appear in the Register of Members on September 6, 2019.

## 8. Earnings per share

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

	Six-month period ended June 30	
	2019 US\$'000	2018 US\$'000
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to Owners of the Company	<b>285,004</b>	254,737
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,825,960,944</b>	1,833,993,305
Effect of dilutive potential ordinary shares:		
Share options	<b>5,724,117</b>	6,028,096
Share awards	<b>687,353</b>	410,094
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,832,372,414</b>	1,840,431,495

The computation of diluted earnings per share does not assume the exercise of certain Company's share options because exercise price of those options were higher than the average market price of the Company's shares for the period ended June 30, 2019 and 2018.

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

During the period, the Group spent approximately US\$253 million (for the six-month ended June 30, 2018: US\$86 million) and US\$76 million (for the six-month ended June 30, 2018: US\$63 million) on the acquisition of property, plant and equipment and intangible assets respectively.

During the period, the Group entered into certain new lease agreements for the use of land and buildings, office equipment, furniture and fixtures, plant and machinery and motor vehicles. The Group is required to make periodic payments. On lease commencement, the Group recognized US\$39,141,000 of right of use asset and US\$39,141,000 lease liability.



## 10. Trade and other receivables/Bills receivable

The Group has a policy of allowing credit periods ranging mainly from 30 days to 120 days. The aging analysis of trade receivables, net of allowances for credit losses, based on invoice date, at the end of the reporting period is as follows:

Age	June 30 2019 US\$'000	December 31 2018 US\$'000
0 to 60 days	1,141,082	680,424
61 to 120 days	140,661	346,055
121 days or above	36,809	62,684
Total trade receivables	1,318,552	1,089,163
Other receivables	55,060	37,635
	<b>1,373,612</b>	1,126,798

All the Group's bills receivable at June 30, 2019 are aged within 120 days.

## 11. Trade receivables from associates

The trade receivables from associates are aged within 120 days.

## 12. Trade and other payables/Bills payable

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

Age	June 30 2019 US\$'000	December 31 2018 US\$'000
0 to 60 days	794,959	822,557
61 to 120 days	203,121	248,261
121 days or above	11,659	15,006
Total trade payables	1,009,739	1,085,824
Other payables	875,196	835,628
	<b>1,884,935</b>	1,921,452

All the Group's bills payable at June 30, 2019 are aged within 120 days.

## 13. Unsecured borrowings

During the period, the Group obtained new bank borrowings of US\$1,552 million (2018: US\$1,141 million) which mainly carry interest at the London Interbank Offered Rate. The Group also repaid bank borrowings of US\$924 million (2018: US\$1,212 million).

## 14. Share capital

	Number of shares		Share capital	
	June 30 2019	December 31 2018	June 30 2019 US\$'000	December 31 2018 US\$'000
<b>Ordinary shares</b>				
Authorized shares	2,400,000,000	2,400,000,000	N/A	N/A
Issued and fully paid:				
At the beginning of the period	1,828,521,941	1,835,021,941	654,991	653,918
Issue of shares upon exercise of share options	1,855,000	600,000	4,554	1,073
Buy-back of shares	(2,350,000)	(7,100,000)	—	—
At the end of the period	1,828,026,941	1,828,521,941	659,545	654,991

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

Month of cancellation	No. of ordinary shares	Price per share		Aggregate consideration paid US\$'000
		Highest HK\$	Lowest HK\$	
January 2019	2,350,000	43.00	40.45	12,644

The consideration paid on the buy-back of the shares of approximately US\$12,644,000 was charged to retained profits.

## 15. Contingent liabilities

	June 30 2019 US\$'000	December 31 2018 US\$'000
Guarantees given to banks in respect of credit facilities utilized by associates	8,877	8,877

## 16. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities are measured on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Condensed Consolidated Financial Statements  
Notes to the Condensed Consolidated Financial Statements (Unaudited)

**16. Fair value measurements of financial instruments** (continued)

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	June 30, 2019	December 31, 2018		
1) Acquisition right of certain property, plant and equipment classified as derivative financial instruments in the consolidated statement of financial position	<b>Acquisition right of certain property, plant and equipment: US\$9,441,000</b>	Acquisition right of certain property, plant and equipment: US\$9,441,000	Level 2	Measured at the fair value of the land and buildings associated with the acquisition right which is based on a valuation by 3 <sup>rd</sup> party independent valuer at the end of the financial year.
2) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	<b>Assets – US\$28,202,000; and Liabilities – US\$1,046,000</b>	Assets – US\$33,788,000; and Liabilities – US\$712,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Listed equity securities classified as financial assets at FVTPL in the consolidated statement of financial position	<b>Listed shares: US\$25,762,000</b>	Listed shares: US\$32,828,000	Level 1	Quoted bid prices in an active market.
4) Other financial assets classified as financial assets at FVTPL in the consolidated statement of financial position	<b>Club membership debentures: US\$2,317,000</b>	Club membership debentures: US\$2,316,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.
	<b>Unlisted equity securities: US\$3,301,000</b>	Unlisted equity securities: US\$3,000,000	Level 3	The fair value was arrived at with reference to the latest purchase price per share arising on subscribing for the shares in private market.
	<b>Other: US\$45,000</b>	Other: US\$45,000	Level 2	The fair value was arrived at with reference to recent transaction prices for similar comparables with similar characteristics.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values. There were no transfers between different levels in both periods.

**17. Capital commitments**

	June 30 2019 US\$'000	December 31 2018 US\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>33,801</b>	119,350